KNOWLEDGE CREATION IN PUBLIC ADMINISTRATIONS

Innovative Government in Southeast Asia and Japan

Edited by
Ayano Hirose Nishihara
Masaei Matsunaga
Ikujiro Nonaka
Kiyotaka Yokomichi

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Editors
Ayano Hirose Nishihara
Department of Global Business,
College of Business, Rikkyo University
Tokyo, Japan

Masaei Matsunaga
Infrastructure and
Peacebuilding Department
Japan International Cooperation
Agency
Tokyo, Japan

Ikujiro Nonaka
Hitotsubashi University
Tokyo, Japan

Kiyotaka Yokomichi
National Graduate Institute for Policy
Studies
Tokyo, Japan

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Foreword

Countries in Asia, including those of the ASEAN group, have undergone enormous changes over the last three decades, but remain confronted with many economic, political, and social policy challenges. Public sector reforms are crucial for their achievement of sustainable economic and social development. Unfortunately, we cannot say with confidence that the public sectors of these countries have developed the capacity to meet the many challenges that they face. Nor can we say for sure that the efforts that have been made so far in respect of public sector reforms, which have often been informed by the New Public Management (NPM) paradigm, have been highly successful.

This book is an attempt to revisit the concepts of public sector reform and government innovation, in light of the new theoretical perspective of Knowledge Creation. This theory is built on the insights provided by Professor Emeritus Ikujiro Nonaka of Hitotsubashi University, Japan from his extensive study of Japanese companies. Case studies included in this book examine public sector reforms in four ASEAN countries; Indonesia, the Philippines, Thailand, and Vietnam, as well as in Japan. These show that Nonaka's SECI model, which focuses on the process of knowledge creation, the Middle-Up-Down management style typical of resilient organizations, and the Phronetic leadership approach, which emphasizes six of the abilities required of a good leader, is useful for understanding public sector development in ASEAN countries and in Japan. It is also useful in addressing such issues as capacity building, organizational innovation, and enhancement of response capability in public organizations.

This book, together with its companion, *Knowledge-Creating Communities: A New Paradigm for Community Development*, is an outcome of the research project “Case Study and Modeling of Organization Management in Southeast Asia.” This was a joint project carried out by the Japan International Cooperation Agency (JICA), the Graduate School of International Corporate Strategy at Hitotsubashi University, and the National Graduate Institute for Policy Studies (GRIPS), between March 2013 and September 2015.

I am confident that this book will contribute to our understanding of leadership and management in the public sector of Asian countries, and that it will provide insights for a new theory of public administration in Asia and beyond.

Takashi Shiraishi
Former President
National Graduate Institute for Policy Studies
Tokyo, Japan

Preface

The intent of this book is to present a new paradigm of leadership and management in public administration, especially at the national, regional and municipal levels, that operationalizes organizational transformation and policy reforms grounded in the knowledge creation theory of management.

In the recent past, national, regional and municipal administrations in many countries have striven to accelerate their organizational transformation, policy reform and/or institutional change processes, to react to the increasingly volatile and uncertain external environments they find themselves having to face. How public administration can be more innovative and effective in coping with societal issues has become truly critical for any country, and this fact has led to intensified inquiries into new ways of managing these entities. The practices holistically conceptualized as "New Public Management" have been earnestly adapted from the West since the turn of the new Millennium, but have generally fallen short of facilitating the much needed innovation in policies and administrative reforms in the adopting countries of the Asia Pacific.

In their 2012 bestseller "Why Nations Fail—The Origins of Power, Prosperity and Poverty," Acemoglu and Robinson (2012) argued that the success of a nation depends on establishing inclusive economic and political institutions. Through intensive research, they concluded that together with an open and fair government system, inclusive institutions create potent momentum towards economic growth, by encouraging investment, harnessing the power of markets and generating broad political and economic participation. The existence of such institutions within open and fair political, economic and legal systems means that citizens are free to conduct their own economic activities and may even voluntarily seek to collaborate with each other. Collaboration facilitates the integration of knowledge, which in turn results in innovation. On the contrary, in what is called an "extractive" social system, society struggles to combine its existing knowledge, hindering opportunities for innovation.

Their findings and arguments are persuasive; nevertheless, readers are left with open questions in relation to the crucial processes through which an inclusive institution emerges, and the role of public administration in these processes. What we try to offer by grounding our work in knowledge-based management theory is a theoretical framework that clarifies these processes in the current context of Southeast Asia and Japan. By focusing on the dynamic processes of knowledge creation for the purpose of solving societal issues, we assume that we may be able to understand the major factors that facilitate or impede institutions' transformative processes.

With a view to finding alternative management approaches for public administrations, scholars in four Southeast Asian countries (Indonesia, Philippines, Thailand, and Vietnam) and Japan formed a joint research project in 2013 within the existing collaboration between the Japan International Cooperation Agency (JICA), the National Graduate Institute for Policy Studies (GRIPS), and the Graduate School of International Corporate Strategy, Hitotsubashi University (Hitotsubashi ICS). This project took advantage of the 10 years of joint studies between JICA and Hitotsubashi ICS. The project's intention was to identify factors that affect the effectiveness or the performance of public administrative bodies by determining whether the knowledge-based management theory used in the private sector is also applicable to public sector management.

Within the scope of this project, the researchers from the five countries conducted intensive case studies on the innovative processes of public organizations at national, regional, municipal, and community levels. This work has identified important cases of reform in various national, regional, and municipal administrations, as well as in relation to community development. In this book, we focus on those innovative public administrations. Its sister book, *Knowledge-Creating Communities: A New Paradigm for Community Development*, focuses on the knowledge creation process in community development that leads to the transformation of mindsets and actions within a community.

However, the two books share the same theoretical foundation—the knowledge creation theory of management—and similar hypotheses and purposes. These are to: (1) promote these distinguished case studies from the five countries as exemplars in solving societal issues within diverse contexts; (2) discuss how critical knowledge creation processes are formed in public administrations, and what affects these processes—effectiveness in explaining the phenomena—using these case studies; and (3) to present the implications of this research on practices for public sector organizations derived from knowledge-based management theory. In Chap. 1, the basic concepts and frameworks of knowledge-based management theory are presented. These are: the SECI model, the concept of *Ba*, the concept of middle up-down management, the structure and response of the dynamic fractal organization, and *phronesis* (wise leadership). Chapters 2–9 present case studies of innovative public administrations, starting from the municipal level, and progressing through regional and national levels of administration. The chapters are divided into four parts, and the title, name of leading author and brief introduction of each case study are as follows:

Part I: Knowledge Creation in Municipal Administrations

Chapter 2: Belmonte and Quezon City (Philippines)

Eduardo T. Gonzalez, Professor of Center for Integrative Development Studies, and Zita Concepcion Calugay, Assistant Professor, National College of Public Administration and Governance, University of the Philippines.

- This case study is about the redevelopment of a city in the metropolitan urban core of the Philippines. Feliciano Belmonte, Jr., the mayor of Quezon City, redeveloped the largest city in Metro Manila from an economic laggard to one of the country's wealthiest and most well-managed cities during his time as Mayor.

Chapter 3: Toward Surabaya Cyber City: From GRMS to E-Sapawarga (2004-2014) (Indonesia)

Agus Pramusinto, Professor and Chairman, Department of Public Policy and Management, and Erwan Agus Purwanto, Dean, Faculty of Social and Political Sciences, University of Gadjah Mada.

- This case study is about the redevelopment of a city outside the Metropolitan Core. Ir. Tri Rismaharini MT, known as Ibu Risma, the Mayor of Surabaya City, changed the internal working patterns of this city's bureaucracy. Thanks to her, a city once only notorious for its extremely hot weather was transformed into a "Cyber City," today known for its green gardens where people can take walks and breathe fresh air untainted by pollution.

Chapter 4: Tono Style Community Development (Japan)

Takei Takeji, Former President of the Local Autonomy College.

- This case study is about the revival of an ailing city in the northeastern part of Japan. The city faced the challenges of a declining population and an aging society. However, Toshiaki Honda, the Mayor of Tono City, led the revival of the city by implementing new policies to increase the nonresident population through tourism, to create a comfortable environment for raising children, and to introduce safe and secure town management.

Part II: Knowledge Creation in Regional Administrations

Chapter 5:The Institutionalizing of Innovations in Jembrana Regency under Regent I. Gede Winasa, 2000-2010 (Indonesia)

Sadu Wasistiono, Professor, Institute of National Governance.

- This case study is about administrative reform in Bali, Indonesia. Under the paradigm shift from centralized government controlled by the national bureaucracy, and dominated by the military, to local government controlled by the people that occurred in the early 2000s, I. Gede Winasa, the head of Jembrana Regency, introduced a set of innovations with the aim of making local government more efficient, transparent, and accountable to the people.

Chapter 6: Thinking Big for the Common Good: A Case Study of the Household Block-Grant Initiative in Agriculture Management (Vietnam)

Tran Thi Thanh Thuy Deputy Director, and Nguyen Thi Thanh Tam, Senior Lecturer, Institute of Leadership and Public Policy, Ho Chi Minh National Academy of Politics.

- This case study is about the pioneering role played by local government as the "middle manager" in a country; one which ignited the process of a fundamental societal transformation in that country. In the 1960s, a province in Vietnam introduced agrarian reform based on the reality of local farming, which sharply contradicted the then current national policy, and cost the provincial leader his job. Nonetheless, twenty years later, that retracted policy was eventually reintroduced at the national level, when the government was forced to recognize the reality of the then catastrophic conditions in Vietnamese agriculture.

Part III: Knowledge Creation in National Administrations

Chapter 7: Co-Creating the Census Serbilis (Philippines)

Magdalena L. Mendoza, Senior Vice President, Maria Christina R. Valte, former Senior Project Officer, and Krichelle Alyce L. Ching, Technical Assistant to Senior Vice President, Development Academy of the Philippines.

- This case study is about the organizational transformation of a national government agency in the Philippines. One man's vision and leadership turned the National Statistics Office of the Philippines into arguably the most relevant government agency in the lives of all Filipinos.

Chapter 8: Dr. Sanguan Nitayarumphong and Public Health Care Reform (Thailand)

Supasawad Chardchawarn, Professor and Dean, Faculty of Political Science, Thammasat University.

- This case study is about policy reform in national public health care in Thailand. In the past, a large number of Thai people were without access to proper medical health care from the government. Sanguan Nitayarumphong, a medical doctor with experience working in rural hospitals, played a leading role in the change in the Thai public health care system brought about by implementing the "National Universal Coverage Act". Since the implementation of this Act, every Thai citizen has universal health coverage and extensive rights under the national public health care system.

Chapter 9: Redefining Reality—A Case Study of the Emerging Leadership of Truong Chinh (Vietnam)

Bui Phuong Dinh, Director, Institute of Leadership and Public Policy, Ho Chi Minh National Academy of Politics.

- This case study is about the major changes in the economic management and operation of Vietnam, known as Doi Moi (renovation). These covered the movement from a "centrally planned economy" to a "market economy with a socialist orientation." As Chairman of the State Council at that time, Truong Chinh paid great attention to economic development and to the protection of the country. This case study depicts the process of changes in the mindset of the leader, and documents the reasons for his decision to support Vietnam's Doi Moi direction.

Part IV: Knowledge Based Reform

In Chaps. 10–12, we apply the knowledge creation theoretical framework to the interpretation of on-going public sector reform initiatives. Leading experts in Indonesia and the Philippines examine how the new perspective has changed the course of reform in these two countries. This final set of studies focuses on the knowledge-based paradigm of societal and organizational development, in which the structural constraints that undermine the effectiveness of reform programs are clarified. These are:

Chapter 10: Knowledge-based Public Sector Reform: The Philippines Experience

Alex B. Brillantes Jr., former Commissioner, Commission on Higher Education, and Professor, National College of Public Administration and Governance, University of the Philippines, Lizan E. Perante-Calina, Lecturer, and Bootes Esden Lopos, National College of Public Administration and Governance, University of the Philippines.

Chapter 11: Leadership and Management Development: The Indonesia Experience

Eko Prasojo, Professor and Dean, Faculty of Administrative Science, and Defny Holidin, Lecturer, University of Indonesia.

Chapter 12: Knowledge-based Paradigm of Public Sector Reform in Asia

Masaei Matsunaga, Deputy Director General, Infrastructure and Peacebuilding Department, Japan International Cooperation Agency.

In Chap. 13, as the conclusion of the book, the study's general findings and implications for public policy management are discussed from the point of view of knowledge-based management theory. This book is one of the first to provide a thorough analysis of the innovations in public administration that have transformed organizations and/or reformed policy, and offers a new perspective on the inquiry into an alternative paradigm for policy innovation and administrative reforms. In addition, this book may be one of the first to analyze public administration from the perspective of knowledge-based management theory. In addition to this, our effort is perhaps the first in the field of public management to explore the impact of indigenous factors in the process of policy innovation and administrative reform, and the leadership required to facilitate this process, that has a clear grounding in knowledge-based management theory. This book may also be a rare case of a comparative study by a group of leading academics and practitioners who have spearheaded reform initiatives in four Southeast Asian countries and Japan.

This book is intended for readers interested in, studying, or exercising public administration and public policy, as it sheds light on a theory that is new to these areas. Specifically, we hope the book will find its way into the hands of students and academics in programs of public administration and public policy management, as well as those government officials and community leaders concerned about reform initiatives. It is our hope that this book will be read by those whose challenge it is to change ineffective and uncreative public management. Although the context is public administration and policy making in specific ASEAN countries and Japan, knowledge-based management theory is applicable to any part of the world.

While this book is an outcome of diversity and its synthesis; it is also an output of collaboration and co-creation among academics and practitioners from five countries. We spent over 2 years on the project, holding intensive workshops, dialogue and discussions, which would not have been possible without the support of the representatives from Indonesia, the Philippines, Thailand, and Vietnam, and the kind support we received from the staff members of JICA, the JICA Research Institute, GRIPS, and Hitotsubashi ICS. Our special appreciation goes to the contributors to this book, as mentioned, and to the following members of this project:

Indonesia;

The late Prof. Dr. Agus Dwiyanto, former Chairman, National Institute of Public Administration (NIPA);

Dr. Anwar Sanusi, Secretary General, Ministry of Village, Development of Disadvantaged Areas and Transmigration;

The Philippines;

The late Dr. Cayetano W. Paderanga Jr., Chairman, Development Academy of the Philippines (DAP);

Dr. Lizan Perante Calina, Executive Director, Philippine Society for Public Administration;

Thailand;

Dr. Borwornsak Uwanno, former Secretary General, Prof. Woothisarn Tanchai, Secretary General, and Prof. Orathai Kokpol, Deputy Secretary General, King Prajadhipok Institute (KPI);

Mr. Visoot Prasitsiriwongse, Deputy Secretary General, Office of the Civil Service Commission (OCSC), Bangkok;

Mom Rajawongse Disnadda Diskul, Secretary General, The Mae Fah Luang Foundation under Royal Patronage (MFLF);

Vietnam;

Prof. Dr. Ta Ngoc Tan, former President, Dr. Ngo Huy Duc, Director, Institute of Political Science, Ho Chi Minh National Academy of Politics;

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Ms. Atsuko Kikuchi, President, Japan Association for Public Human Resources Development;

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Mr. Norio Fukuta, Director General, Human Resources Bureau, NPA;

Mr. Kuninori Matsuda, former Deputy Director General, National Institute of Public Administration NPA ;

Yoichi Niiya, former Director of International Affairs Division, NPA;

Dr. Akihiko Tanaka, former President and Mr. Hiroshi Kato, Senior Vice President, Japan International Corporation Agency (JICA);

Ishiro Tambo, Director, and Staff members of Research Program Division, the JICA Research Institute;

Prof. Takashi Shiraishi, former President, Prof. Masahiro Horie, Director of Executive Development Center for Global Leadership, Prof. Hirofumi Takada, Professor, and Staff members of the Research Support and International Affairs Division, National Graduate Institute for Policy Studies (GRIPS);

Prof. Kazuo Ichijo, Dean, Graduate School of International Corporate Strategy, Hitotsubashi University; and

Dr. Hideki Kawada, CEO of Phronetic Co., Ltd.

We must note that the five country joint research project was made possible by the extraordinary efforts of the region's foremost scholars in the field of governance. As the leaders of research groups in respective countries, they have led the project to a successful completion. We extend our deepest appreciation to

Prof. Eko Prasojo, Dean, Faculty of Administrative Science, University of Indonesia;

Dr. Alex B. Brillantes Jr., former Commissioner, Commission on Higher Education, and Professor, National College of Public Administration and Governance, University of the Philippines;

Prof. Woothisarn Tanchai, Secretary General, King Prajadhipok's Institute, Thailand; and

Dr. Bui Phuong Dinh, Director, Institute of Leadership and Public Policy, Ho Chi Minh National Academy of Politics, Vietnam.

Had it not been for their leadership, this book couldn't have materialized.

Finally, we hope this book will be a first but important step towards co-creating values for society through collaboration in the private and public sectors. In this way, we will co-create and innovate by unleashing our knowledge potential.

Tokyo, Japan

Ayano Hirose Nishihara
Masaei Matsunaga
Ikujiro Nonaka
Kiyotaka Yokomichi

Contents

Notes on Contributors

Japan

Ayano Hirose Nishihara is an Assistant Professor, Department of Global Business, College of Business, Rikkyo University, and a research collaborator to Professor Emeritus Ikujiro Nonaka. She received her B.A. (Law) from Nagoya University, MBA in 2005 and DBA in 2011 from The Graduate School of International Corporate Strategy, Hitotsubashi University. Prior to her academic track, she worked as an assistant manager at NEC Corporation. Her research topics include knowledge creation at public and private organizations and communities, knowledge-creating leadership, and social innovation. Her recent publications include Nonaka, I., Hirose, A., & Takeda, Y. (2016). "Meso"—Foundations of Dynamic Capabilities: Team—Level Synthesis and Distributed Leadership as the Source of Dynamic Creativity. *Global Strategy Journal*, *6*(3), 168–182.

Ikujiro Nonaka is a Professor Emeritus, Hitotsubashi University, the world-renowned founder of the theory of knowledge-based management. He received his B.A. (Political Science) from Waseda University, MBA in 1968 and Ph.D. (Business Administration) in 1972 from the University of California, Berkeley. Prior to his academic track, he worked at Fuji Electric Corporation. He has won wide-ranging recognition for his work in developing the knowledge-based management theory, and recently received the Lifetime Achievement Award by Thinkers50. His research interests are in the organizational knowledge creation and wise leadership in private, public, and social organizations. His recent publications include Nonaka, I., & Takeuchi, H. (2011). The wise leader. *Harvard business review, 89*(5), 58–67.

Kiyotaka Yokomichi is Vice President and Professor of National Graduate Institute for Policy Studies (GRIPS). He is a graduate of the University of Tokyo. After working for Japan's Ministry of Home Affairs, he joined the faculty of the Graduate School of Policy Science (GSPS), Saitama University in 1988. He is a leading expert on local administration and governance, with extensive research and practical experience in the area of local government reform in Japan. One of the founders of GRIPS, Professor Yokomichi now specializes in capacity development of government officials in Japan and other countries in Asia.

Masaei Matsunaga is Deputy Director General of Infrastructure and Peacebuilding Department, Japan International Cooperation Agency (JICA), the core implementing body of government's cooperation programs with emerging countries. Since 1985, he has been pioneering JICA's initiatives designed for the capacity development of public organizations in emerging countries. In particular, since 2003, he has been exploring a new paradigm of development cooperation in collaboration with Prof. Ikujiro Nonaka and his colleagues, by synthesizing the mainstream ideas of development studies and unique perspectives of Japan's own development experiences. As an experienced practitioner in the field of governance in Asia, he also taught as a professor of the National Graduate Institute for Policy Studies from 2012 to 2015.

Hideki Kawada is the CEO, Phronetic Co., LTD., and Visiting Lecturer, Graduate School of International Corporate Strategy, Hitotsubashi University. He received his B.S. (Astrophysics) from University of California, Los Angeles, and MBA in 2002 and DBA in 2008 from the Graduate School of International Corporate Strategy, Hitotsubashi University. Prior to his academic track, he worked as a corporate planning manager at Fukagawa Co., Ltd. Supervised by Professor Emeritus Ikujiro Nonaka, he has worked to develop leadership programs and conducted researches on wise leadership in Asian countries. In 2012, he established his own company, Phronetic Co., LTD., to provide training programs to foster wise leadership.

Takeji Takei is a Visiting Professor and former President of Local Autonomy Collage of the Government of Japan. After graduating from the engineering faculty of Tokyo University in 1980, he entered Ministry of Home Affairs, currently reorganized as Ministry of Internal Affairs and Communications, and held various senior posts in the ministry, including Director General for Civil Protection and Disaster Management, and Director General for Regional Vitalization. He also engaged in the Management of Prefectural Governments in Iwate and Fukuoka as Head of Departments for Planning and Administration in the former and Vice Governor in the latter. After retiring from the ministry in 2013, he is teaching at the college.

Indonesia

Eko Prasojo is Professor for Public Administration and Dean Faculty of Administrative Science University of Indonesia. He was the Vice Minister of Administrative Reform in the Republic of Indonesia 2011–2014. Eko Prasojo was involved in several drafts of law on public sector reform and decentralization in Indonesian. He was a member of Advisory Council for Local Autonomy in Indonesia (2006–2011). Eko Prasojo is active in some public administration organization such as the Eastern Regional Organization of Public Administration (EROPA), the Vice President of Asian Group for Public Administration (AGPA), President of the Indonesian Association of Public Administration (IAPA), Vice Presiden of the Asian Association for Public Administration (AAPA), and a member of Committee Expert of Public Administration, the United Nation (UN CEPA). He was also Senior Consultant for Development Support to Indonesia from Australia, US, and Germany.

Defny Holidin is a Lecturer in Public Administration at Universitas Indonesia. His research areas lie upon administrative reform trajectories, public sector innovation, and institutional engineering. Besides conducting a joint-research with National Graduate Institute for Policy Studies (GRIPS), he was also in cooperation with University of New South Wales on the "Making Reform Happen" project. Holidin has coauthored a policy paper on transformative leadership and competencies of public servants for the 15th Session of the United Nations Committee of Experts on Public Administration, 2016. In Indonesia, he previously commissioned a position paper advising the Yudhoyono administration on bureaucracy reform continuation.

Agus Pramusinto is a Professor and the Chairman of the Department of Public Policy and Management, Universitas Gadjah Mada. He received his Ph.D. in Policy and Governance from the Australian National University. He has participated in international conferences and published journal articles in several international journals. He just contributed a chapter on "Weak Central Authority and Fragmented Bureaucracy: A Study of Policy Implementation in Indonesia" in Jon S.T. Quah (ed.) *The Role of the Public Bureaucracy in Policy Implementation in Five ASEAN Countries,* Cambridge University Press, 2016. His interests are local government and administrative reform. He has worked with local/national governments and international organizations. He can be followed at aguspramusinto@ugm.ac.id

Erwan Agus Purwanto is a Lecturer at the Department of Public Policy and Management (PPM), Faculty of Social and Political Sciences, Universitas Gadjah Mada (Fisipol-UGM). He has been serving as the Dean at Fisipol-UGM since 2012. He got his BA in public administration (1992) and M.Sc in policy science (1997) both from Universitas Gadjah Mada, Yogyakarta. He received his Ph.D. in social science from the Amsterdam School for Social Science Research (ASSR), Faculty of Social and Political Science, University of Amsterdam, in 2004. He teaches public policy analysis, research methodology, and disaster management in undergraduate and graduate program of public policy and management. Currently, he is conducting research on local government transparency and Indonesian administrative reform. E-mail: erwan@ugm.ac.id.

Anwar Sanusi is the Secretary General Ministry of Villages, Development of Disadvantages Regions, and Transmigration Republic Indonesia. Under the Jokowi and Jusuf Kalla Administration, this Ministry plays very important role to develop Indonesia from peripherial through villages. Prior hold this position, he held several positions such a Director of Center for Development of Policy Analyst, Director of the Center for Innovation of Institutional and Human Resources Studies, and other positions related research and development and training and education for civil servants at the National Institute of Public

Administration (NIPA), Republic Indonesia. He is also a country expert for some Asian Productivity Organization Project for the some projects include *Measuring Public Sector Productivity in Selected Asian Countries.*

Sadu Wasistiono is the Senior Lecturer of Indonesia Governance Institute (IPDN) in Bandung, Indonesia. Professor of Government Systems and Decentralization. Former Vice Rector of IPDN. Director of Center for Government Management Studies in Bandung. He was previously Director of Post Graduate Programs in several institute/universities (IPDN, Unjani, Unigal). Former member of team for revision of several laws and regulations about decentralization and local government in Indonesia. Active as trainer in several kinds of local government apparatus training over all Indonesia. His books include Ekologi Pemerintahan (Government Ecology), Metodologi Ilmu Pemerintahan (Government Science Methodology), Politik Desentralisasi di Indonesia (Politic of Decentralization in Indonesia).

The Philippines

Alex Bello Brillantes, Jr., Ph.D. is Professor of Public Administration at the National College of Public Administration and Governance of the University of the Philippines. He is on secondment as Commissioner to the Commission on Higher Education. Brillantes earlier served as Executive Director of the Local Government Academy of the Department of Interior and Local Government and President of the Philippine Society for Public Administration. He obtained his Ph.D. and M.A. from the University of Hawaii, and MPA and AB from the University of the Philippines. His areas of expertise are in governance, institutions, development administration, local governance, and higher education.

Lizan Perante-Calina, DPA is a University Lecturer at the National College of Public Administration and Governance, University of the Philippines (UP-NPCAG) where she obtained her Doctor of Public Administration in 2016. She is also a lecturer at the Center for Local and Regional Governance of UP-NCPAG, Executive Director of the Philippine Society for Public Administration, and Associate Editor of the Philippine Governance Digest. She is connected with the Legislative Research Service, Reference and Research Bureau House of Representatives. Her recent publication is entitled Citizen's Charter: An Assessment of Contributions to Frontline Service Delivery.

Bootes Esden Lopos holds a Master in Public Management degree from the University of Potsdam, Germany, having graduated on top of her class. She is now a doctoral student at the National College of Public Administration and Governance, University of the Philippines, where she worked for more than a decade and also taught. She also worked at the Commission on Higher Education. She is now serving as a consultant in the City Government of Taguig, and engaged in various undertakings meant to help people and contribute meaningfully to society.

Eduardo T. Gonzalez is Professor at the Center for Integrative Development Studies, University of the Philippines. He is a member of the editorial board of the quarterly academic journal *Asian Politics and Policy*. He is the immediate past Dean of the Asian Center, University of the Philippines, and the former President of the Development Academy of the Philippines. He was Alternate Director for the Philippines of the Asian Productivity Organization. He was also a member of various Philippine boards, including the Philippine Social Science Council, the Foreign Service Institute, and the Career Executive Service Development Board. He obtained his Ph.D. in public policy from the University of Pennsylvania. He has a master's degree in urban and regional planning from the University of the Philippines.

Zita Concepcion P. Calugay is an Assistant Professor at the National College of Public Administration and Governance, University of the Philippines (UP-NCPAG). She handles courses in public administration theory, organization and management, human resource development, ethics and accountability, local government, and regional administration. She was previously a University Researcher at the UP Center for Local and Regional Governance where she was engaged in research, training, and management consultancy on local government development and administration. She finished her Master of Public Management at the University of Potsdam, Germany. She is currently pursuing her Doctor of Public Administration at the UP-NCPAG.

Magdalena L. Mendoza is the Senior Vice President of the Development Academy of the Philippines, a think-tank and training arm of the government. She oversees the Academy's core business group and technical excellence centers. Concurrently, she leads the implementation of flagship government programs—the National Government Career Executive Service Development Program and the

New Performance-Based Incentive System. She serves in a number of government committees and technical working groups and as expert, provides high-level advisory and consultancy on public sector productivity, government quality, and management reforms. She is credited locally and internationally for her contributions in selected publications and researches on governance and productivity.

Ma. Christina R. Valte was a Senior Project Officer at the Development Academy of the Philippines (DAP) from 2011 to 2016, and served as the Program Manager of the ARMM/Bangsamoro Program Office where she provided technical leadership and managed programs geared toward capacity development in the Autonomous Region in Muslim Mindanao and the envisioned Bangsamoro. Before joining DAP, Ms. Valte worked for over 15 years with nongovernmental organizations that advocate shelter rights for the urban poor, and served as Teaching Associate at the University of the Philippines' Department of Political Science for three years. She is currently an independent consultant.

Krichelle Alyce L. Ching serves as a project and research technical assistant to the Senior Vice President for Programs of the Development Academy of the Philippines. She assists in managing business operations, from strategic planning, budget preparation, monitoring, and evaluation, to crafting quality improvement plans and other project engagements. She also works on the Center of Excellence on Public Sector Productivity Program which propagates the productivity movement in the public sector.

Thailand

Tanchai, Woothisarn is the Secretary General of the King Prajadhipok's Institute and Associate Professor at the Department of Community Development, Faculty of Social Administration, Thammasat University. He is also a qualified committee member of the Ministry of Culture, a subcommittee of the Office of the Public Sector Development Commission (OPDC), and a subcommittee of the National Anti-Corruption Commission (NACC). His master's degrees were in Public Administration from the National Institute of Development Administration, Bangkok and in Policy Science (International Program) from Saitama University, Japan. His research interests include decentralization, local governance, and citizenship. He served as a member of the Constitution Drafting Assembly in 2007, as a Constitution Drafting

Committee member between 2014 and 2015, and as an advisor to the second Constitution Drafting Committee in 2015 and 2016. His recent publications are "Special City: Concept and Possibility" and "Research Project on National Reconciliation Promotion" in 2012.

Kittima Bunnag currently serves as an independent Human Capital professional, at King Prajadhipok's Institute with directive responsibility for Human Resource consultant and curriculum design of Curriculum academic Board. She was previously Human Resource Director at PricewaterhouseCooper Thailand (pwc). Kittima is a versatile Human Capital professional with hands-on corporate and consulting experience through change and challenge by implementing Human Capital strategic planning, establishing direction, and executing initiatives in support of business objectives and corporate goals. Specialties: Human Resource Management, Human Resource Development, Leadership Effectiveness and Development

Orathai Kokpol is Deputy Secretary General and Director of the College of Local Government Development of King Prajadhipok's Institute, Thailand. She also gives a lecture as an assistant professor of Public Administration at Faculty of Political Science, Thammasat University. After received her bachelor and master degree in Political Science from Thammasat University and London School of Economics and Political Science, UK, consecutively, she had her Advanced Diploma in Development Studies from Cambridge University. She received Ph.D. in Political Science concentrated on Comparative Government from University of Toronto, Canada. Her recent publication is *Urbanization: A new challenge for modern local governance* and *Policy Proposal of Innovation in the Local Government's Revenue (coauthor)*.

Supasawad Chardchawarn is Assoc. Professor and the current Dean of the Faculty of Political Science, Thammasat University, completed his doctoral degree in Political Science from Kobe University, Japan. Dr. Supasawad received a master's degree (MSc) in Local Governance at the University of Birmingham, UK, and a bachelor's degree in Politics and Government from Thammasat University. He began teaching political science at the Ramkhamhaeng University in 1999 before moving to Thammasat two years later. As a professor at Thammasat University, Supasawad Chardchawarn, Ph.D. both teach and conduct research on local governance, decentralization, bureaucracy, political institutions, and constitution. In 2010, he was a visiting research fellow at the Institute of Developing Economies (IDE, JETRO) in Japan.

The Mae Fah Luang Foundation Profile
The Mae Fah Luang Foundation under Royal Patronage (MFLF) is a Thai not-for- profit organization initiated by HRH Princess Srinagarindra in 1972. The Foundation focuses on sustainable development, social entrepreneurship, and education in remote areas. Its flagship project, the Doi Tung Development Project in Northern Thailand, has become a sustainable development model implemented across Thailand and overseas: Myanmar, Afghanistan, and Indonesia. The Doi Tung approach has been accepted as part of the United Nations Guiding Principles on Alternative Development. MFLF has received several awards for its development efforts including the Nikkei Asia Prizes for "Culture and Community" in 2014.

For more information, visit www.maefahluang.org.

Vietnam

Bui Phuong Dinh is the Director General of the VietNam Institute of Leadership and Public Policy under the Ho Chi Minh National Academy of Politics (HCMA-ViLEAP), a premier national training organization for high-ranking leaders and managers in VietNam. Previously he was Director General of the HCMA's International Cooperation Department where he actively contributed to the development and implementation of the VietNam's Strategic Leadership training program by engaging various international agencies including of Japan International Cooperation Agency. His current research and training activities focus on leadership decision-making, governance reforms, and system-wide innovations in the public sector. He can be reached at the bpdinh2010@gmail.com.

Tran Thi Thanh Thuy is a Professor in Public leadership and policy in Ho Chi Minh National Academy of Politics (HCMA) Vietnam where she is Deputy Director of Institute for Public Leadership and Policy. She worked previously for National Academy of Public administration (NAPA) until 2011. She studies public leadership, public management, and public policy, using comparative approach. She is Editor in chief of the Handbook of Management which awarded Bronze prize of Good Book, Nice Book of political theoretical publications of Vietnam in 2009. She takes part in a number of international and national research projects; give talks and lectures for both government bodies of Vietnam, for corporations such as Viettel, Mobiphone, Vinacomin, FPT, and sharing the Vietnam's experience of public policy process and public leadership for international leadership within the framework of international exchange dialogues and trainings.

Nguyen Thi Thanh Tam is a Senior Lecturer for the Institute of Leadership and Public Policies in Ho Chi Minh National Academy of Politics (HCMA). She was previously: Senior Lecturer for the Faculty of Social Psychology, Senior Lecturer for the Institute of Sociology and Leadership Psychology, Senior Lecturer for the Institute of Politics (HCMA). She has studied about personality of leaders, leadership style, leadership art, emotional intelligence, psychological characteristics of farmers in Vietnam, Vietnamese community psychology. She recently focuses on studying and teaching leadership skills for building learning organizations, organizational culture in the context of globalization, relation between leaders' emotional intelligence and communication skill.

Nguyen Thi Hai Hang is the President of Vietnam Aviation Academy (VAA), the only state-owned organization in the national educational system of Vietnam specialized in aviation. Knowledge management has been her principle research topic since she started her Ph.D. program in 2008. She has been working in various functions in the aviation sector of Vietnam since 1995: specialist in Planning and Investment at the Civil Aviation Authority of Vietnam, project manager, project coordinator for ODA projects in aviation, instructor at the Civil Aviation Training Center, course developer, lecturer/researcher, Dean of the Air Transport Faculty, and President of VAA since December 2015.

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CHAPTER 1

Knowledge-Based Management Theory

Ikujiro Nonaka, Ayano Hirose Nishihara and Hideki Kawada

Introduction

In 1990s, Peter Drucker proposed that knowledge is the only meaningful resource today. But, in doing so he observed that we do not yet fully understand how knowledge behaves as an economic resource, so we need an economic theory that puts knowledge into the center of the wealth-producing process, as this alone can explain innovation (Drucker 1993, 183). In this book, we show that management theory and practice in the twenty-first century are characterized by increasing attention to our use of knowledge in this field, and the Knowledge School has been developing theories centered on how we can create and manage this unique asset (Polyani 1966; Drucker 1993). Epistemological traditions tend to assert that knowledge is defined as "justified true belief" ; in particular the kind of belief that is marked by words such as universal, scientific,

I. Nonaka (✉) · H. Kawada
Hitotsubashi University, Chiyoda-ku, Japan
e-mail: inonaka@ics.hit-u.ac.jp

A.H. Nishihara
Department of Global Business, College of Business,
Rikkyo University, Tokyo, Japan
e-mail: ayano.nishihara@rikkyo.ac.jp

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logical, and objective. This is another way of saying that knowledge is, in short, explicit. However, contrary to this perspective, which is prevalent in much of the mainstream management literature, we take the position that maintains that all knowledge is either tacit or is rooted in tacit knowledge, and is in particular artistic, aesthetic, and subjective. This is based on the theory introduced by Michael Polanyi (Polanyi 1966). Explicit knowledge, as it turns out, only represents a small part of a much larger holistic knowledge; in this sense, explicit knowledge is metaphorically similar to the tip of an iceberg visible above the water, while tacit knowledge spreads deep and wide under the water.

Accordingly, our view is roughly consistent with what is commonly described as the Austrian School of Economics, developed by authors such as Schumpeter and Hayek, rather than the Neoclassical School of Economics, which emphasizes an equilibrium that achieves an efficient or inefficient allocation of resources. The Austrian School was interested in the conditions surrounding disequilibria, that is, how existing equilibria become disrupted and move toward a new equilibrium. Joseph A. Schumpeter wrote about what is now known as *creative destruction*, in which innovation actively disrupts the existing equilibrium to generate new values. He defined innovation as a commercial or industrial combination of something new (Schumpeter 1912). Later, Friedrich Hayek pointed out that the market is a place where people with limited information interact with one another to discover new meanings, using a dynamic trial-and-error process to find the right answer. Thus, in the market, an order emerges spontaneously (Hayek 1978). In our terms, this is about tacit knowledge being embedded in the market, which consequently, provides a place for such discovery.

Knowledge-creation theory attempts to synthesize existing interdisciplinary theories and concepts of the past and present from Eastern and Western traditions to more fully understand human beings. This is because knowledge emerges from our beliefs, and needs to be justified as an objective truth. Beliefs demand our commitment and subjectivity, but unfortunately both these factors have been long neglected in management studies. To offset this, we define knowledge as a "dynamic social process of justifying personal belief towards truth, goodness, and beauty" (Nonaka and Takeuchi 1995).

The concept of knowledge we use in this book thus contains broader meanings than the term does when in general use. Nevertheless, there are a few key characteristics: first, knowledge is a human creation within and resulting from interactions among themselves and their environment; second, knowledge is not a self-contained substance waiting to be discovered and collected. It is not already out there. Rather, it is something we must create from our internal self during our interactions with the outside world, and this is the essence of knowledge; and third, knowledge cannot exist in a vacuum, because knowledge without connection to actual context is merely information. Therefore, we need to internalize information within ourselves to transform it into knowledge.

From this perspective, we can say that organizations differ because beliefs and commitments envision different futures. To achieve an envisioned future we need to create new knowledge, and this is what management and strategy should be concerned about.

A Knowledge-Creating Theory for the Public Sector

This book is one of the outcomes of a joint research project carried out by JICA, GRIPS, and Hitotsubashi ICS that started in 2013, and led us to believe that Knowledge-Creation theory is particularly useful when it comes to attempting to understand and contribute to the functioning of the bureaucracies of ASEAN countries. This section will familiarize readers with the fundamentals of Knowledge-Creation theory that are found to be applicable also to the public sector, as identified by our current research project.

Two Types of Knowledge: Tacit Knowledge and Explicit Knowledge

Two types of knowledge—tacit and explicit—are under our consideration in this book. Tacit knowledge has a subjective and experiential nature, and is not expressible with symbols and verbal characterizations. It is also context specific, being characterized by cognitive and technical skills that are embedded in individuals. The other is explicit knowledge; characterized as objective, rational knowledge that can be expressed clearly. Unlike tacit knowledge, explicit knowledge tends to be free from contexts in which the knowledge itself is under consideration. Examples include concepts, logic, theories, problem-solving methods, manuals and databases, or any other modes of expression that portray objective qualities.

This is illustrated in a drawing by Raphael now in the Apostolic Palace, Vatican City—"The School of Athens" (Dussler 1971). The drawing shows Plato and Aristotle, the two main figures in the center, pointing in two different directions. Plato is pointing to the sky and Aristotle to the ground, or the earth. Plato's gesture represents his

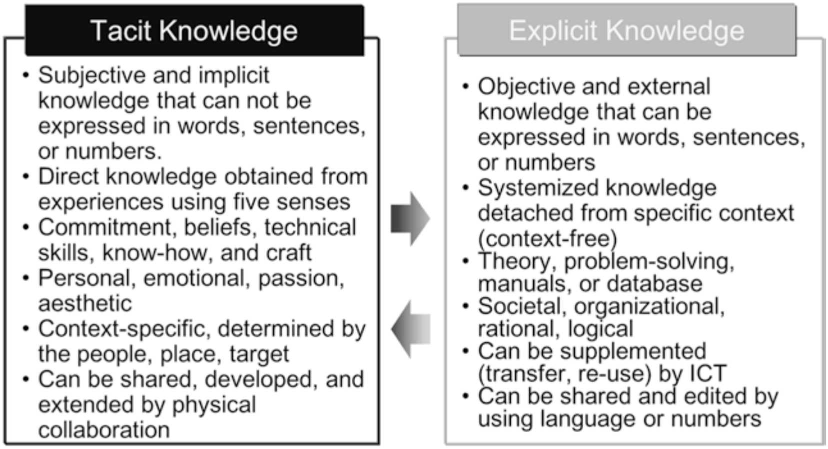

Fig. 1.1 Two types of knowledge: tacit knowledge and explicit knowledge. *Source* Nonaka (2014)

deductive idealism; in other words, universal quality resides in ultimate forms or ideas. Aristotle's, on the other hand, indicates his inductive pragmatism that realized that universal quality resides here on earth, and can only be perceptible through our five senses. Plato is contemplating explicit knowledge, while Aristotle is focusing on a pragmatically grounded knowledge that includes qualities other than concrete ideas—in other words, *tacit* knowledge.

These two types of knowledge have contrasting characteristics and a continuous and inter-convertible relationship. This inter-conversion process functions as an engine for generating new knowledge collectively (Fig. 1.1). In Knowledge-Creation theory, we emphasize the importance of tacit knowledge, but this does not mean that we are neglecting explicit knowledge. In fact, both must be regarded as having adequate weight, so that the conversion process between tacit and explicit knowledge can further enrich both types of knowledge. The intention is to free us from the prejudice that objective, scientific, and explicit knowledge is the only type of knowledge. We need to restore our perspective on knowledge, which will balance subjective beliefs and rationality, tacit and explicit knowledge, and art and science, through the notion that knowing requires individual-based commitment.

Polanyi (1966) contributed to the construction of a new paradigm that allows us to think of knowledge as a process—this is best seen from his idea of expressing knowledge using a verb, as in tacit *knowing*. Polanyi's theory depicts the mechanism by which individuals perceive things and obtain new knowledge, and in this sense, is also a good guide to understanding how organizations obtain new knowledge. Yet, the implications are far from obvious, and there is a lack of explanation within a comprehensible model that can potentially elucidate this process. Our theory of knowledge creation aims to fulfill this gap, focusing exclusively on how knowledge is created organizationally, and borrowing insights from a wide variety of subjects in the humanities and social sciences, to build a new theory on top of Polanyi's. Therefore, the focus of our theoretical work is to present a model of knowledge creation in which tacit knowledge is obtained, converted to explicit knowledge, and eventually creates new knowledge.

Tacit knowing is an integrative process that subsumes various particulars in the unifying whole, and eventually generates meanings out of their relationships. This is called the act of understanding, in which particulars (subsidiary awareness), and the whole (focal awareness), interact to generate higher-dimensional meanings from lower-dimensional particulars. Polanyi uses the term *emergence* to describe this phenomenon, in which a higher dimensional being appears from its subordinate lower-dimensional being, even though neither of them alone will suggest the emergent being itself. These layers infinitely extend themselves upwards and downwards in a dynamic of tacit knowing.

The SECI Model: An Organizational-Knowledge Creation Process

Relentless conversion between the two types of knowledge—tacit and explicit—facilitates the creation of new knowledge. But for this process to function properly, the conversion must happen in both directions, in the context of their dialectic relationship. Our *SECI Model* essentially demonstrates this process of conversion during which new organizational knowledge emerges (Fig. 1.2).

The model consists of four dimensions, the first of which is *Socialization* (S), to empathize and observe reality as it is through actual

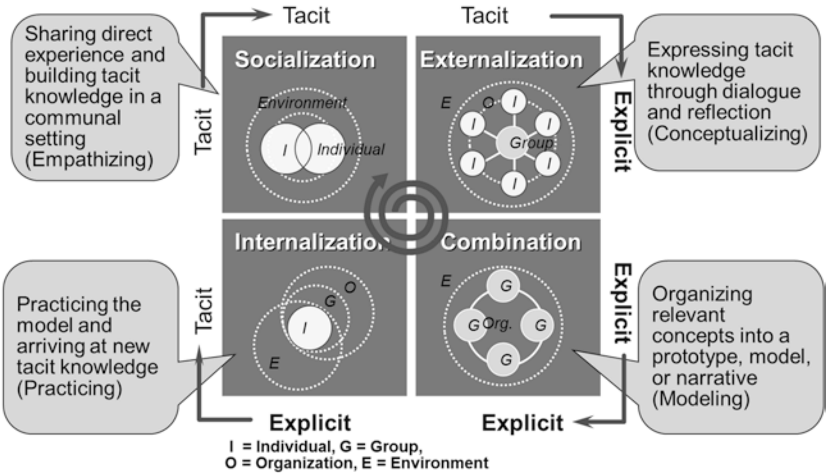

Fig. 1.2 The SECI model: the organizational knowledge creation process. *Source* Nonaka (2014)

experience. The second dimension is *Externalization* (E), which articulates and condenses the essence of awareness into a concept. The third is *Combination* (C), which relates the concepts, systemizes, and simulates in the form of technology, products software, services, and experiences. And the fourth is *Internalization* (I), which embodies the knowledge by actually using the resulting products and services (Fig. 1.3). Through a continuous and fast spinning of the SECI spiral, a firm, a community, or a government can synthesize diverse knowledge that fosters the organization's creativity and efficiency—we call this *synthesizing capability*. Dynamic interactions between people and the environment allow new knowledge to be created within organizations. However, homogeneity, whether of people or their knowledge, can hinder these dynamic interactions, the essence of which inherently lies in the existence of various contradictions and differences that initiate such interplays. This is to say that diversity matters substantially; the more diverse the organization, the broader and deeper the new knowledge becomes.

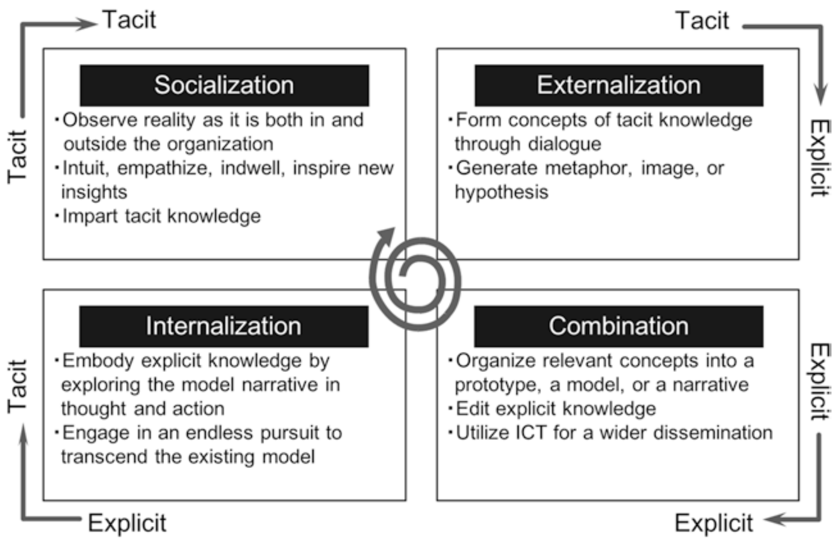

Fig. 1.3 The SECI model: patterns of thinking and acting. *Source* Nonaka (2014)

Wise Leadership: Six Abilities of Leaders to Promote SECI

Leaders can obtain practical wisdom, and doing so will drive the SECI spiral continuously. This, in turn, allows the organization to create and accumulate knowledge. Balanced judgments based on particular contexts and actions consistent with the past and future, are two of the important skills that leaders possess. Furthermore, such judgments and actions must be executed at the right time in pursuit of the common good. This is what we call the "Wise Leader" (Nonaka and Takeuchi 2011).

The concept "Wise Leadership stems from Aristotle's *Phronesis*, one of the three types of knowledge that he argued for. These ideal types are, in Aristotle's words: (1) *episteme*, or explicit knowledge, which is today's scientific knowledge; (2) *techne*, technological know-how and a type of tacit knowledge; and (3) *phronesis*, practical wisdom. These form a triad relationship (Nonaka et al. 2014a, b), where pronesis means practical

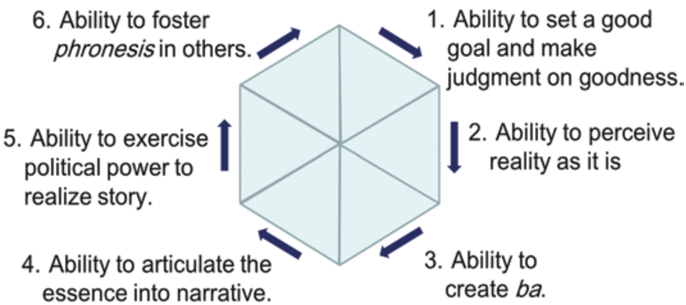

Fig. 1.4 Wise leadership: the required abilities of leaders for the promotion of SECI. *Source* Nonaka (2014)

wisdom, prudence, or practical reason. We interpret it as "practical wisdom," and define it as a "practical wisdom for exercising the best judgment for the common good in a particular context."

To test this definition, we studied business, political, and wartime leaders who successfully led organizations to achieve their goals, and this research has allowed us to identify six common abilities in wise leadership (Fig. 1.4). The first is the ability to set a good goal, and make judgements on its degree of goodness. Aristotle argues, by nature, that human beings have a natural propensity to do something that is considered good. The second ability is to perceive reality as it is, and this allows one to correctly and quickly recognize constantly changing situations, and to sense what lies behind phenomena to envision the future. The third ability is to create "*Ba*," which is the Japanese word for a place, space, or field. Our definition of *Ba* is that it is a shared context in motion. A leader with practical wisdom exercises this ability to find, locate, gather, and place appropriate personnel in a timely fashion, and furthermore works to create *Ba* with empathy and resonance.

The fourth ability is the capacity to articulate the essence behind phenomena and contexts into narratives. This is the ability to grasp the essence, conceptualize, and create narrative by linking micro concepts to the macro context as a convincing vision and narrative for the future. The fifth ability is to exercise political power to achieve an envisioned story. This is the ability to bring people together, spur them into action, to combine and synthesize everyone's knowledge and efforts, and to pursue goals by choosing and utilizing the power and rhetoric suited to each situation with shrewdness and determination.

Finally, the sixth ability is being able to promote *phronesis* in others. That is, to appoint the leadership organizationally. This is the ability to create a system of distributed *phronesis* by advancing and transferring existing *phronetic* capabilities that individuals possess into others, to build an organization that is resilient and responds flexibly and creatively to any situation for its own good. To understand how we can promote *phronesis* though, we must make sense of what it consists of in the real world. Areas of study like the humanities, or liberal arts such as philosophy, history, literature, and psychology embody one of the bases for *phronesis.* Peak and diverse experiences, pure experiences, shared experiences with exemplars, experiences of success and failure, cross-cultural experiences, and the like, also suggest that they are bases of importance in fostering *phronesis.* Thus, practices, traditions and artisanship are the cornerstone for the development of *phronesis.*

Combining the SECI model and the six abilities of wise leadership, we present a *Dynamic Triad Model* of knowledge-creating organizations (Fig. 1.5). Wise leadership, or practical wisdom, enables the ascending spiral process of the SECI model; it is practical wisdom that sets the values, gives direction, and drives the process (Nonaka et al. 2014a, b). However, the impact of the six abilities of wise leadership is not limited to any one step in the SECI model as is seemingly illustrated by this diagram. Rather, they move around to enable the SECI spiral.

The Concept of "Ba" and the Dynamic Fractal Organization

Leaders need to be developed and distributed throughout every part of an organization. As we have seen, a clue to how this can be achieved lies in the concepts of *Ba* and the dynamic fractal organization (Nonaka et al. 2014a). *Ba* is where people interact simultaneously with the environment, where the SECI process spirals and thereby creates new knowledge. *Ba* allows people and their knowledge to connect and relate, and therefore functions as a vital space for the creation of knowledge.

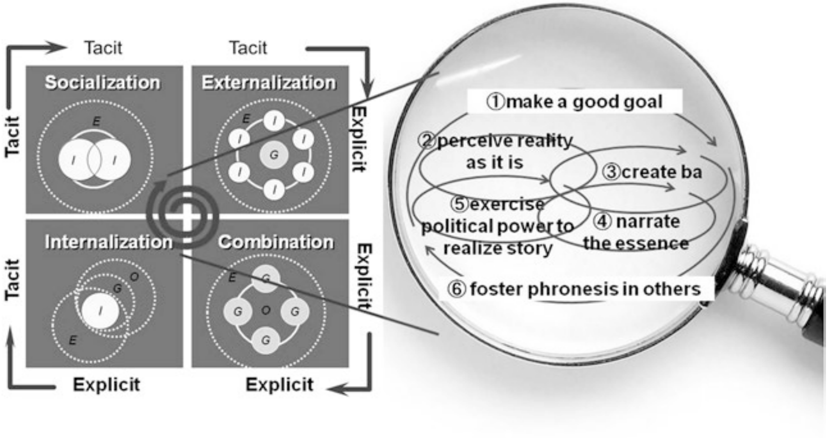

Fig. 1.5 The dynamic triad model: the relentless upward spiral of tacit knowledge, explicit knowledge and *phronesis*. *Source* Nonaka et al. (2014a)

To socialize and connect knowledge, *Ba* plays an essential role in enabling people to gather, sympathize, resonate, and interact. Examples of *Ba* are not necessarily limited to those in physical or "real" spaces, but can also found in virtual spaces, as the concept encompasses relationships among people who gather based on a particular context, regardless of its time and space. This is why it is defined as the shared context in *motion*. *Ba* can be either real or virtual, but must be self-organizing. Formal organizational structures do not automatically make *Ba*; rather it transcends formal organization structure. People and their commitment ultimately form *Ba*.

The multiple layers of *Ba* are distributed and connected throughout the organization; they follow the "fractal phenomenon" in the organization. The idea of *fractal* has evolved from natural sciences, and means that one part can represent the whole (Mandelbrot 1983). We call this type of organizational structure a "dynamic fractal organization." A dynamic fractal organization consists of the parts that resemble the whole. However, the parts are not a comprehensive copy of the whole; each part contains slack that stimulates dynamic interactions among the fractal parts as well as the whole. Such heterogeneity leads to dynamic interaction between the parts and the whole organization. Building such an organization would encourage the distributed leadership of practical wisdom or *phronesis*.

This organization embraces the dynamic knowledge-triad model as its fundamental form of the fractal, and whose same forms are simultaneously distributed throughout the organization. In so doing, phronesis is allocated to every level and part of the organization, and stimulates the SECI process spiral, making the whole organization agile and resilient to rapidly changing environments (Nonaka et al. 2014a, b).

A Model of the National Leaders and Nation as a Fractal Organization

Why Nations Fail—The Origins of Power, Prosperity, and Poverty (Acemoglu and Robinson 2012) argued that the success of a nation depends on establishing inclusive economic and political institutions. Together with an open and fair government system, these institutions create potent momentum toward economic growth by encouraging investment, harnessing the power of markets, and generating broad political and economic participation. With open and fair political, economic and legal systems, citizens are free to conduct private economic activities, and/or voluntarily seek to collaborate with each other. Collaboration facilitates the combination of knowledge, which in turn results in innovation. However, in what is called an "extractive" social system, society struggles to combine its existing knowledge, hindering opportunities for innovation.

Today's economic issues, *inter alia*, include inflexible industry structures, skewed demographics with an aging population and low birth rate, and unstable national security. We need to manage these issues and build the wealth of nations. The process that we have identified in the Knowledge-Creation theory may help equip us with the key enablers to overcome these conflicting issues. This is because it integrates interdisciplinary theories of philosophy, values, dignity and humanity, philosophy, history, liberal arts, traditions, and culture. Thus, knowledge-based management explains how to enhance people's capacity, cultivate new frontiers, and achieve co-prosperity in a nation. We must also innovate in regional and national policies. To this end, knowledge, specifically the process of creating new knowledge, will be the key.

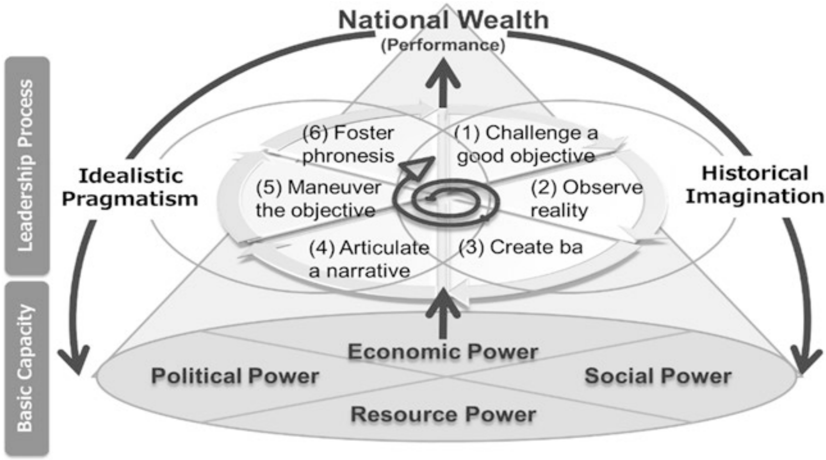

Fig. 1.6 An attribute-action model of national wise leaders. *Source* Nonaka (2014)

Knowledge is also a resource with unlimited quantity, unlike finite physical resources. We have been studying and interviewing people such as top management leaders, political leaders, middle managers, and innovative project leaders, and we find that the essence of good public-sector management is a wise leadership that unleashes the potential capability of the public in relentlessly pursuing the common good using knowledge.

A Model of National Wise Leaders

Figure 1.6 outlines our model of the attributes of national wise leaders. Of course, the application of this model is not limited to political leaders or government officials; it includes the all-inclusive leadership qualities that anyone who pursues common good can embody, whether on the ground or at the very top levels of an organization.

The dynamic leadership abilities for the management of a nation are depicted in the model. The upper hexagonal circle in Fig. 1.6 portrays the dynamic leadership process during the development of national

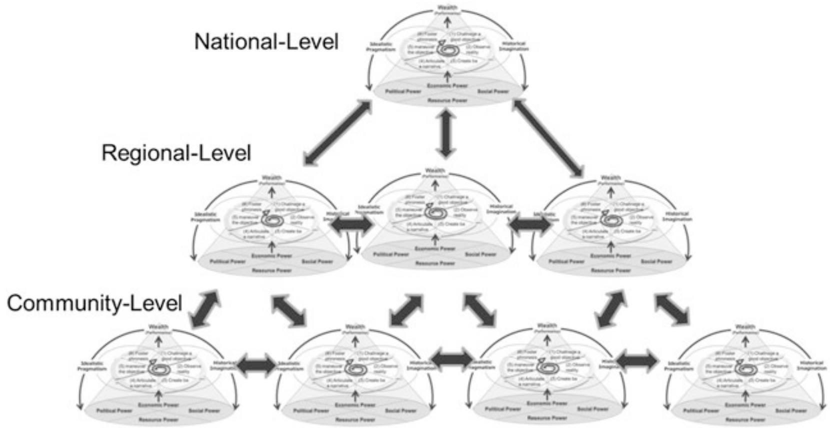

Fig. 1.7 A dynamic fractal model of nation, region and community. *Source* Nonaka (2014)

management systems based on *phronesis*, as presented in Fig. 1.4, but is an updated version which includes (1) challenge a good objective; (2) observe reality; (3) create *Ba*; (4) articulate a narrative; (5) maneuver the objective; and (6) foster *phronesis*. With these six abilities, leaders will be able to utilize the basic capacity of a nation's political and economic resources, and its social powers to increase national wealth. In so doing, historical imagination and idealistic pragmatism will be two additional capacities needed by national leaders. Historical imagination is the ability to comprehend a wide and deep time-space nexus, and idealistic pragmatism is the ability to synthesize idealism and pragmatism in an effective combination.

Nonaka et al. published a book titled "*Kokka Keiei no Honshitsu (The Essence of Nation Management)*" in (2014b), in which the coauthors attempted to document, interpret and create a model of national leadership and nation management through an analysis of the practice of six national leaders in the 1980s. These leaders were Margaret Thatcher, Ronald Reagan, Helmut Kohl, Yasuhiro Nakasone, Mikhail Gorbachev and Deng Xiaoping. The six abilities of national wise leaders in our model were revised in line with the findings from this book.

A Model of the Nation as a Fractal Organization

Even if the national wise leader has extreme abilities, he/she cannot work alone to achieve his/her vision or goals. He/She needs to form teams connecting leaders at the national, regional, and community levels, to form a fractal organization among all the levels as shown in Fig. 1.7. In this illustration, the fractal organizations of the nation are expressed in three layers, the national, regional, and community levels, but in reality are not limited to these three. What is important here is that each layer can make its own judgments and act with the same vision and direction as the nation at large.

Each fractal in each layer has autonomy and freedom to connect, relate, and interact with other fractal parts in any level. In other words, it is inclusive and open, with permeable boundaries. If a nation is configured with such autonomous fractal organizations throughout, then it will be resilient, and not only be able to quickly respond to risks and crisis, but also to quickly achieve policy innovation. At the same time, actions taken at a time of crisis or in a policy innovation process will be based on the actual situation grasped at the very front of the community fractal, meeting the very needs and wants of the citizens. This is why we emphasize the importance of distributed leadership and fractal organization to every part of the nation.

One point to note is that we do not completely deny bureaucracy as a structure, because bureaucracy maintains a highly efficient information processing and command control capability, as Weber pointed out. However, it often fails in terms of flexibility, creativity, and effectiveness. A good nation management may aim to synthesize both bureaucracy and fractals, and utilize either one depending on the context.

Historical Imagination as the Basis of the Common Good

The world is becoming increasingly more uncertain and unpredictable, more complex, and chaotic. Global and local issues can arise from everywhere in the world, but economic, cultural, religious, and ideological conflicts—often mixed—make these issues even more complex. In other words, we are living in a world of complexity, where we cannot fully know the causal relationships behind any phenomena.

Depending on context, this means that a cause may become an effect, and that effect may become the cause of other issues. In fact, cause-and-effect relationships change as often as we change our views. Even if we broaden and deepen the time-space nexus to capture broader and deeper relationships, we still cannot know ultimate cause and effect; it all depends on the context and our views. All we can see are the patterns. As encapsulated in complexity theory, the world is comprised of complex relationships in the social ecosystem, and minute differences in the early stages can emerge later as major changes. These fluctuations and changes cannot be captured by cause-and-effect relationships, but by making good and timely judgments depending on the context.

Therefore, historical imagination becomes critical. This allows us to connect the relationships between various events to construct specific histories. But to choose the particular events to be considered, we need our subjectivity—historical perspective—to pick up important events, relate them, and create a historical narrative. History contains a narrative that many people would accept and agree as past events. History therefore reflects our own position in time, and forms what view we take out of the society in which we live (Carr et al. 1961).

"What kind of future would you like to create?" This is the kind of question that a wise leader would ask at the very beginning of his or her endeavor. An account of the desired future reflects the past and present facts in front of the leader. While no one is capable of recreating the past, it is possible to choose particular facts from the past to create or justify a desired vision of the future. This is history and the making of a narrative. But the wise leader must remember that any narrative is sensitive to initial conditions. This is known as the *butterfly effect*. At first, small differences eventually broaden as time goes by. The wise leader, therefore, needs to make judgments timely and appropriately—for this, we must perceive reality as it is. The truth is in the details, and the wise leader must always be grounded in reality. Then, we must synthesize the past and future as seen from the present. In this process, historical imagination is necessary. But, how broad and deep should we synthesize? This depends on the width and depth of the wise leader's historical imagination, based on his/her practical wisdom. There is no obvious rule as to how far one should go back in the past and forward to the future in creating the present. The wise leader's imagination determines the context based on his/her insight and sagacity. In this sense, historical imagination can only be obtained through practice because it requires commitment. Unless one commits to creating history, he/she would be a by-stander and would not create any history. Through actions, humans form new relationships, situations, and contexts in a proactive manner. History is a process of creative evolution by the activities in creative lives.

As the Historian Edward Hallett Carr said, "[history] is a continuous process of interaction between the historian and his facts, an unending dialogue between the past and the present." The historian imagines how the past may have been by investigating past "facts," and structures a narrative with historical logic that makes sense to everyone. The historian goes back and forth between insights into past facts and the creation of future scenarios of how things may be, and pictures a mental map of history. Repeating this process also enables the historian to imagine a future narrative. A wise national leader approach to history should be like that of the historian; the national leader should go back and forth between insights into past facts and the creation of a future scenario of how things may be, and picture a mental map of history to compose a narrative for his/her country.

One of the roles of a national leader is to indicate the direction and path the nation should take, or in other words, design a national strategy. However, Lawrence Freedman, professor of war studies at Kings College London, asserts that there are limits to strategies that rely on analytical and scientific methodologies founded on the premise of rational choices without subjectivity (Freedman 2013). He argued that the most effective strategy is based on a narrative that gives an account of the *relationships* between phenomena, and is founded on intuition and pattern recognition based on subjectivity (Freedman 2013).

It is therefore impossible to develop analytical strategies based on the assumption of a fixed environment and controlled conditions. Real strategies are executed in a dynamic and complex system where various phenomena are intertwined. Since different conditions in the initial stage can change the whole outcome, flexibility and imagination are required. First, strategies exist on the premise of dynamic conflicting relationships. Conflicts only transpire when there are changes in the environment, while strategies are required to indicate methods to address those conflicts. In other words, strategies are the practice of achieving a future that is connected to the present, not about painting a future that is out of touch with the present. They are about encountering unforeseen opportunities and envisioning a new future in a practical process. They are like a television drama series, open-ended and without endings; they always keep painting a new future that starts in the present.

Strategies are pointless if they are not practiced, but to put them into practice it is necessary to influence people in relation to how they behave. This is why strategies take the form of narratives designed to appeal to peoples' emotions and rationality, because a narrative can affect their subconscious and awareness, and change their behavior. A strategic narrative conveys the truth, makes people anticipate events that will happen, indicates rules for assessments and actions, clarifies the path from present to future, and encourages people to act in a way that suits the narrative's plot. Room for improvisation in the narrative is important here though. In other words, the narrative should change according to how people react to the changes in the context of the moment. Narrative therefore requires historical imagination.

National-wise leaders must connect, interpret, and systemize past events as the knowledge of experience shared by the people in an appropriate manner, based on the nation's history, tradition, culture and other knowledge assets. They must then build up an image of how the nation should be in future. To understand the history, tradition, and culture of a nation, it is necessary to visit actual places, feel the atmosphere with our five physical senses, and hone a sense of empathy with their narratives. At the same time, it is also necessary to venture outside the country, incorporate the knowledge of surrounding regions, and accept various histories and values. By synthesizing tacit knowledge gained through actual experiences and explicit knowledge gained by learning about historical events, the national leader's historical imagination increases in breadth and depth.

Also, being able to exercise historical imagination in a crisis leads to deep insights into the relationships behind phenomena in terms of time and space, the ability to uphold high assessment standards for the common good, and to the making of decisions that aspire to the future. This is the capacity of contextualization. As is often quoted, the difference between Winston Churchill and Neville Chamberlain's way of thinking in World War II is a vivid illustration of how historical imagination can differ in breadth and depth. On the one hand, Churchill had a great knowledge of history, and in the British Empire's hour of crisis, his thoughts turned to the actions of his predecessors, Francis Drake, John Churchill, Horatio Nelson and Arthur Wellesley, first Duke of Wellington, who had made his country safe and prosperous. He thought about how the British Empire had developed with its origins in parliamentary democracy since the Glorious Revolution of 1688. On the other hand, Chamberlain believed that appeasement was the correct course of action, given that his thoughts were preoccupied with the distraught faces of the people suffering from the nightmares of World War I, and their plight in the Great Depression. This contrast in their ways of addressing the pressure from Hitler's dictatorship, in other words, the difference in their standards for assessing the common good, ultimately determined the direction of World War II.

Dewey (McDermott 1981) believes that democracy is constantly recreated by pragmatic social practice, and notes that wise national leaders unleash a variety of knowledge through their continuous practice, and while addressing the risks, use their wisdom and resources to achieve the ideal nation based on their beliefs. National leaders need to utilize and extend the national resources they have inherited; in Adam Smith's words, the "wealth of nations backed with idealistic pragmatism and historical imagination."

One critical thing here is that the common good is subjective, and each one has its own value issues. However, if we have a universal intent, individual subjectivity will not be trapped in egocentric individualism. To have universal intent, we need to share our subjectivity and justify our personal beliefs. This is the knowledge creation process itself, and through this process we cocreate strategic narratives for the common good.

Idealistic Pragmatism: The Relentless Pursuit of Excellence

The term "idealistic pragmatism" characterizes the firm methodology of national wise leadership. As the head of a nation, a leader must present his/her own ideals within a context that must also be about pursuing a way of life as a national leader, and positioning oneself as social existence within reality. By presenting ideals, making "better" assessments and taking "better" actions based on reality, they can approach their own ideal. Any contradictions of ideas and reality must be solved by a purposeful attempt of trial and error that, in turn, characterizes the methodology of what we call idealistic pragmatism.

Aristotle argued that human beings have a natural propensity to pursue a society's goals that are larger than the individual self, a position that we agree with. But such common good—or in this context, the good of the nation—is not the product of a majority vote or the community's greatest denominator. Rather, it emerges from our relentless pursuit for excellence in our everyday lives; the daily dialogue and practice that arises out of our interactions with others and the environment. The common goal must represent the challenge to reach ideals through practice. This is the approach we call idealistic pragmatism.

Idealistic pragmatism embodies a dialectical methodology, which synthesizes contradictions between the ideal and reality through ever-continuing trial and error. An idealistic pragmatist endlessly pursues excellence on the basis of reality as it is, and aims to achieve the ideal. In short, idealism and realism have a dialectical relationship. The way in which a creative balance between idealism and realism can be developed is what pragmatism is mainly concerned about. In this sense, idealism and reality each take opposing ends of a continuum. Practical wisdom tackles the dilemma of how to deal with reality in an attempt to pursue the ideal—it requires a practical attitude in facing reality, yet maintains a general direction toward the ideal.

Another aspect of idealistic pragmatism is to maintain our attitude of pursuing our "way of life." Idealism asserts that humans are fundamentally socially oriented to pursue what is good for the community that they belong to, however personal their specific, individual contexts may seem. Questioning one's way of life eventually leads to the determination of an ideal or direction to aim for. Once this happens, people take action based on actual practice, eventually prompting changes. However, without the practices that are embodied in one's actions, the ideal would be meaningless, regardless of how wonderful they may seem on the surface. The steady daily practice toward achieving the ideal, and perpetually seeking for the better in idiosyncratic, individual realities, is the key to effective implementation.

Pragmatism may be divided into "idealistic" and "realistic" pragmatism. The former aspires to the common good, but is rationally trying to achieve this in reality, and can settle for second best according to the context. The latter explores the feasibility of the ideal from observations and assessments of reality. The two are in a complementary relationship, and the difference between them may simply be in their varying degrees.

In Western thinking, idealism was more dominant than pragmatism. However, pragmatism originally developed in the U.S. during that country's civil war. This way of thinking fundamentally connects to concepts such as Maurice Merleau-Ponty's "intersubjectivity," Michael Polanyi's "tacit knowing," Kitaro Nishida's "unity of mind and body," Henri Bergson's "pure connection," and Alfred Whitehead's "actual entity."

The basic idea of pragmatism asserts that, out of the knowledge gained from experience, the truth is "what works." James (1971) argues that our truly important judgments are often based on insufficient information or knowledge, and therefore, all a person can do is to judge according to his/her own beliefs. When those beliefs are translated into actions, and their expost evaluations suggest that the desired results were produced, they eventually become, tentatively, the truth. If mistakes are made, they are constantly amended. Dewey asserts that the good things in everyday life are moral goodness in the ultimate sense. In this way of thinking the ideals of truth or good can only be reached through practice.

With respect to knowledge-based management, we take a position of idealistic pragmatism, as already defined, but with an emphasis on realistic pragmatism. Without actual practice, using all the five senses, we cannot *know*. All knowledge is rooted in tacit knowledge, which we can only obtain from our actual experience. However, pure pragmatism or empiricism may end up promoting only gradual improvements. For us to make a leap in our ideas and pursue innovation, we need to set an ideal and try our best to achieve it. Optimal results are claimed to be attainable only by aiming for too much—by reaching beyond the limits of the possible. As Rescher (1990) notes, humans are living in the worlds of reality and possibility at the same time.

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CHAPTER 2

Case Study 1: Mayor Belmonte and Quezon City

Eduardo T. Gonzalez and Zita Concepcion Calugay

Introduction

Feliciano "Sonny" Belmonte, Jr., during his 9-year tenure as Mayor of Quezon City, Philippines, transformed the largest city in the Metro Manila National Capital Region from an economic laggard to one of the country's wealthiest and most well managed. Quezon City's achievements have attracted the attention of international development institutions, business conglomerates, and urban developers. This case study aims to identify how this local leader was able to use tacit knowledge and

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E.T. Gonzalez (✉)
Philippine Korea Research Center, University of the Philippines, Quezon, Philippines
e-mail: edtgonzalez@gmail.com

Z.C. Calugay
National College of Public Administration and Governance, University of the Philippines, Quezon, Philippines

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practical wisdom to fundamentally transform his constituency. We concentrate on fiscal management, the solid waste management program, poverty reduction, and business productivity (particularly the development of the Quezon City-Central Business District) in this discussion.

The Socio-Economic Profile of Quezon City

Quezon City was created by Commonwealth Act No. 502 on October 12, 1939. It is part of Metropolitan Manila, or the National Capital Region, which accounts for 37.2% of the GDP of the Philippines. Quezon City comprises one-fourth (25.23%) of Metro Manila's total land area of 638.55 square kilometers, making it the largest in the region. It consists of 142 barangays divided into six congressional districts. The city is number 1 in the National Capital Region in terms of total income, earning P10.3 billion in 2009. It is a key destination for global firms such as HSBC and Google as they seek to outsource business processes in the Philippines.

The city's official website shows that its population was estimated to have reached 3,179,536 by 2012, making it the most populated local government area in the country. More than half of the increase in the period 2000–2008 was contributed by in-migration. There are 706,564 households in the city. Around 38% of the population is considered young, aged 21 years and below. Its annual growth rate is naturally high at 2.92%, a little over 50% higher than the national rate, which is 1.9%. Finally, the city boasts a very high literacy rate of 98.3%. It is home to 373 public and private elementary schools, 223 public and private high schools, and 90 colleges and universities including the University of the Philippines, the country's premier university.

Recognized as the *Most Competitive City* in Metro Manila and the second most competitive in the Philippines in the Asian Institute of Management's 2007 Cities Competitive Ranking Project, Quezon City had 62,679 registered business establishments as of 2012. These were made up of financial services, communications and media, information and communications technology, utilities, health and wellness, hotels, restaurants, retail and wholesale businesses, and schools, among others. Prominent business re-locators are broadcast networks (including the two largest in the country), information and communications technology (ICT) parks and buildings, and large department stores. Envisioned as the government center, Quezon City also now hosts 125 national government institutions including the House of Representatives, the

Audit and Civil Service Commission, and 25 government-owned and controlled corporations (GOCCs).

Financial Turnaround: From Deficit to Sustainable Surplus

Immediately upon assuming the post of mayor on June 30, 2001, Belmonte was faced with the sad reality that the city coffers were in the red. By year's end, it was evident that total revenue collection had fallen short of meeting the city's budgetary requirements by around 1 million pesos. In fact, for some years preceding 2001, the city government had been engaged in deficit spending.

As if this situation was not bad enough, the city government was likewise confronted with billion-peso unpaid invoice claims from various suppliers, contractors, banks and government corporations. The contractors for garbage collection and disposal, who a year before were partly to blame for the tragic trash slide in the Payatas dumpsite (Cruz, n.d.), were claiming P560 million in payment arrears; general suppliers and infrastructure contractors were claiming P1.4 billion; and the Landbank of the Philippines, P1.25 billion. The Government Service Insurance System had also suspended the loan privileges of employees due to accumulated unpaid employees' contributions, while the Bureau of Internal Revenue was demanding the remittance of withholding taxes collected in the previous 6 years.

Taking on the challenge, Belmonte declared: "I drew on years of my experience in turning around financially ailing government corporations, recognized the do-ability of common sense solutions, tapped the rich repository of experience of the local government bureaucracy, studied root causes of success and failures, and observed other local and international examples to guide what is now the Quezon City transformation story"[1] (Quezon City Government 2010, 7). Belmonte's goal in building up the City's financial position was to create and sustain a viable resource base that could continuously fund its economic transformation (Quezon City Government 2010, 28).

Crisis situations required urgent and innovative solutions. He wasted no time in convening his Management Committee[2] to brainstorm with them an array of possible solutions to the problems at hand. Chaired by Belmonte himself, the Management Committee was considered the "top-level, policy-setting body of the QC-LGU," and consisted of a pool of 11 close and trusted advisers, possessing multidisciplinary expertise in law, budgeting, accounting, management, architecture, and related fields (Quezon City Government 2005). Some of the members had worked with him in his previous stints in the private and government sectors, and would later occupy department head and other high positions in the city government. Throughout his 9-year term as mayor, his Management Committee would play a significant role in providing technical advice, exploring new ideas, and conducting technical studies on those ideas that the mayor considered innovative and out of the box, being seemingly promising but relatively untested.

Aside from the Management Committee, Belmonte also worked closely with the Executive Committee of over 50 heads of city government departments, offices, task forces, and other units, to find solutions to urgent concerns, promote good coordination of the different operations in the city government, and to chart the development direction of the city. He met with the Management Committee and Executive Committee on alternate weeks. To outsiders, having two Committees, with seemingly different working styles at the management level, may have looked confusing, but the consultants and department heads who worked with him would attest to his uncanny ability to negotiate through diverse ideas and opinions using such a structure. “His genius for forging consensus and conciliation is legendary,” said Atty. Ismael G. Khan, Jr., a Supreme Court spokesperson who worked with him at PAL (Cruz, n.d., 163).

Introducing Revenue-Generating Measures

Simultaneous revenue-enhancing measures were immediately put in place, turning the city’s financial condition from deficit to a surplus in 1 year, a feat that was hard to duplicate in any other part of the country. An important revenue-enhancing measure introduced by the Belmonte administration was the computerization of the assessment and collection of taxes, the first such program in the country introduced by a local government. It covered large local revenue sources such as real property taxes, business registration, and building permits. Computerizing the tax assessment and collection systems was both a challenge and an imperative, considering that the city government “has a huge tax base, with real estate tax transactions alone involving about half a million real property units and a business tax base involving about 60,000 establishments” (Quezon City Government 2010, 27). Before the computerization program, taxpayer records were written on index cards, which were filed in the desks of the employees concerned, some of whom were employed on a casual basis, and hence bore no accountability.

To strengthen the assessment and collection of real property taxes, the Assessor's Office prepared an updated inventory of taxable properties throughout the city. Applying the geographic information system (GIS) methodology to its tax-mapping activities, it could locate taxable properties, including those that had been previously unidentified or undeclared, as well as information on their owner and payment histories. Based on this updated inventory, it reconciled the manual records and data base of taxable properties. Moreover, it streamlined the processing of real property tax declarations, drastically reducing the number of steps from 20 to 5, and processing time from several months to 7 days. With computerization in place, the city government's "central data system can process more than 440,000 real estate payment units and has the capacity to service 20,000 taxpayers in one day" (Quezon City Government 2007, 6). The computerization program produced an added benefit of minimizing corruption by "providing checks and balances, and lessening the need for individual discretion in most stages of the assessment and payment system" (Quezon City Government 2007, 6). Moreover, it allowed the mayor to generate a daily report on revenue collections, thus enabling him to monitor the performance of revenue collection agencies. Overall, the computerized system helped the city government improve its tax collection efficiency, cut down on red tape, and reduce if not eliminate the need for fixers.

Several other initiatives by the Treasurer's Office were likewise designed not only to encourage the taxpayers to pay their taxes on time but also to promote their ease and comfort when doing so. Air-conditioned lounges with a plentiful supply of coffee were set up in the city hall. Taxpayers could also opt to pay through accredited banks, offsite branches and Special Tax Teams assigned to selected villages. Belmonte explains, "I applied commonsense approaches; plugged leaks where they existed, and encouraged a culture of prudent spending and value for money" (Quezon City Government 2010).

Specific Strategies to Improve Real Property and Business Tax Collections

Throughout his 9-year term as mayor, Belmonte would become known for taking bold steps in maximizing the revenue potentials provided for by the Republic Act No. 7160, otherwise known as the Local

Government Code of 1991; some of which were hardly explored until his administration took the initiative and led the way for others to follow. Governing a highly urbanized area that relies on business tax and real property tax (RPT) as the two most important local revenue sources, he naturally focused his reform measures on these two sources. In particular, to improve the collection of business taxes, the Belmonte administration adopted the following strategies (Endriga 2006, 8):

- Required taxpayers with gross receipts of over P500,000 to submit Bureau of Internal Revenue (BIR) statements of monthly payments of value-added tax (VAT) and non-VAT for 2005;
- Utilized the concept of presumptive income level to make gross tax declarations more realistic and current;
- Required contractors to pay business tax prior to the release of building, excavation, and occupancy permits;
- Grounded revenue examiners with low monthly collection outputs, and rewarded top grossing examiners with free trips to Hong Kong;
- Auctioned delinquent real property instead of giving a tax amnesty, this raised P10.7B;
- Reassigned permanent employees to avoid familiarization with taxpayers;
- Increased the discount given to real property owners paying annually from 10 to 29%, and quarterly from 5 to 10%;
- Filed anti-graft cases against erring employees with the Ombudsman; and
- Posted 300 billboards in major thoroughfares indicating the auction date of delinquent real properties and applicable discounts.

In addition to the above, Belmonte, realizing that the city's business tax rates fell below those of other Metro Manila cities, raised these despite the strong protests of big business, some of whom even filed cases in court. Yet when they saw where their money went and how it was effectively utilized to improve the delivery of basic services, they started to support the mayor's tax initiatives. Mayor Belmonte explained, "We have proven that a good financial foundation is a solid springboard for sustainable investments in city transformation because even the best ideals cannot become a reality without any resources" (Quezon City Government 2010, 8).

Instituting Cost-Saving Measures

One of the first cost-saving measures Belmonte introduced was to revamp the payment scheme of garbage collection and disposal from a "per trip" basis to "package clean-up," and he managed to slash the cost of this service by as much as P20 million monthly, for a total of P240 million yearly. Another cost-saving measure was allowing the contracts of 7000 casual employees to lapse after their term expired. Casual employees are not part of the city government organization and their services are supposedly tapped on an as-needed basis. Explaining why their contracts were allowed to lapse, Mayor Belmonte said, "We were a good money source for people who had very little to do in City Hall" (Quezon City Government, n.d. (a), 26).

Producing Impressive Results

The serious and combined efforts of the city government to improve its financial condition immediately bore impressive results. Between 2001 and 2008, city income rose by an average of P629,300,053, or 13.3%. In 2002, a year after Mayor Belmonte assumed office, the city government declared a surplus of P262,610,094, and the trend of surplus budgeting would continue until 2008 (see Fig. 2.1). Moreover, the percentage share of surplus income to city income rose from 4.8% in 2002 to 13.8% in 2008, posting an annual average rise of 1.8%. Due to the city government's favorable financial condition, it was able to settle all its obligations, including a P3 million payment in arrears with the GSIS from 1997.

The city government's efforts would also be recognized by various awarding bodies here and abroad. In 2003, it was the first local government to receive the Galing pook Award for Effective Fiscal Management (Ford Foundation et al. 2008). Having won the Most Business-Friendly City award for four consecutive years, it was elevated to the Hall of Fame in 2005 by the Philippine Chamber of Commerce and Industry.

On top of the local awards, Quezon City's reform efforts reaped international recognition when it was adjudged number 7 out of 200 Asian city contenders in the Top Asian Cities of the Future 2007–2009 survey sponsored by the London Financial Times through Singapore's AsiaBiz Strategy. In 2009, it received a ph+A credit rating from Standard and Poor's for "solid liquidity levels and strong budgetary performance, debt-free and financial flexibility" (Quezon City Government 2010, 29).

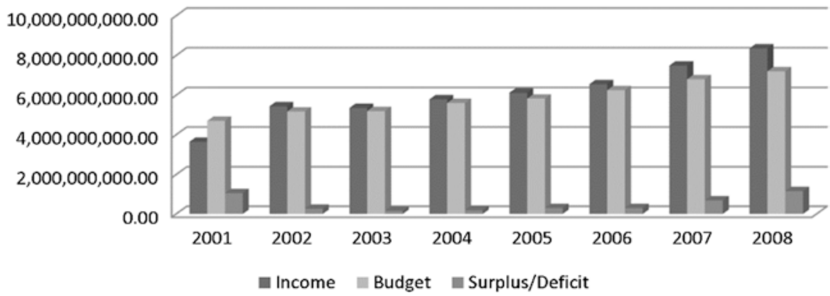

Fig. 2.1 Income compared with budget (in Pesos), Quezon City 2001–2008. *Source* Quezon City: The Belmonte administration 2003–2004, 10 and Quezon City: Future perfect annual report 2007–2008, 62

Comparing Quezon City's overall financial management performance with that of other local government units (LGUs), Standard and Poor's declared that the City was far more advanced than its contemporaries, especially in its capacity to establish a consistent budget surplus. Standard and Poors were the designated credit rating agency of the World Bank in its pilot project designed to provide credit ratings to participating LGUs in the Philippines.

Keeping the City Environment Clean

Aside from fiscal deficits, Belmonte faced serious problems with garbage collection and disposal at the start of his term. The streets were littered with piles of uncollected trash. The garbage collection and disposal contract easily stood out as expensive and hard to justify. Garbage collection in Quezon City operated on a "per trip" payment scheme: payment was based on the number of trips made from the collection area to the dumpsite daily, regardless of whether the collectors did their jobs efficiently or not. The scheme was vulnerable to claims manipulation by contractors as there was no effective monitoring mechanism in place.

Testing and Analyzing Proposed Solutions

Mayor Belmonte tasked the Environmental Protection and Waste Management Department with overhauling the system. As a department, the EPWMD is equipped with the authority and resources to pursue its plans of action. The head of the department, Frederika C. Rentoy, deemed it wise to implement a solution that was backed up by a methodical study. She organized a team to study the feasibility of a solid waste management program patterned after a similar program in Japan that she had learnt about while attending a course there.

Based on the data this team gathered,[3] the EPWMD formulated a solid waste management program dubbed the "package clean-up." The new system entailed assigning garbage contractors to specific cells/zones and holding them responsible for keeping the areas clean as basis for payment. Belmonte readily provided the package with needed political support. The package clean-up entailed the division of the city's 142 barangays into specific cells, and each cell be assigned a contractor who would be responsible for keeping it clean and free of uncollected piles of garbage as a basis for payment, unlike the previous system where payment was made based on the number of trips the garbage truck made to a dumpsite. It also included the collection of garbage in 239 inaccessible areas via pushcarts and pedicabs. This program easily generated monthly savings of P20 million from the previously identified contract costs. The package clean-up was also complemented by the assignment of 275 street sweepers to the city's 450 km of major thoroughfares.

Ms. Rentoy became a fan of Belmonte's leadership, and this sentiment would eventually reverberate throughout the city government. Ms. Rentoy was affiliated with the previous mayor, and had earlier offered to resign. But Belmonte, known for his uncanny ability for spotting and harnessing talent when he sees it, instead appointed her as department head of the EPWMD instead. He was comfortable working with people regardless of their prior affiliations, which testifies to his political maturity and leadership acumen.

Engaging Multi-sectoral Support for the Program

Emphasizing that keeping the environment clean is everybody's business, the package clean-up needs multi-sectoral support to make it work. The barangays have been tapped to assist in monitoring the performance of contractors. Barangay officials were given various training programs to raise their awareness of the ecological solid waste management program. Ms. Rentoy held one-on-one meetings with them to encourage them to support the program, especially those who were initially hesitant to do so. The mayor asked the Sangguniang Panlungsod to pass two ordinances, one of which enjoined barangays to formulate their own ecological solid waste management programs designed to continually reduce the volume of waste generated, while the other one allowed autonomous barangays like Barangay Holy Spirit to manage their own garbage collection and disposal systems. Based on the performance of the barangays according to the criteria set by the EPWMD, they are given corresponding monetary incentives which they can use to strengthen their own ecological solid waste management program.

The combined efforts of the city government have finally paid off. Not only have the streets been rid of uncollected piles of trash, but the city coffers have gained savings in the process.

Poverty Reduction and Livelihood Generation

Rehabilitating and Opening up Opportunities in the Payatas Dumpsite

On July 10, 2000, a tragedy befell the Payatas dumpsite when a portion of the mountain of trash went crashing down on the surrounding communities below, killing 232 people and destroying the homes of 655 families. It was a tragedy waiting to happen. Over more than three decades, the Payatas dumpsite, which was originally planned as an open pit landfill, inevitably transformed into a huge mountain of trash and ironically became a primary source of livelihood for one of the biggest informal settler communities in the country. Incessant heavy rains prior to the trash slide itself caused a particularly steep portion of the mountain of trash to weaken and eventually collapse, crushing with its hundreds of people and shacks. When Belmonte took over the reins of the city government in 2001, the affected communities were still waiting for concrete government intervention to alleviate their plight. Mayor Belmonte himself went to the Payatas dumpsite prior to his oath-taking as mayor to observe the actual disposal system employed by the contractors, and talked with the residents-cum-scavengers to find out their real condition, as recounted by Mr. Salvador Enriquez, former Budget Secretary, Head of the Technical Assistance and long-time consultant to Mayor Belmonte.

The poor and unsafe conditions at the dumpsite justified its immediate closure, but doing this could lead to serious problems. First, closing the city's sole waste disposal facility would imperil the city's overall sanitation and hygiene conditions. Second, after operating for over 30 years, the dumpsite has created a tangled web of income opportunities for around "5000 individuals, including approximately 2000 engaged in waste picking and around 3000 in the underground economy," thus closing it would endanger their livelihood sources (Quezon City Government, n.d. (b)). Weighing in on the serious problems at hand vis-à-vis the provisions of Republic Act 9003 (the Ecological Solid Waste Management Act), Mayor Belmonte decided to proceed with the rehabilitation of the Payatas dumpsite. "Had it been another mayor and not Belmonte in the said situation, that mayor would have opted to just dispose of the city's garbage in another LGU's waste disposal facility," Ms. Rentoy commented.

Introducing Engineering Interventions

To keep the dumpsite safe and stable for the communities, the city government undertook a series of engineering interventions. The site was transformed into a controlled waste disposal facility which entailed a series of engineering works consisting of "developmental and rehabilitation works, including slope reprofiling, stabilization and greening, leachate collection and recirculation, drainage system improvement, fortified roadways and access to the site, gas venting and material recovery" (Quezon City Environmental Protection and Waste Management Department, n.d.).

Organizing the Payatas Stakeholders

Alongside the engineering rehabilitation works was a series of organizing activities conducted with the waste keepers or scavengers, recyclers, and junkshop operators[4] to make their communities safe and stable for residing and earning a living. These groups have been organized into formal organizations, accredited and provided with financing and skills training to enable them to seek additional or alternative income opportunities. In particular, the waste keepers are consulted for their input and opinions whenever there are proposed changes in the operating systems of the controlled landfill. One important operating procedure is the identification of areas for picking waste, sorting and recycling in the controlled landfill, unlike before when they could scavenge anywhere they wanted to, and allocation of such areas to the different organized groups. On the other hand, one of the perks of being part of the organized groups is the opportunity to be invited as resource persons within and even outside the country. Wearing IDs and uniforms, and being invited to speaking engagements gave them a sense of pride. Whereas before they were looked down upon as scavengers, now they are looked up to as sources of practical, sensible solutions to serious problems.

LGU-PNOC Partnership for Gas to Power Generation

The Payatas Operations Group (POG) has been setup to oversee operations in the Payatas controlled waste disposal facility. Belmonte forged a partnership agreement with the PNOC in 2002 for the latter to put up a Pilot Methane Power Plant at the dumpsite capable of converting methane gas (which abounds in the area) into up to 100 kW of electricity. The plant also serves as a model for similar projects in the future. The electricity derived from the plant is used to light up the facilities and the fence around the dumpsite, generating savings for the city from reduced electricity expenses.

LGU-PANGEA Partnership for Clean Electricity

Belmont likewise forged a partnership agreement with an Italy-based company called PANGEA Green and its local partner, PANGEA Phils., for implementation of the Biogas Emissions Reduction Project in 2007. The city government leveraged the dumpsite as its equity while the capital investment was borne by its partner. The scheme was designed to convert biogas emissions into electricity, and in the process, decrease greenhouse gas emissions.

Considered as the first clean development mechanism (CDM) in the Philippines and Southeast Asia, this project was registered under the Kyoto Protocol of the United Nations Framework Convention on Climate Change (UNFCCC) on February 1, 2008. This means that whenever the PANGEA company is able to sell CERs (Certified Emission Reduction), the city government gets its modest share, which has already reached 100,000 Euros or P7 million carbon credits equivalent, the Quezon City Government's Annual Report for 2007–2008 reported, and at the same time, is able to make a humble contribution to improving the air, water, and soil quality around the city.

Awards Received

The Payatas disposal facility of today is a far cry from the miserable, deplorable, and accident-prone open dumpsite of 14 years before. Not only does it offer a practical solution to the livelihood problem confronting thousands of people who depend on it, but it also inaugurated pioneering initiatives as far as addressing solid waste management and other environment-related concerns, thus serving as a model for other similarly situated LGUs. Five years later, on January 26, 2009, the Payatas Disposal Facility would be recognized by the prestigious Galing Pook Foundation (Ford Foundation et al. 2008).

Sikap Buhay: Providing Livelihoods for the Poor

The Belmonte administration established the Sikap Buhay Center to address the unemployment problem in the city. It adopted a microenterprise lending program for the poor in 2002, patterned after a Grameen bank micro financing system made popular in Bangladesh. In 2010, the total amount of loans extended reached P2.47 billion, providing an average loan of P17,739 per client to a total of 179,743 clients. In 2008, 135 out of 142 barangays were covered by the lending program.

The capital for the loans did not come from the city government but from its partners consisting of local banks and private lending institutions, which enabled these organizations to expand their business operations and consequently increase their income. Between 2002 and 2009, the number of lending partners grew from one to nine[5]. Ninety-five percent of the borrowers are women, though the lending program is open to both men and women. Studies done to assess the benefits derived from the lending program showed that the beneficiaries were able to increase their income by 200–600%. The impact study conducted by the International Labor Organization (ILO) considered the lending program as an "effective poverty alleviation tool for the entrepreneurial poor" (Quezon City Government 2009, 31). Some studies showed that the beneficiaries' incomes enabled them to send their children to school, serve their families nutritious food, and make home improvements.[6] The program was likewise credited with inculcating among its beneficiary's certain important values that could help them live a better quality of life such as "credit discipline, self-reliance and greater financial independence for their families" (Quezon City Government 2009, 31). Moreover, the successful beneficiaries had learned to avoid the usurious lenders and instead deal with reputable banks.

The repayment rate averages 94%. The high repayment rate can be attributed to the multi-sectoral approach adopted by the SikapBuhay Foundation in monitoring the performance of borrowers. Barangay officials, community-based nongovernmental organizations (NGOs), and community civic associations, along with the SikapBuhay staff, monitor group loan collection, and organize entrepreneurship and livelihood skills training (Quezon City Government 2009, 36).

The QC-CBD: Creating a Competitive City

How the Concept of QC-CBD Was Born

The concept of developing the Quezon City-Central Business District (QC-CBD), or simply "Triangle Park," arose during one of the management committee meetings, when Mr. Salvador Enriquez explained that the city government had already maximized the taxing powers that it needed to explore alternative sources of revenues. During subsequent meetings of the management committee, Mr. Enriquez proposed that they consider developing the 250-hectare lot encompassing the Northern and Eastern Triangles, which was located across from the city hall, but provided the city government a mere P500,000 in annual taxes, into a new central business district. In his second term in office, Mayor Belmonte himself was not interested in imposing new taxes or raising the existing rates. Rather, he was focused more on transforming the city into a "center of gravity for business and the collective good of his constituents," to become "one of the most competitive in the metropolis and the nation", thus the proposal resonated perfectly with his plan (Quezon City Government 2010, 57; Alcazaren, n.d., 269). Anticipating the huge potential of the proposed CBD, he thus directed his Management Committee to conduct further studies on its feasibility.

Advantages and Challenges

The proposed QC-CBD possesses several advantages. It sits strategically at the heart of Metro Manila, has easy access to different modes of transport including three mass transit railway stations, and has the widest frontage onto EDSA, a 24-kilometer major road that connects the different cities in Metro Manila. These advantages make it an attractive location for retail and wholesale businesses, ICT companies, mixed use condominium buildings, and other types of businesses. Likewise, it connects with two large parks in the city, namely, the Ninoy Aquino Parks and Wildlife Center and Quezon Memorial Circle, which can potentially also turn it into an eco-friendly QC-CBD.

Two large real property developers, SMDC and Ayala Land, saw the tremendous economic potential of the proposed QC-CBD, and started their own investment programs. The Ayala Corporation put up the Trinoma Shopping Mall, which was inaugurated in April 2007. SM Development Corporation had earlier built the SM City shopping mall, and later constructed a three-tower condominium complex called Grass Residences, on a 2.5-hectare lot connected to SM North EDSA via a bridge way.

Yet, there were challenges that needed to be resolved before the development of the proposed CBD could proceed. Most of the site was owned by the national government. A large portion of it remained undeveloped, and a sizable part was occupied by a huge colony of informal settlers. Moreover, the city government was apprehensive that if it did not move fast enough to develop the property, the national government might just convert it into a huge on-site development for the existing informal settlers through its Community Mortgage Program. Thus, the city government offered the affected informal community the opportunity to avail itself of either an alternative housing relocation site or of the *balikprobinsya* (going back to their places of origin) program. It also linked up with concerned national and local government offices to provide the basic facilities in these resettlement sites and help the beneficiaries get settled in their new life.

The Proposed QC-CBD Generates Support

Belmonte sought the assistance of the World Bank to determine the feasibility of the proposed QC-CBD. The World Bank funded a technical study which identified the area "as the center of gravity of all commercial activities in the coming years" (World Bank Technical Study in Alacarazen, n.d., 271). Moreover, the proposed QC-CBD generated support from former President Arroyo, who issued Executive Order Nos. 62 and 62-A creating the Urban Triangle Development (TriDev) Commission. The TriDev Commission consisted of the heads of the

Fig. 2.2 The new Quezon City central business district: Triangle park. *Source* Quezon City government. http://quezoncity.gov.ph/index.php/quezon-city-business-district

HULRB, NHA, the Office of the President and Quezon City government. Belmonte sat as co-chair.

The QC-CBD Plan

The whole QC-CBD plan envisions a mixed use and environmentally friendly community. It has allocated spaces for the following uses: (1) parks and open spaces; (2) mixed use with retail ground floor; (3) mixed use institutional; (4) mixed use residential; (5) mixed use commercial; and (6) transit-oriented mixed use (Fig. 2.2). The plan's entire geographical coverage stretches toward the four major thoroughfares in Quezon City (Quezon City Government, n.d. (c)).

Joint Efforts to Relocate the Informal Settlers

To commence the development of the area, the city government coordinated with the NHA, which owns 30% of the CBD, regarding the relocation of some 14,000 families of informal settlers. It also had to wrestle with overlapping transfers of rights among the informal settlers.

The city government conducted consultations with the informal settlers, and offered them transfer choices: placements in relocation sites in other cities such as Montalban, Rizal, or Caloocan City; or *balikprobinsya* (going back to their places of origin). If they opted to relocate, they had the privilege of eventually owning the housing units assigned to them by paying the highly concessional amortization fee of P200 monthly. Moreover, the city government shouldered the electrification of the housing units as a relocation incentive. Finally, they were given transfer assistance of around P15,000–20,000 per family, which they could use for immediate or necessary purchases.

Leaving a Legacy of Development

Development haves started and proceeds in some parts of the QC-CBD, in the mixed use commercial, transit-oriented, residential, parks, and open space areas. The next big challenge will be convincing the affected national government offices located within the QC-CBD to relocate to the designated institutional zone, and allow the vacant portions of their properties to be part of the designated mixed use retail zone. This will entail a lot of persuasion and will power on both sides, and will take time. What should be stressed is that Belmonte has planted the seeds for a planned, organized urban development site that can well be a model for similar development endeavors.

A People-Friendly Management Style

In a statesmanlike manner, Belmonte has never played the blame game against his predecessor, as most Filipino politicians are wont to do. He avoided firing or "floating" those affiliated with the previous administration, thus allaying the apprehension of officials and staff. When some members of the Management Committee were later appointed as heads of departments and other offices, they adopted the same policy of not firing any incumbent in their respective offices.

He kept Monday as People's Day, where he received in his office people from all walks of life without prior appointments. He kept an open-door policy where employees could enter his office to discuss their concerns even without prior appointment. By listening to their needs, sentiments, complaints, and suggestions, he would know who among the heads of departments and offices were performing, and who were lagging; who among them were delivering services efficiently and effectively, and who were performing poorly. He did not rely solely on written reports submitted to his office. He visited project sites, and talked to the workers and people alike in the field. His very hands-on management style impressed upon them the need to take their work seriously. His colleague in the GSIS summed up his leadership style as lead by example and manages by exception. He also institutionalized the participation of civil society organizations in the City Development Council, which gave him valuable information on the development needs and priorities of the people.

As if to remind his constituents that the progress of their city springs from their own collective effort, emblazoned on one of the front pillars of the city hall are his words, "Our great city is not the result of chance, but of the vision, strategies, and hard work of the people and their leaders." Recalling the important lesson of taking care of the people, the most valuable resource in an organization, he declares, "My experiences made me understand that the whole thing is composed of human relations and the knowledge of good procedures" (Cruz, n.d., 156).

Lessons to be Learned

Phronetic and Distributed Leadership

There are two key tasks of a leader in a knowledge management and innovation environment (Martín-de-Castro and Montoro-Sanchez 2013): first, to manage and harmonize the different perspectives found within both organizations and teams; and secondly, to stimulate a high care atmosphere—creating trust among team members—as a common space for singular and collective collaboration to generate and convey knowledge. Belmonte's management team was a group of diverse individuals with varying styles and outlooks in law, budgeting, accounting, management, and allied fields. They had a high level of association with him—some had assisted him in his previous stints in the private and government sectors. These consultants, along with the city's department heads, addressed the challenges facing Quezon City at a time (Alavi and Leidner 2001), when a high degree of uncertainty existed and where group synergy remained to be exploited. The team started off as a transition team which was formed prior to his assumption of office.

This case study credits Belmonte with successfully negotiating through diverse ideas and opinions within the group to come up programs and projects that were pragmatic and certain to generate quick wins. Seidler-de Alwis et al. (2004) describe this as a process where varying perspectives and intellectual encounters between diverse viewpoints foster creativity that translates into new ideas and products.

High Care Milieu

At the same time, Belmonte's leadership style emphasized a high care milieu marked by human interaction (field and corridor encounters), assurance (wage incentives, altruistic spirit), and cohesion and workplace harmony (no blame culture). He set aside time for strategic reflection (he carefully studied proposals), he took time to listen and share his knowledge (he talked with the Payatas residents-cum-scavengers to find out their real conditions and impart his own views), and he led by example (he was comfortable working with ordinary people and always kept an open mind to new ideas). These were concrete instances of nurturing ba by reserving time and space for people to alleviate their personal concerns and encourage them to take part in the learning process through conversation (Hong, n.d.). These are illustrations of distributed leadership—unprompted alliances, hands-on engagements, participative duty calls, all of which, according to D Castro and Montoro-Sanchez (2013), serve as sources of leadership legitimation.

Business Unusual

This case also points to Belmonte's preference for transformational rather than transactional leadership. It shows how he successfully challenged entrenched thoughts: the business as usual, pay-per-trip mode in trash collection (transforming it into the cell-based garbage management scheme), the aversion for higher tax rates (which he implemented despite the strong protests of big businesses, whom he won over later when he proved to them that their money was spent wisely on more efficient services), the dependence on city government subsidies (the capital for micro financing came from local banks and private lending institutions), and the patronage practice of hiring political protégés (allowing the contracts of 7000 casual employees to lapse after their term expired).

Middle-Up-Down Management

Belmonte was also focused on motivating middle-level managers to explore knowledge utilization. As crucial links between the top-level managers (with their grand concepts) and frontline workers (with their more practical, problem-solving approaches), middle managers undertake knowledge "cross-leveling" tasks (Sarayreh et al. 2012; Hong, n.d.) that give shape to a phronetic "middle-up-down management." In the case study, this was demonstrated in the way he encouraged autonomous barangay officials (the link between city hall and the communities) to set up their own garbage collection and disposal system. Monetary incentives were added to strengthen the barangay-based ecological solid waste management program.

At the frontline level, Belmonte raised the spirits of individuals by showing confidence in their abilities and treasuring their contributions. For instance, organizational processes were formalized among the waste keepers or scavengers, recyclers, and junkshop operators in Payatas, giving them a solid footing on which to earn a living and seek job opportunities. Of particular significance was the active participation of waste keepers in redesigning the waste recycling system in the landfill. Equally noteworthy was the scavengers' newfound confidence as resource speakers in various waste recycling forums, thus creating new meaning in their lives.

Entrepreneurial Ethos

Belmonte also calibrated the level of phronetic thinking by encouraging an entrepreneurial culture. As with Seidler-de Alwis et al. (2004), he recognized that practical innovations required a rhythm of search and selection, involving alternative pathways. Drawing on the Grameen banking experience in Bangladesh, he created a microenterprise lending program, sikapbuhay, for the poor (especially women) during his first years as mayor. In lieu of simply dumping waste in another local government unit's backyard, Belmonte opted for a controlled waste disposal facility in Payatas, which entailed development and rehabilitation works, and a Pilot Methane Power Plant capable of lighting up the facilities around the dumpsite and generating savings for the city from reduced electricity expenses. The dumpsite rehabilitation gave other income opportunities to the waste foragers.

The Need for a Philippine Context

It is thus clear that the phronetic leadership model is appropriate in the Quezon City setting. It has its foundation in Japanese community harmony, yet a community-type culture similarly governs the behavioral temperament of the actors in Quezon City, a Filipino setting. However, as indicated by Hong (n.d.), it is important to emphasize the context-dependent and localized setting of knowledge management cultures. This is because there are socio-cultural variations in Japanese and Philippine landscapes that, if neglected, may undermine the cogency and relevance of the case study. By looking for contrasts between the two country contexts, it would be easy to tell apart the ingredients of the SECI model that are culturally entrenched in Japan, and those that are more universal in character and could be applied (with some adjustments) in other settings like the Philippines (Hong, n.d.).

To be sure, Belmonte had no knowledge of SECI, but it is instructive to learn how, from a third-party point of view, the Nonaka framework has been subconsciously "glocalized" in a Philippine setting. A crucial advantage for Belmonte was his belief in *knowledge-as-practice* rather than knowledge-as-commodity, in which he saw collective items of information from Quezon City constituencies not as "reified objects that can easily be acquired, processed, transferred, spread and stored across different geographic domains," but as "a system of socially constructed activities embedded in different contexts of knowledge work" (Hong 2011, 201). Since practice is localized, Belmonte could dis-embed community inertia, and re-embed and materialize community knowledge into a recontextualized set of innovative actions (note the transformation of Payatas from a garbage dump into a livelihood base). This was, borrowing the characterization of Hong (2011), a performative act of socially constructing a host of localized approaches to create new meanings. He was able, with the assistance of his team and middle-level city managers, to explore the complexities and challenges of investing in knowledge-as-practice.

But much of the knowledge creation and retention in a developing country like the Philippines is tacit, which is both an advantage and a limitation in translating knowledge bases into codified forms (which are required for long-term rule-making). The principal benefit of extensive tacit knowledge is that it forms part of specific cultural norms that are easily handed down from generation to generation. But the drawback is its inability to harness cross-cultural sharing and management, as the behavior and attitudes of local managers remain rooted in a very specific cultural context (Hutchings and Mohannak 2007). The context-based hurdles along the SECI continuum are illustrated by the following:

1. The hierarchical nature of the QC organization also did not help in the sharing of tacit knowledge. Based on the Weberian model, the city hall structure did not allow socialization to happen easily (Hong 2011). The effectiveness of externalization (Hong 2011) depends crucially on incentives for making it available to other coworkers. Hierarchy, however, generates silos, which create disincentives for knowledge dissemination. The principal-agent literature suggests that knowledge, being the source of power and authority, makes it hard for a typical bureaucracy to indulge in knowledge sharing. Belmonte succeeded in overcoming this hurdle, not by reorganizing the bureaucracy (he did make it more efficient), but essentially by sidestepping bureaucratic routines using nonbureaucratic tools such as outsourcing, and involving NGOs and the private sector; and
2. In turn, knowledge hoarding made it difficult to put together coherent, explicit rules during the knowledge combination stage. This comes as no surprise, as urban development has made Quezon City dwellers less oriented to group culture (which was a traditional norm) and more inclined toward individualistic career orientation. That was clearly an obstacle to finding collective solutions to common problems. Knowledge hoarding also bred corrupt practices. Belmonte employed unconventional methods to overcome the lack of critical background information, by encouraging people to speak up during his People's Day conversations, and likewise by encouraging team-based discussions outside the typical business-as-usual routines of different city hall units. He also formulated new transparency rules to coax managers into becoming more open.

If SECI is interculturally valid, how does it translate into a Filipino cultural setting? Belmonte, after all, is a product of Filippino culture, and cultural attitudes, following Co and Mitchell (n.d.), influence the way in which he perceived and acted on opportunities created by the institutional environment in the Philippines. Thus, we added to Table 2.1, originally constructed by Hong (2011), two additional columns

Table 2.1 Nonaka's knowledge creation model

Nonaka's knowledge creation model and its underlying cultural assumptions				*Filipino values*	
Modes of knowledge creation	*Behavioral patterns*	*Underlying assumptions*	*Embedded Japanese cultural values*	*Convergent*	*Divergent*
Socialization	Engage in day-to-day social interactions. Observations, intuition, and direct experience	A strong desire to identify and interact with others. Mobilizing people and spurring them to actions	High collectivism. Large power distance	Filipinos are usually collectivists; they identify with their families, regional affiliations, and peer groups (De Torres 2002) Major strengths: *pakikipagkapwa-tao* (having a regard for the dignity and being of others) (Enriquez 1994; Okamura and Agbayani 1991), *pakikiramdam* (heightened sensitivity: Filipinos are good at sensing cues, and "sizing up each other"), and *pamathalaan* (committing to their communities) (De Guia 2005)	The struggle between individualizing conscription and communalizing reciprocation (Mendoza and Perkinson 2003) arising from past Spanish and American colonial experiences (Chao and Tseng 2002)

(continued)

Table 2.1 (continued)

Nonaka's knowledge creation model and its underlying cultural assumptions				*Filipino values*	
Modes of knowledge creation	*Behavioral patterns*	*Underlying assumptions*	*Embedded Japanese cultural values*	*Convergent*	*Divergent*
Externalization	Convert abstract ideas into concrete forms of information through text, symbols or metaphors. Demonstration, comparison and experimentation	A strong motivation for reducing ambiguities through feedback seeking. Being assertive and determined in coping with uncertainties	High uncertainty avoidance. Masculinity	Concept of *bahalana* ("it is up to God" or "leave it to fate") operates psychologically to elevate one's determination and risk-taking to endure in the face of adversity or ambiguity and to improve one's situation (Enriquez 1994; Okamura and Agbayani 1991; Pe-Pua and Protacio-Marcelino 2002)	It also operates to discourage the individual from becoming more entrepreneurial and tends to take away their initiative in making decisions (Co and Mitchell n.d.);

(continued)

Table 2.1 (continued)

Nonaka's knowledge creation model and its underlying cultural assumptions				*Filipino values*	
Modes of knowledge creation	*Behavioral patterns*	*Underlying assumptions*	*Embedded Japanese cultural values*	*Convergent*	*Divergent*
Combination	Exchange ideas and thoughts with coworkers. Accumul[a]tion, reorganization and evaluation	Value the creation and sharing of joint resources. Energizing people and connecting them to dialogues	High collectivism. Large power distance	Mutual caring and support within the family and peer groups (De Torres 2002); *Kagandahang-loob* (shared inner nobility or shared humanity) nudges people towards genuine acts of generosity; quick to lend a hand and share skills and knowledge freely (De Guia 2005); *Bayanihan* (spirit of communal unity or effort to achieve a particular goal) reflects the customs of working, playing, and thinking in cooperative kin and community groups (Wong and Tsai, n.d.)	Filipinos perceive authority to be ultimately personal and thus subject to influence, affiliation, and patronage (Herrington 2011)

(continued)

Table 2.1 (continued)

Nonaka's knowledge creation model and its underlying cultural assumptions				*Filipino values*	
Modes of knowledge creation	*Behavioral patterns*	*Underlying assumptions*	*Embedded Japanese cultural values*	*Convergent*	*Divergent*
Internalization	Receive and digest others' ideas for one's own use Embodiment, reflection in action	Willing to open oneself up for new ideas, perspectives and thinking by reflecting from the experience. Striving for continuous improvement and advancement	High uncertainty avoidance Masculinity	Self-regulating mechanism of sensitivity towards others leads to openness, creativity and tolerance (De Guia 2005)	When faced with noncompliance, guilt culture rather than shame culture operates

Source After Hong (2011), as modified by the author representing convergent and divergent Filipino values. Convergent values are those consistent, or at least reconcilable, with the SECI framework, while divergent values are those incompatible, wholly or in part, with SECI.

How did Belmonte manage the interplay between convergent and divergent aspects of Filipino culture in promoting his vision of a progressive Quezon City? As with other cultures, Filipino ways of life have a conflicted structure; there are pillars of strength as well as inherent fault lines of weaknesses. Convergence and divergence can, often unhappily, coexist. Family-centric and community-centered cultural principles, although dominant, are often challenged by an individualistic attitude fostered by extensive Spanish and US colonization. Family or community solidarity may cultivate subservience and dependence (Okamura and Agbayani 1991). A long-lasting *utangnaloob* ("debt from within") generates reciprocity—there is always an opportunity to return the favor, thereby creating binding relationships (Pe-Pua and Protacio-Marcelino 2002)—but this is also the source of patronage and clientelism. *Bahala na* connotes determination and readiness to confront difficult situations (Pe-Pua and Protacio-Marcelino 2002), but it also gives rise to a stoically submissive outlook that is supposed to cushion people from disappointments. Then there is the matter of how to manage both shame and guilt, when something dishonorable or morally untenable happens. The Philippines and Japan are collectivistic countries, where both self- and other-regarding stances are viewed as interdependent, and shame arises when norms and standards are violated (Wong and Tsai, n.d.). But, in addition, a guilt culture (arising from the Roman Catholicism introduced by Spain) is also prevalent in the Philippines, and in consequence, an individual who commits an offence will likely weigh himself or herself up in a negative way.

To deal with such contrary postures, Filipino leaders or elders typically follow what Root (1997) calls "code-switching," in which the protagonist switches from one value to another to resolve the contradiction. Belmonte made progress during his tenure by judiciously observing code-switching in many instances. To counter a too family-centric orientation among his constituents, he made sure individual professionalism and enterprise was a centerpiece of his administration. A seasoned politician, Belmonte also made deft use of patronage to gain the support of individuals and groups for his projects, but was careful enough not to upset the emerging meritocracy in the city's bureaucracy. For the city's offenders, such as drug-users (the city also established a rehabilitation center for drug addicts), Belmonte relied more on renewal rather than severe punishment. This can be interpreted as depending more on reparative action that comes with guilt (Wong and Tsai 2007), rather than on the permanent disgrace and humiliation associated with shame.

Epilog

In a recent interview, Belmonte (now Speaker of the House of Representatives)[7] has indicated that he is pleased that his successor, Mayor Herbert Bautista (who, as vice mayor during his term, was his understudy) is continuing most of the programs and reform initiatives he had undertaken. The Payatas livelihood program, City Hall's program for urban poor entrepreneurs, and the balanced budgeting scheme are still in place. The CBD blueprint is entering a more aggressive implementation stage, as many big players, like Ayala Land, are making significant infrastructure investments in the business area (although key social issues, like the relocation of undocumented settlers, remain to be resolved amicably). Knowledge as a process, Belmonte thinks, is still leveraged in the Quezon City community, although probably in quite different ways, as the new mayor also has his own distinctive style of using both tacit and explicit information to further the city's purposes. Sustainability remains on the agenda, as the deployment processes of Quezon City have not entered a mature stage. Much remains to be done to preserve and expand the gains accomplished during Belmonte's term.

Notes

1. After the 1986 People Power revolution, Belmonte would be known for his proverbial "Midas touch" as he turned one financially ailing enterprise after another to financial health in record time. As President and General Manager of the Government Service and Insurance System (GSIS), he resurrected it from bankruptcy. He did the same as government representative in three "big ticket" firms, the San Miguel Corporation, the Philippine Long Distance Company, and Manila Hotel. Under his watch as Chief Executive Officer, the Philippine Airlines, another financially troubled company, earned an unparalleled profit of P1.2 Billion, allowing it to pay its debts without resorting to borrowing or even firing anyone. His strategy was simply to focus on the do-ables—"better cabin service, improved customer courtesy and faster refunds" (Cruz, n.d., 163).

2. The Management Committee was composed of the following: (1) Salvador M. Enriquez, Jr, Head of the Technical Assistance Committee; (2) Herbert M. Bautista, Vice Mayor; (3) Paquito N. Ochoa, Jr., City Administrator; (4) Tadeo M. Palma, Secretary to the Mayor; (5) Gerardo G. Magat, former City Planning Head Architect; (6) Manuel N. Sabalza, Assistant City Administrator for Operations; (7) Joselito B. Cabungcal, City Engineering Office Head; (8) Pacifico F. Maghacot, Jr., Assistant City Administrator for General Affairs; (9) Aproniano M. Boongaling, Senior Adviser to the Mayor; (10) Victor B. Endriga, City Treasurer; and (11) Jose O. Castro, Assistant to the Mayor (Composition of the Management Committee is taken from Quezon City Annual Reports).
3. For several days, Ms. Rentoy and her team observed the actual garbage collection and disposal system. They boarded the garbage trucks to determine the actual capacity of each truck per trip daily in terms of the following: (1) number and length of streets covered; (2) volume of trash; and (3) number of trips daily.
4. These organizations include the following: BULASI (Buklod Lakasng Scavengers Ini); PARE (Payatas Alliance Recycling Exchange); AMPAT (Alyansang Maralita Payatas Estate); BSSAI (Bagong Silangan Scavengers Inc.); PAJOSA (Payatas Junkshop Operator Scavengers Association); PKR (Payatas Kabuhayan Recycling); PRM (Payatas Recycling Movement); PSAG (Payatas Scavenger Association); PSAI-SAMPIU (Samahang Mangangalahigng Payatas Inc.); SAMAMI (Samahang Mangangalahig); UPC (Urban Poor Central); and PARE (Multi-Purpose Cooperative, registered with the CDA).
5. The following are the lending units and the year they joined the Sikap Buhay program: Cooperative Rural Bank of Bulacan (CRBB)—2002; Novaliches Development Cooperative—2002; Euro Credit Cooperative—2003; ASA Philippines Foundation—2006; Center for Community Transformation Cooperative—2007; UPLIFT Philippines—2008; Bagbag Multipurpose Cooperative—2008; ECLOF Philippines—2008; and Caritas Salve—2009 (Quezon City Government 2010, 36–37).
6. Let us hear from two successful beneficiaries of the lending program:
   Mrs. LaidaSarabia of LupangPangako, Payatas, borrowed P5,000 in 2002 to put up a "gotohan" (congee or rice porridge outlet). Three years later, she put up a sari-sari store with a capital of P30,000 and rents out half of the sari-sari store to a water station; and VilmaOktubre initially borrowed P5,000. After 2 years, she borrowed P10,000 to put up a carinderia (small canteen) employing three household members. She also bought a refrigerator worth P26,000, and construction of a sari-sari store separate from the house will soon start (Quezon City Government 2007, 29).
7. After serving as mayor for 9 years, Belmonte ran to represent his old Quezon City district in the Philippine Congress.

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Regina A. Samson. Assistant Secretary to the Mayor and Head, Communications Coordination Center, Quezon City. Interviewed on 10 September 2014.

CHAPTER 3

Case Study 2: Toward Surabaya Cyber City: From GRMS to e-Sapawarga (2004–2014)

Agus Pramusinto and Erwan Agus Purwanto

Introduction

Innovation in public service delivery and in the conduct of government affairs has long been an area of keen interest for public administration academics and government affairs practitioners alike. The onset of decentralization in Indonesia in 1999 led to a significant reduction in the role of the central government in local government policies, which, by and large, was overly centralistic and underpinned by rules and control (Ford 1999; Gerritsen and Situmorang 1999; Rasyid 2002, 2003). Subsequently, the democratization in the realm of politics and the conduct of government

A. Pramusinto (✉) · E.A. Purwanto
Universitas Gadjah Mada, Yogyakarta, Indonesia
e-mail: aguspramusinto@ugm.ac.id

E.A. Purwanto
e-mail: erwan@ugm.ac.id

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affairs that has ensued has given local government the opportunity to develop and implement public policies that foster innovation in service delivery (Kristiansen et al. 2009; Pramusinto 2002, 2004, 2012).

Decentralization in the management of government affairs has led many local governments to be increasingly aware of the importance of innovation in enhancing their competitiveness in comparison with others. Conventional methods are no longer sufficient to manage abundant natural resources, develop ample human resources, and create "strong" organizations. Thus, knowledge-based innovations are imperative for efficient and effective resource management. This is very much in line with extant research findings on the role of knowledge in organizational development in the private sector (Nonaka and Toyama 2005; Chawla 2010; Muniz 2010; Wu 2010; Valio Dominguez Gonzalez et al. 2014; Taherparvar 2014).

This case study analyzes the innovation process within government bureaucracies, focusing on the Surabaya City government, whose ambition is to create Surabaya Cyber City. The question this research sets out to answer is: how does the innovation process work, and to what extent does leadership influence successful innovation?

The History of Surabaya City

Surabaya is the capital city of East Java province and is the second largest city in Indonesia, second only to Jakarta. The name Surabaya is derived from two words, *Sura* (shark) and *Baya* (crocodile), which together portray two large, strong forces (the shark symbolizes colonial force, while the crocodile symbolizes local force) that are contesting for the power to control Indonesia. Surabaya has an even deeper meaning: courage (the shark) and danger (the crocodile), which symbolize the courage to undertake very dangerous actions. The two terms are rooted in the history of the sustained struggle carried out by Raden Wijaya against invading Mongolian forces under the command of Kublai Khan. The victory achieved by the Majapahit forces under the leadership of Raden Wijaya over Mongolian forces on May 31, 1293 is today commemorated as the anniversary of the founding of Surabaya City.[1] Surabaya is also recognized as the city where young people struggled against Dutch colonial forces as they staged a comeback to regain control over Indonesia in the aftermath of the country's proclamation of independence. It is that event that gives Surabaya its renown as the City of Heroes *(Kota Pahlawan)*.

Surabaya city is now a center for business, trade, industry, and education in the eastern part of Indonesia. From the economic importance point of view, Surabaya is the most advanced city in Indonesia due to the fact that it is home to the headquarters of many large companies. The annual budgets for Surabaya city for 2013 and 2014 fiscal years were Rp. 5.69 trillion (US$569 billion) and Rp. 6.6 trillion (US$660 billion), respectively, for the development and provision of public services for the 3 million residents under its jurisdiction.

The Surabaya city government is highly renowned for the various innovations it has made in public service delivery. At present, Surabaya is led by Ir. Tri Rismaharini, MT (who is known as Ibu Risma or Mother Risma), a female city mayor who is very innovative and is a visionary. Thanks to her great endeavors that Surabaya, which once was known only for its notoriously hot weather, has been transformed into a city that today is known for its green gardens and public spaces for physical exercise and recreation, where people can take walks and breathe fresh air untainted by pollution.

Surabaya: Toward a Cyber City

The application of information and communications technology is the most outstanding of these innovations so far. Once this is completed, it is expected to transform Surabaya into a cyber city. The following is an account of the innovation process, successes, and constraints that have characterized its implementation. The goal behind creating Surabaya Cyber City lies in the desire to create a modern information technology-based city. According to Internet World Statistics (2011), in terms of Internet penetration in Asia at the beginning of the present decade Indonesia was ranked fourth, behind China, India, and Japan. Indonesia has 40 million people who have Internet access, which represents 16% of the total population of 245 million. According to Nielsen, one in five of the Indonesian population above 15 years of age is an Internet user (Jakarta Post 2012).[2] To realize the Cyber City goal, the Surabaya city government has implemented innovations in its internal bureaucratic practices, such as a resource management system (the GRMS), innovations that are tailored toward strengthening the public through a portal known as e-Sapawarga, and a Broadband Learning Center (BLC).

GRMS: Internal Bureaucracy Innovations

Surabaya introduced the GRMS innovation to improve the working systems and performance of the bureaucracy. The Indonesian bureaucracy has long been in the public spotlight due to its image of poor performance. The aspects of poor bureaucratic performance that led to the GRMS initiative included the following:

1. The disorder that has plagued budgeting centered on various units in the Surabaya city government, which generated inefficiency, duplication of programs, and other budgetary problems. These problems were attributed to the absence of a system of standard prices per unit that would serve as a basis or reference in formulating budgets[3];
2. Indications of collusion, corruption, and nepotism in the procurement of goods and services, attributable to a lack of process transparency. Once the annual budget is approved, the budget implementation documents lack an application to track the monthly schedule of expenditure throughout the year, or knowledge of the attendant procurement methods actually used. This drawback used to make it difficult for those involved in implementation to know for sure when work was to be carried out[4];
3. Difficulties in monitoring and controlling the process of implementing activities that were carried out by both the internal bureaucracy and third parties. Whenever the city mayor or city government secretary requested reports on budget utilization and the physical progress of work/developments underway, those involved in implementing activities did not have any quick answers to give, simply because such a process required the collection of additional documentation prior to doing so[5]; and
4. A lack of clarity with respect to bureaucratic performance in major tasks and functions that fell under their jurisdiction. This generated unfairness in awarding incentives to bureaucrats who were diligent, as opposed to those who were lazy. The incentive system was a shambles, characterized by the existence of government offices that are regarded as "wet" (having many opportunities to perpetrate corruption, such as the public works office or education office) that offer hefty incentives, as opposed to "dry"[6]/lean offices (such as the office for women's empowerment, or the office for demography and civil records).

The Process of Making GRMS

The Surabaya city government embarked on introducing a GRMS in 2004. The idea was kick-started by the *Bina Program* (Program Development) section, which falls under the city government secretariat. Prior to introducing the GRMS innovation, Surabaya introduced another form of innovation, which took the form of *e-Procurement*, which was intended to enhance transparency and accountability, increase the market and promote healthy competition, scale up efficiencies in the procurement process, support monitoring and auditing, and meet the demand for access to information in real time.

GRMS development was first and foremost introduced in e-Budgeting, which was part of the budgeting system stipulated in the Minister of Internal Affairs Decision *(Kepmendagri)* No. 29/2002,[7] but which involved myriad accounts that made government control over the process very difficult unless assisted electronically. The GRMS, or government resources management information system, is an integrated local government financial management system covering all bureaucratic activities from upstream to downstream (in the context of expenditure). GRMS encompasses the budgeting formulation process (e-Budgeting), work planning (e-Project Planning), electronic auctioning (e-Procurement), contract administration, and work payment settlement (e-Delivery), implementation of activity monitoring (e-Controlling), and civil servant performance measurement (e-Performance). Please see Appendix I for further information on these sub-processes.

Continuation of GRMS: e-Payment Development

The performance of GRMS is subject to continuous evaluation and improvement. At the time of writing, the Surabaya city government is in the process of introducing e-Payment as a continuation of the GRMS program, which is aimed at making tasks and activities of the government a lot easier. e-Payment is a system used in executing payment of employee salaries, and the use of a development fund for government office units that have working arrangements with other parties.

According to the head of the treasury section in the city government revenue and financial management office, making payment with e-Payment takes less than 2 hours. Contractors who supply goods and services are required to fulfill all the administrative requirements online, after which payment is executed in a couple of days.[8] Officials responsible for verifying and giving instruction for payment can do it anywhere and anytime. Their presence in the office is not necessary because they can carry out verification via an electronic device such as a mobile phone.[9] Under the conventional system, payment for goods and services supplied by contractors is very uncertain and unpredictable, sometimes requiring months of waiting. To that end, with the adoption of e-Payment, not only the office head but also the Surabaya city mayor can control the process with ease.

Outcome of the Implementation of GRMS

In the wake of GRMS implementation, several positive changes in financial management are discernible. Risma espouses the notion that an electronic-based government is an imperative. "If activities are carried out without using electronic methods, most of our time will be spent on handling administrative issues. That would imply that there will not be any time left to deliver services directly to the public."[10] The following stories are accounts of several interesting episodes that are drawn from the implementation of GRMS in various fields:

Episode A The success of GRMS was noted by Ir. Refly Rompotan, the professional expert to the deputy mayor of the Bitung Local Government area, who led a delegation on a visit to the Surabaya city government in 2015. In the discussion, the head of revenue and financial management in the Surabaya city government, Ir. Joestamadji, MSi, showed that within 20 minutes of the service desk opening at 07.40 a.m. that morning, he had received several SMS messages sent automatically that notified him about the tax revenue receipts that had been deposited into the office account overnight. By 8.00 a.m., the money deposited into the account had reached Rp. 216 million (US$21,600), and this could be monitored second by second in real time. According to Joestamadji, the tax revenue target for Surabaya city for 2013 was Rp. 2.118 trillion (US$211.8 billion), and by early September of 2013, tax revenues had reached 70.15%[11] of this target.

Episode B More than 15 government institutions have requested Surabaya city government for assistance in implementing e-Procurement in their agencies. The 154 institutions include East Kalimantan province, Gorontalo province, NTB province, the Ministry of Foreign Affairs, the

Ministry of Industry, the NAD-Nias rehabilitation and reconstruction agency, and Bandung city government (Jasin et al. 2007).

Episode C e-Delivery has proved very beneficial in contract administration management. In the aftermath of the implementation of e-Delivery, offices and agencies of the Surabaya city government are now equipped with clear and certain contracts. The city government has a standardized contract system that cannot easily violate existing laws, as the formulation process involved consultation with legal experts. Consequently, in disputes over contracts, Surabaya city government always turns out to be the winner.[12]

Episode D The work evaluation standard in place is fairer as it is based on individual performance. Prior to the adoption of GRMS, offering incentives was based on the position of an individual within the organizational structure, or working in a position that was regarded as “wet” (a revenue center that receives a large chunk of budget expenditure), in contrast to a “dry” position (one that receives little budget expenditure). With the implementation of the new system, incentives are offered on the basis of performance regardless of the position an individual occupies in the organizational structure.[13]

Episode E Demak Tampubolon, a professional expert assistant in the Presidential working unit in charge of Development Supervision and Control (UKP4), notes that, by adopting an electronic budgeting management system, the Surabaya city government has been able to increase financial efficiency, and thereby performance. For example, by implementing an electronic system, the city government was able to register a drastic reduction in government expenditure on official traveling costs from Rp. 14 billion (US$1.4 million) to Rp. 5 billion (5 million) in 2013.[14]

GRMS Implementation and Challenges

A legal framework is crucial prior to implementing any policy. The policy on implementing the GRMS system was enshrined in the Surabaya City regulations No. 73/2012 setting out technical guidelines on implementing direct budget expenditure and procurement of goods and services, and No. 83/2012 on giving performance remuneration for direct expenditure. The GRMS system is easily accessible from anywhere and anytime via the Internet. The system was developed and adopted in 2004, and while it has since undergone improvement and enhancement to ensure that its application continues to this day, it continues to promote integrity and transparency in public financial management.

Nonetheless, the implementation of GRMS initially encountered resistance from the bureaucracy and business community. Government officials who initially rejected plans to implement the program gave various reasons for their stance that included (inter alia): (a) human resources in the city government were not skilled at using the technology; (b) some business people were worried about using such technologies, while others considered the new technology a threat to their businesses, largely because they were accustomed to indulging in collusive practices with bureaucrats.

e-Sapawarga: Widening the Reach of Innovation to Society

Since its adoption, GRMS has led to reforms in the performance of the bureaucracy. Upon registering success in improving performance within the city government, the Surabaya city government embarked on plans to widen the reach of innovations toward contributing to the advancement of the society. The city government office for information and communications embarked on innovations that are tailored toward transforming Surabaya into a cyber city.

Background of the Innovation

While chairing a meeting in 2009, Bambang DH, the Mayor of Surabaya at the time, took special note of the fact that many issues had emerged that related to the weak supervision of projects within the city bureaucracy. Consequently, the quality of finished projects fell far short of the requirements stipulated in written contracts and plans. To that end, the mayor appointed Risma, who at the time was head of the city development planning division, to identify more effective project supervision and control systems. Subsequently, Risma formed a team that was charged with the task of identifying ideas. Through a series of discussions, this team reached the conclusion that encouraging public participation was the most effective way to enhance project supervision. The idea was based on the Customer Relationship Management (CRM) philosophy described as follows:

1. CRM is the strategic process that involves the designing and management of interactions between a company and its customers in such a way that the company focuses its activities on maximizing current and lifetime value of customers, which in turn maximizes their satisfaction (Rajagopal and Sanchez 2005, 308); and
2. CRM is an IT-enabled business strategy, the outcomes of which optimize profitability, revenue, and customer satisfaction by organizing around customer segments fostering customer-satisfying behavior and implementing a customer-centric process (Gartner Group 2008).

The searching and refining phases of the idea continued until 2010. It dawned on the team that one of the ways the city government could increase public participation in the supervision of projects and programs was the availability of easily accessible, affordable, and fast communications media. Using these, the public can conduct communications on important issues and developments in society either at individual or group level or both.

The Creation Process: From e-RT/RW to e-Sapawarga

Public participation is only possible if communication is based on social network media such as Facebook, Twitter, and so on. Considering this, the Surabaya city government created its own form of social media, and gave it the name e-Sapawarga.

Initially, the program involved the facilitation of RT/RW (neighborhood organizations) by forming e-RT/RW, thereby creating a grassroots communications network that could be extended to even lower levels. Using e-RT/RW, all RT and RW heads are able to apply information and communications technology in galvanizing neighborhood members toward improving conditions in villages and living quarters. This was the backdrop that facilitated the creation of a cyber village.

The Surabaya city government collaborated with Telkom Co., Ltd. to make use of its Customer Social Responsibility (CSR) program to assist in establishing the e-RT/RW development. Telkom provided the requisite network infrastructure, which took the form of modem and free subscription services to RT/RW heads that had fixed Telkom telephone lines and PCs. Telkom's CSR Support meant that the heads of RT and RW could have fixed member accounts with sapawarga as well as lurah (village heads), sub-district heads, and heads of government offices (Please see Appendix II for Telkom CSR Support). In Surabaya city, there are 9271 RT heads, 1405 RW heads, 163 lurah, and 28 subdistricts. That way, the general public at the lowest level in the jurisdiction of the then city government was connected to the cyber world, which enabled them to access the public service delivery systems provided by the City government.

Subsequently, e-RT/RW developed into e-Sapawarga, so that all sections of society could have access to Surabaya city government websites. This is a stark contrast to the previous situation where only RT and RW heads had access to these websites.[15] Using e-Sapawarga, Surabaya city residents started to have interactive dialogues with the city government, including inquiries about issues that related to the recruitment of civil servants, discussions on schedules and public transportation routes, and so on (Please see Appendix III for the use of e-Sapawarga in public service delivery).

Strengthening/Empowering e-Sapawarga Through the Broadband Learning Centre (BLC)

Withthe aim of empowering the public through the use of the Internet, the Surabaya city government inaugurated a Broadband Learning Center (BLC). The BLC was located in Taman Prestasi (achievement garden), as a step toward providing Internet connection in all gardens and public areas in Surabaya city). BLC is an IT facility intended to promote learning for residents of Surabaya city free of charge, as well as a way to accelerate the overarching goal of the realization of Surabaya Cyber city.

The development of the BLC was aimed at fulfilling three targets with regard to achieving the realization of Surabaya Cyber city: (1) the implementation of the Surabaya Broadband Government and Education (B–GovEd) initiative that involves the creation of training facilities for information and communication technology learning for elementary, secondary school, and high school students as well as small-scale and medium-size entrepreneurs; (2) the Surabaya Broadband Citizen Service, which entails the provision of free hot -spot services and information in certain designated areas; and (3) the development of the Surabaya Government Community Information and Facilities Center for learning telematics in hot-spot areas.[16] Risma outlined the importance of this Center at the EROPA Conference in Jakarta in 2012.

Obstacles Encountered during Implementation

Creating a cyber city is no easy feat. The Surabaya city government has faced many obstacles during the implementation phase, including but not limited to, shortfalls in infrastructure and human resources. The shortage of financial resources was relatively easy to overcome by allocating additional funding for the program. But it was not so with the scarcity of human resources. This problem is far more complex, as it has much to do with mind and cultural sets in regard to responding to technological developments and the capacity to operate them.

Fortunately, the city government was able to overcome the human resource shortage by making contract arrangements with information and communications technology graduates as well as volunteers drawn from the information and communications community. As regards the information and communications technology community, the group is made up of fresh graduates and members of the public who have a keen interest in the field, as well as practitioners in the creative industries. The human resources obtained through the process served as providers of technical guidance and educators of the public on ways and techniques of making use of the Internet. Every garden or BLC was provided with one CIT facilitator.[17]

Public Use of the BLC

Many students use BLC to search for all manner of information. In addition, the residents of high-rise apartments have also gradually developed interest in using the Internet to read and search for information. Enabling graduates to search for information on job opportunities is indeed part of Risma's vision that underpinned BLC development. BLC is regarded as a medium that graduates can use to search for job opportunities thereby reducing the unemployment rate among graduates.[18] In any case, during the ASEAN Economic Community era, graduates from Surabaya city will have no choice but to compete with graduates from other countries whose education systems are far more advanced than Indonesia's.

To date, farmers are no longer limited to tilling the soil using hoes and hatchets, but are increasingly staking their claim in CIT and other domains by learning how to use the PC computer keyboard. For instance, farmers are making use of their Internet literacy to obtain information on crossbreeding chili peppers, thereby creating highly productive hybrids, as well as browsing for information on prevailing market prices for their produce, which enables them to avoid manipulation by money-hungry local capitalists or *tengkulak*.[19]

Innovation and Surabaya City Leadership

The success that Surabaya city has achieved in implementing innovations is largely attributable to the role Tri Rismaharini has played in the process from idea generation to completion. Prior to assuming the office of city mayor, Risma was a bureaucrat who rose through the ranks from a low level. Risma, who was elected to office for the 2010–2015 period, is the first woman to occupy the position of Surabaya city mayor. Risma was once head of sanitation and the city garden and parks office (DKP). It was during her tenure as head of the DKP that Surabaya city's sanitation was revamped and improved to an unprecedented level. Such efforts led to Surabaya city receiving the Adipura 2011 award for the second time, an achievement that had eluded the city for 5 years in succession.

Risma as a Hard Working Individual

The aspect of Risma's character that distinguishes her from other mayors or local government heads is her ethos of hard work. The following is a succinct portrayal of the diligent Risma:

> Many mornings at 5:30 a.m., "Mrs. Mayor" can be found picking up trash along the roadside. In the afternoons, she hands out balls to children in the parks while reminding them to study hard. At night, she patrols the parks, scolding underage youth for breaking curfew. If traffic gets snarled, she has been known to get out of her car and direct it herself. She also hosts a radio call-in show, fielding questions about evictions, clogged drains, and the occasional obscenity.[20]

As described above, Risma starts work very early in the morning and does not leave her office before the clock strikes midnight. Risma is so hardworking that she sometimes has difficulty maintaining regular communication with her family. Nonetheless, she was aware of this right from the time she was elected to the position of city mayor; she informed her family members that her duties and responsibilities were no longer limited to dealing with them. For her, becoming a city mayor meant that she owed her allegiance to all city residents, and hence is obliged and committed to serve them. Risma believes that if she dedicates most of her time to serving the citizens or residents of Surabaya city, then God Almighty will always be there to help her family members.[21]

Risma's philosophy toward work underlies her hardworking ethos and courage to do anything that she considers right:

- Work until you are no longer able to work;
- Talk until you are no longer able to speak;
- Pray until you are no longer to pray.[22]

Risma applies this philosophy consistently, which sometimes create problems for her. As a devout Muslim, she understands a lot about the sayings and habits (Hadith) of the Prophet Muhammad (SAW) that relate to promoting good deeds (*amar ma'ruf*) and avoiding bad deeds, evil things, or indulging in crime (*nahi munkar*): "Whoever among you who bears witness to the perpetration of bad deeds or evil, or crime, should use their hands to make necessary changes. If you are unable to do so, use your tongue, and if that is not possible use your heart, and this is what constitutes the greatest weakness of faith or belief." For herself, she notes that:

> I have experienced job transfer eight times in a single year. In fact, I served in one position just 1 week. There is no problem with that simply because I consider it a risk associated with my choice in life." According to her, we should not desist from expressing opinions that do not match those of our superiors, as long as we are sure that we are doing the right thing. "You should never be afraid to differ or set out a challenge. As long as I am convinced that I am right, there is nothing to fear. I have the conviction that God will provide sustenance for me wherever I happen to be.[23]

This idea is very much in line with the thinking of philosopher Edmund Burke, who noted that "the only thing necessary for the triumph of evil is for good men to do nothing."[24] The people of Surabaya have acknowledged Risma's courage, for example:

> She is a hard worker, brave, and humble, the second best mayor after Jokowi (the former Mayor of Solo, Indonesia). She has been working so hard to bring order to Surabaya. For example, Dolly, a prostitution area in Surabaya, was demolished for good. The reason behind the demolition was not just because of prostitution itself, but also it leads to child trafficking, the spread of HIV, and affects the city's image. Risma is the kind of person that every country needs, one who does not think about salary, money, and politics, and only works, works, and works for a better future for their people.[25]

A Caring and Honest Leader

Risma, who always presents herself humbly, is an honest and caring person for the people of Surabaya.[26] In implementing policies, Risma always prioritizes public interest. Observers mention the following things about her: "The simplicity or humility of her leadership, people are making progress, there is no corruption, Indonesia is making progress or advances"[27]; "Honest leader, hopefully she will be given strength and ease to move forward"[28]; and "Risma's Good work…We love you."[29] Meanwhile, the following events illustrate Risma's attention and caring disposition:

> The Mayor is great!! Upon seeing a group of people carrying the body, Risma immediately made a call for the ambulance", "Risma is always directly involved in cleaning the city environment. Risma is often seen putting on her boots and collecting trash." Subsequently, Risma sees an elderly woman begging on the street, and approaches her and gives her money to return to her home village, and promises her that her sick child will receive treatment in the hospital free of charge.[30]
>
> The following is a news story entitled: "The fire brigade head collapses as he loses consciousness, the mayor takes charge." No sooner did Risma see a blaze than she directly got involved in handling that raging fire. Putting on a safety helmet, she seemed very tense, but as soon as one of the fire brigade officials lost consciousness due to shortage of oxygen, Risma immediately took over the role and continued the work.[31]

There is also some testimony from people who are very proud of Risma. Here is an account from someone living in Jakarta but who understands how Risma works:

> As the first female mayor in Indonesia to be elected through direct elections, she clearly shows that she can get difficult things done by using the right balance of authority and compassion. I witnessed how she was able to motivate street children from the vicious circle of poverty, not by sending them to thea rehabilitation center, but by making them understand the importance of education and making them go to school. There are many other examples of how she balances her assertiveness and her motherly touch. Her determination to close Surabaya's oldest prostitution complex was one such example.[32]

> Risma is the best Indonesian leader I've ever seen, leading with heart and dedication. Risma is aware that her position as a mayor is a mandate from God that should be run as well as possible. Risma devotes herself entirely with full sincerity to make a better Surabaya city, not merely to rule from behind the desk, but going directly to see the problems of the people, then solving those problems.

Decisiveness in Risma's Leadership

According to members of her staff, Risma is an individual who is very decisive in her leadership. She implores members of her staff to be serious in carrying out their responsibilities as well as always taking into consideration public interest, but always defends them when they do the right work seriously. Nonetheless, Risma does not hesitate to demote or lay off employees who are considered to be endangering the public interest.[33]

In the domain of politics, which is dominated by men, Risma holds her head high whenever she has to make decisions she considers right. Risma has never showed any hesitation in defending her position and viewpoint. One case in point was when Risma rejected a plan to institute road tolls as a means to overcome traffic congestion, despite the fact that the decision involved the central government, which had received the support of the Surabaya city legislature.[34] The refusal angered members of the city legislature, to the extent that they contemplated impeaching her from her position as city mayor. Besides, Risma's decisiveness has had serious consequences for her family members, who faced a deluge of death and kidnap threats when she embarked on the adoption of e-Procurement. This was due to the fact that many businessmen who had benefitted from projects that were tendered by the Surabaya city government based on conventional methods, regarded e-procurement as a threat to their businesses.[35]

Risma's decisiveness came into the limelight recently when she tabled the idea that she would resign from her position as Surabaya city mayor due to a disagreement with the way her deputy was appointed without her being consulted. Besides, political pressure continues to simmer because of her refusal to accept the introduction of the road toll.[36] Hearing Risma's decision to resign from her position, the people mobilized to oppose through social media networks her plan to resign, in a movement that went by the name "Save Risma":

> If there is no longer any political party that supports and defends her, then who else can assume that role but us? And there is no doubt, God… please prepare a nice place for this mayor who is ready to sacrifice herself to support her ideals.

Subsequently, the "Save Risma Community" identified the names of politicians who signed the impeachment petition against her and disseminated a list to the public to persuade them not to elect them during the legislative elections that were held on April 9, 2014.[37]

> Risma is a woman, a mother, a hard worker, and a protector of the environment. I was really impressed with her when the Bungkul as the boast of Surabaya city park was destroyed by the people attending the Ice Cream day event held by an ice cream company. She was really angry with the committee of that event. It is because she directly keeps that park clean and made it beautiful and made an achievement. She will never just stay at her office and enjoy the air conditioning there. Sometimes you will find she is on the edge of the road sweeping the road with a janitor.[38]

Lessons to Be Learned: The Success of Innovation, Leadership, and Institutionalization

The success of the innovations in Surabaya has not only been recognized by city residents but also the central government. The success Surabaya city has achieved has also attracted the attention and interest of various regions who want to learn about and adopt similar innovations in their areas. Nancy Pearson, an IBM Vice President from New York, along with a Global Enablement Team made up of six people, visited Surabaya city and held discussions on the application of ICT in the Surabaya city government. Nancy and her team reached the conclusion that Surabaya city has made substantial advances and used great sophistication in applying or adopting ICT.[39]

The development of GRMS in Surabaya is somewhat different from the model used in adopting this program in other areas. It is common practice in many regions for local government to pay for consultants to design the program. In the context of GRMS Surabaya, Risma, the city mayor, went for the in-house option. Risma mobilized young employees in the bureaucracy with high potential to form a team, which thereafter was tasked with identifying and coming up with ideas. Based on the idea of the SECI Model[40] developed by Nonaka et al. (2008), this phase entailed socialization, taking the form of mobilizing people to meet, interact, and exchange views and experience, with the overarching goal of coming up with ideas on resolving problems at hand.

The team created by Risma used tacit knowledge, and this was accompanied by the explicit knowledge of experts to develop GRMS. In the SECI model, this process constitutes an externalization process, as it entails "the translation of tacit experience into words and images that can be shared with a larger group" (Nonaka et al. 2008). To that end, it involves efforts to understand the extent to which problems are a reflection of those that the organization faces. Besides, the approach fosters easier knowledge transfer and learning in the innovation development process.

Borrowing Aristotle's terminology, Risma can be portrayed as a *phronetic leader*, that is, a leader who has the capacity to combine thinking (ideas) and action. Risma is a wise leader (Nonaka and Takeuchi 2012) who has various qualities and abilities: (1) judging goodness; (2) grasping the essence; (3) creating shared contexts; (4) communicating the essence; (5) exercising political power; and (6) fostering practical wisdom in others. Risma thus has a keen interest in disseminating the success achieved in Surabaya city to other areas to enhance public welfare. To that end, she offers other areas the opportunity to replicate, free of charge, innovations Surabaya has made. Some areas have selected some innovations and adopted them in their areas. With respect to the GRMS system, Risma gives other areas the opportunity to replicate them by merely changing the user name and password. Thanks to Risma's ethos of hard work during her tenure as Surabaya city mayor since 2010, the city has made hundreds of innovations in various fields including urban planning, education service delivery, health service delivery, ICT-based public service delivery, the environment, and other areas.

The following is the list of awards Surabaya city has received in relation to its initiative to create Surabaya Cyber City:

- GRMS Surabaya as the best innovation, Public Service Innovation 2014 Category held by Ministry of State Apparatus Empowerment and Bureaucracy Reform;
- Indonesia Digital Society Award (IDSA) 2013: The Best of Diamond Champion (government category);
- Future Government Award Indonesia 2013, Future City of the Year Category;
- International Future Government, Asia-Pacific 2013 region: two categories; the Data Center via Media Center of Surabaya City Government, and the Broadband Learning Center (BLC);
- In February 2014, Risma was chosen as the "the best mayor in the world" (Citymayors.com).[41]

Internalization and Sustaining Innovations

Risma's innovations have changed the internal working pattern of the bureaucracy. However, the question that needs to be posed is: how can innovations that have been implemented, institutionalized, and sustained serve and inspire other areas to adopt them? In this regard, Lewin (1974) mentioned that there are three stages of innovation: unfreeze, change, and refreeze. Unfreezing existing behavior and changing it into new patterns is very difficult. However, refreezing a change or changes to be maintained and institutionalized in an organization is also a hard task. The big question that surrounds many innovations in Indonesia lies in the fact that changes tend to be attached to a certain leader. That means that once a leader leaves office there has been a tendency for the innovations put in place by them to be replaced or even obviated by policies that are adopted by the new leader. Finally, once the issue of internalization and institutionalization is resolved, another issue that needs handling is the replication of innovations in other areas, thereby setting the stage for viral innovation.

In that vein, areas that need further research on this theme relate to: (a) to what extent are innovation values internalized as culture in the bureaucracy?; (b) to what extent is the public ready to maintain innovations?; (c) to what extent should mass media be involved in controlling sustainability of innovations to ensure that they have ripple effects that increase in intensity and width over time?; and (d) what is the degree of political commitment in an area to the sustainability of innovations reflected in strengthening the legal framework to prevent new leaders from sidelining or replacing them once they assume office?

Notes

1. http://www.surabaya.go.id/profilkota/index.php?id=1.
2. http://www.thejakartapost.com/news/2012/06/11/surabaya-aims-provide-internet-coverage-all-public-areas.html.
3. An in-depth interview with officials of Surabaya Bina Program, February 27, 2014.
4. Interview with officials of Surabaya city government (Frieda, Reza, Dimas), February 27, 2014.
5. Innovation proposal analyses, Surabaya city government (pers. comm.).
6. Interview conducted by Indri with Bapak Rizal, an official in the Regional Government Employees Agency, Surabaya city government, October 2013.
7. Tentang Pedoman Pengurusan, Pertanggungjawaban dan Pengawasan Keuangan Daerah Serta Tata Cara Penyusunan Anggaran Pendapatan dan Belanja Daerah, Pelaksanaan Tata Usaha Keuangan Daerah dan Penyusunan Perhitungan Anggaran dan Belanja Daerah (On the Guidance of the Management, Accountability and Controlling of Local Finance and Local Budget Arrangement, Local Financial Administration Execution, and Local Budget Costing Arrangement).
8. http://www.surabaya.go.id/berita/detail.php?id=1656128/01/2013 11:04:38.
9. Presentation of the Head of the Agency for Communication and Information Affairs, and of the City Secretary Assistant for Economic and Development Affairs, June 5, 2014.
10. See Kompas "E-Government, Pemerintah Kota Surabaya Jadi Contoh," Saturday April 12, 2014.

11. http://radiotrendyfm.com/news/bitung/Pemkot-Surabaya-perlihatkan-keunggulan-sistem-online-e-government.
12. http://www.tribunnews.com/nasional/2013/12/23/rahasia-wali-kota-surabaya-cegah-korupsi.
13. Interview with Surabaya city government officials (Frieda, Reza, Dimas), February 27, 2014.
14. See Kompas "E-Government, Pemerintah Kota Surabaya Jadi Contoh," Sabtu April 12, 2014.
15. http://teknologi.kompasiana.com/terapan/2013/03/30/e-sapawarga-sebagai-penghubung-warga-dan-pemerintah-kota.
16. The locations which received BLC facilities included Penjaringansari apartments, Tanah Merah apartments, Urip Sumohardjo apartments, Prestasi garden/park, Flora garden/park, and Kelurahan Made.
17. Interview with Ibu Iin, an official in Information and Communications Office, Surabaya City Government, January 30, 2014.
18. Interview with City government officials (Frieda, Reza, Dimas), February 27, 2014.
19. Interview with Ibu Iin, Information and Communications Office, Surabaya City Government, January 30, 2014.
20. http://www.huffingtonpost.com/stanley-weiss/surabayas-mrs-mayor-indon_b_3785172.html.
21. Interview in "Mata Najwa" program Metro TV, 13 February 2014.
22. Ibid.
23. http://regional.kompas.com/read/2014/03/16/0025045/Akibat.Menentang.Pimpinan.Risma.Pernah.8.Kali.Dimutasi.
24. Edmund Burke is an Irish statesman, author, orator, and philosopher who lived from 1729 to 1797.
25. http://www.worldmayor.com/contest_2014/surabaya-mayor-rismaharini.html.
26. Interview with Academics from Universitas Airlangga, Surabaya, November 22, 2014.
27. Anisa Nisa's Comment on News on YouTube, April 4, 2014.
28. Aldi Raden Cahyo's comment on News on YouTube, March 26, 2014.
29. Putra Yafani's comment on News on YouTube. April 2, 2014.
30. Liputan 6, SCTV, YouTube, February 22, 2014.
31. Trans7 TV, YouTube, November 5, 2013.
32. http://www.worldmayor.com/contest_2014/surabaya-mayor-rismaharini.html.
33. Interview with Members of staff of Surabaya city government (Frieda, Reza, Dimas), February 27, 2014.

34. http://www.tempo.co/read/news/2014/02/20/078555931/Mengapa-Risma-Tolak-Jalan-Tol-Tengah-Surabaya.
35. Interview with Mata Najwa, Metro TV, February 22, 2014.
36. http://www.tempo.co/read/news/2014/02/20/078555931/Mengapa-Risma-Tolak-Jalan-Tol-Tengah-Surabaya.
37. https://www.facebook.com/pages/Save-Risma/478321675612749.
38. http://www.worldmayor.com/contest_2014/surabaya-mayor-rismaharini.html.
39. http://dinkominfo.surabaya.go.id/dki.php?hal=detail_berita&id_berita=186.
40. SECI Model is a process "Socialization, Externalization, Combination and Internalization."
41. http://www.tempo.co/read/news/2014/02/21/078556315/Risma-Terpilih-sebagai-Wali-Kota-Terbaik-Dunia.
42. GRMS Innovation proposal, Surabaya City Government.
43. http://www.tribunnews.com/nasional/2013/12/23/rahasia-wali-kota-surabaya-cegah-korupsi.
44. Jasin et al. (2007). Mencegah Korupsi melalui *e-Procurement* Meninjau Keberhasilan Pelaksanaan *e-Procurement* di Pemerintah Kota Surabaya.
45. GRMS Innovation proposal, Surabaya City Government.
46. Ibid.
47. http://www.thejakartapost.com/news/2012/06/12/toward-surabaya-cyber-city-wifi-everywhere.html.
48. Bison is a kind of public transportation car specifically used in Surabaya City.

Appendix I: The Development of the Government Resource Management System (GRMS): e-Budgeting, e-Project Planning, e-Procurement, e-Delivery, e-Controlling, and e-Performance

e-Budgeting

This serves as a source of guidance for the city government budget formulation process, revision, and changes in budgetary activities (PAK). Using e-Budgeting, the formulation of which follows standard unit prices (SSH), principal activity price per unit (HSPK), and an expenditure analysis standard, makes control over expenditure on goods easier. Earlier budgeting practices were bedeviled by rigidity and multiplicity of procedures, which led to inefficiency. The absence of standards led to a situation whereby two government offices could carry out one activity with variable expenditure. For instance, one government office spent Rp. 20 million (US$2000), while the other spent Rp. 50 million (US$5000), on a similar training exercise. To that end, the existence of standard unit price that is integral to e-budgeting makes it easier to compare expenditure on similar activities. This is because calculating the cost of a training exercise is based on cost per session or per day, cost of consumption, modules, pocket money, and so on. Thus, the existence of e-Budgeting has enhanced the ability of the city mayor to exercise control over the budgeting process.

Prior to the implementation of e-Budgeting, the budgeting process itself was poorly organized. Budget allocation for the purchase of goods was done in bulk, without any clear and detailed calculations. During one budget meeting, the city mayor discovered some discrepancies, which prompted her to make the following comment that baffled the bureaucrats: "Why should the city government spend a lot of money on bottled water where it is merely meant to serve the purpose of staff meetings?" "Has the city government any plans to build a swimming pool?" she added. Since the adoption of e-Budgeting, the calculation of budgetary expenditures is carried out meticulously, including these factors: number of people and activities, price per unit, and number of days. This has increased efficiency by between 5 and 10%, due by and large to the standardization of prices and the use of an expenditure analysis standard.

e-Project Planning

This constitutes project planning based on e-Budgeting. This phase entails general procurement planning, which in turn is a list of procurement implementation plans. Subsequently, the e-Project phase involves the process of making work packages for all activities that government offices are tasked to carry out, as well as implementation plans, utilization plans and package component details. The planning process entails determining tasks/work and other attributes that are required for the marketing process, for instance determining whether to use the tendering process or appointing/designating suppliers. Procurement can take the form of open tendering, limited tendering, direct appointment/

designation, and in-house (undertaken by the institution itself). Procurement methods are stipulated in government regulation (PP) No. 54/2010.

Consequently, the implementation of e-Project has been successful in the following way: “Procurement of goods and services as well as financial management that relates to the implementation of activities in accordance with work packages, when to begin and to complete the work, work type and methods used, and budget allocations required, in implementing the work are done in accordance with the budget plan list.”[42]

e-Procurement

This phase entails the procurement of goods and services based on e-Budgeting incorporated in the e-Project. The objectives of e-Procurement include: (a) an increase in effectiveness and efficiency of government goods and service procurement; (b) an increase in transparency and accountability in government goods and service procurement; (c) facilitation of sourcing in obtaining data and information on the procurement of goods and services/suppliers of goods and services; (d) ensuring that the process of goods and service procurement is quicker and more accurate; (e) guaranteeing equal opportunity, access and rights for all parties involved in the procurement of goods and services; (f) creating conducive conditions that foster healthy competition among providers of goods and services; and (g) creating conducive conditions for government officials as well as guaranteeing the conduct of online communications to reduce the intensity of direct contact between providers of goods and services and the procurement committee, which supports government efforts to create government free from corruption, collusion, and nepotism.

Thus, the e-Procurement system is useful in preventing corruption, collusion, and nepotism. Risma, the Surabaya city mayor, has time and again fired government officials who ask for bribes during the tendering process as well as in other government projects.[43] Since the adoption of e-Procurement, the time required for the procurement of goods and services has decreased from 36 days using conventional methods, to about 20 days. This significant change is attributable to the fact that using the electronic system makes the process of announcing calls for procurement, tender offers, selection, and announcing winners a lot quicker.[44] e-Procurement also guarantees that the conduct of the tendering process proceeds per a schedule set beforehand. Consequently, there has been an improvement of 20–25% in efficiency in the budget allocation compared with budget cap set for work packages.[45]

e-Delivery

The implementation of e-Delivery is used in order to ensure the standardization of contracts and work flow process. The standard contract is designed in accordance with the type of work, which is subjected to a review of experts in contract law. The process has reduced errors in drawing up contracts used by government offices/work units. Besides, goods or service suppliers who have contracts with government office and work units use e-Delivery to make work progress reports and workflow process "e-Delivery has resulted in the standardized contracts of the Surabaya city government being delivered in minutes after determining winners of procurement tenders."[46]

e-Controlling

The goal of e-Controlling is to conduct monitoring and evaluation of the implementation of work/activities undertaken by every government office through the comparison of e-Project planning and realization (e-Delivery), coupled with scrutinizing reports. Prior to the implementation of e-Budgeting, controlling project implementation and performance on activities such as determining the extent of physical targets and budget utilization was not easy. However, this is by no means surprising as the problem of inconsistency between physical achievement and financial absorption has become common knowledge.

e-Performance

The goal of implementing e-Performance is to provide a more objective, structured, accountable, participatory, and transparent performance evaluation, which is expected to contribute to the realization of employee work performance-based development and guidance. Such a process is in turn expected to pave the way for a civil servant career development path for employees in Surabaya city government that is commensurate with city mayor regulation No. 83/2012 on technical guidelines for offering performance-based remuneration and direct expenditure to Surabaya city government employees.

Appendix II: Telkom Co., Ltd. and CSR Support

Telkom Indonesia Eastern Region Division provided a lot of support for the idea of creating Surabaya Cyber City. BLCs development was based entirely on the support of PT Telkom through its CSR program. The Surabaya city government and PT Telkom signed a MoU to develop BLC, whose management was handed over to the Office of Communications and Informatics in the Surabaya city government. Mr. Iskriono Windiarjanto, the General Manager, donated 20 PCs and 4 laptops for the five BLC centers, and noted that "We have initiated the 1 million WiFi and 2 million Internet connections program. Hopefully, the program can contribute to the enhancement of IT knowledge for the city residents. In addition to that, we have planned to set up 800,000 hotspots in Surabaya."[47]

Appendix III: Making Use of e-Sapawarga in Public Service Delivery

The following are examples of interactions on the Internet between Surabaya city residents and the city government:

Example A
Sapawarga Surabaya City: The city government will conduct a Step Test in Pondok Rosan housing estate on April 3, 2014. The test is scheduled to last between 22.00 WIB and 24.00 WIB. We apologize for the inconvenience that will cause (April 3, 2014);

City resident (A): Will the Graha Sunan Ampel Wiyung area (behind the brantas project) be affected? No, Sir. Hopefully work will be completed as soon as possible (April 3, 2014 at 11:18 a.m.);

City resident (B): It seems PDAM is an institution that is plagued by a host of problems, Sir. In local newspapers (reader columns), and in social media all the complaints in the media are about water and nothing else!!! (April 3, 2014 at 12:06 p.m.).

Example B
City resident (C): When will the announcement of the k2 documentation about those who passed be issued. There is no news yet (March 22, 2014 at 7:25 p.m.);

Sapawarga Surabaya City: Good morning. Based on the outcome of the coordination meeting with the National Personnel Agency and Surabaya City Training and Education Agency, we are obliged to convey the information that Surabaya city government continues to wait for further instructions from the Ministry of State Apparatus and Bureaucracy Reforms and National Personnel Agency concerning the results of tests by civil servants drawn from K-2 (quality level 2) "honorary" employees. Thank you very much (March 24, 2014 at 07:50 a.m.).

Example C
City resident (D): Hello, administrator of Sapawarga Surabaya City, I would like to ask a question: What means of transport should one take to travel from Purabaya terminal to Sukolilo campus? And how long does it take? Thanks a lot (March 13, 2014 at 7:26 a.m.);

City resident (E): Get on a city bus or *bison*[48] that travels toward Joyoboyo terminal, Miss, once you reach there, try to ask terminal officials or bus drivers in Joyoboyo (March 14, 2014 at 9:41 a.m.);

Sapawarga Surabaya City: Good afternoon. We can inform you that from Purabaya terminal, you can get on the Bratang terminal city bus. Disembark and then get on the Lyn S city transport minibus that passes via ITS campus. Thank you (March 14, 2014 at 11:58 a.m.);

City resident (D): Yap, thanks a lot. How long does the journey take to Purabaya? (March 14, 2014 at 12:10 p.m.);

Sapawarga Surabaya City: In the event there is no traffic jam, it will take you about an hour (March 14, 2014 at 12:44 p.m.).

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CHAPTER 4

Case Study 3: Tono Style Community Development

Takeji Takei

Introduction

Like many cities in Japan, Tono City in Iwate Prefecture faces the challenges of a declining population and an aging society. However, under the leadership of the city mayor, Toshiaki Honda, the city has revived its region and actively implemented new policies to increase the nonresident population[1] through tourism, green tourism, education, and training to promote U-turn (people returning to hometowns) and I-turn (people moving from urban to rural areas) migration. In addition, the city has become a model for advanced regional revitalization by starting new businesses, creating a comfortable environment for raising children,[2] and implementing safe and secure town management. The city aims to enhance the quality of citizen strengths rather than increase the population. This is the key strength of the *machizukuri* of Tono City.

The efforts by Tono City are realistic, persistent, and basic. The regional operations initiated by Mayor Honda are characterized by a

T. Takei (✉)
Local Autonomy College, Ministry of Internal Affairs and Communications, Tokyo, Japan
e-mail: t-takei@zck.or.jp

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realistic approach using regional resources. The questions then are: How did Tono City develop to become a city of collaboration? And what are the lessons to be learned from this? In this regard, it is important to note that the efforts of Tono City are not special, and can be applied to other municipalities if local governments demonstrate leadership in taking action. The policies are not special or impossible to implement, but looking at them from a different perspective provides important clues and an awareness of the consideration of beneficial policies. Through this case we will learn what is required for regional operations by local municipalities.

About Tono City

Tono City is located roughly in the center of Iwate Prefecture, Japan's second largest prefecture after Hokkaido, and is situated in the northern part of the Tohoku region of Honshu Island. The city is found in the south central part of the Kitakami Mountains, midway between the inland area and the coast. The downtown area sits in a basin surrounded on all sides by mountains. The distance from Tono City to Tokyo is approximately 530 km, with the journey taking roughly 4.5 hours by Shinkansen (bullet train) and local trains.

Many people associate Tono with folktales or rural scenery from images in *Tono Monogatari* (*Collection of 119 Folk Tales*). *Tono Monogatari* is a booklet (first printing: about 350 copies) written by the father of Japanese native folklorist Kunio Yanagida, and is based on local folktales told by Tono's Kizen Sasaki in 1910. During the Edo period, the city center of Tono flourished as a castle town of the Tono Nanbu family, and as a post town connecting the inland and coastal areas. The milieu of that era continues to resonate throughout the city center; however, the prosperity of this lively city remains in its history. In addition, the climate of the region is generally severe, and the city has suffered cold weather damage many times in its past. Today the city continues to face many geographic and economic disadvantages.

Although the city once had a population exceeding 40,000 (total population of the former Tono City and former Miyamori Village before their merger in 2005) during the 1950s, the population fell below 40,000 in the 1970s and has continued to decline ever since. The population and number of households as of October 1, 2013, were 28,377 and 10,854, respectively. In addition, the population of the elderly aged

65 or older is growing every year and now accounts for 35% of the city's total population.

Tono City was founded in 1954 by the merger of one town and seven villages. After the merger, the city's population peaked in the late 1950s; but unlike in Kamaishi City in the adjacent coastal area, large-scale business facilities did not take root in Tono City. As a result, depopulation gradually accelerated even during the high economic growth period of the 1960s. On October 1, 2005, Tono City with a population of 27,000 merged with Miyamori Village (population roughly 5000), and new Tono City was founded. The new city was called "Tono," a name chosen by the residents of the merged municipalities, because it historically and geographically represents the area, and is known as the "hometown of folktales." After the merger, the name Tono has made both tangible and intangible contributions to the promotion of local government policies.

In terms of the number of employed workers by industry (as of October 1, 2010), primary, secondary, and tertiary industries account for 20, 30, and 50% of employment, respectively, and account for 4, 28, and 68% of Tono's net production. Tono produces agricultural products such as rice and vegetables, as well as beef cattle and dairy cows, and hops (for beer). The production volume of its characteristic product accounts for 40% of Japan's total production volume; in fact, Tono is the largest hops production area in Iwate Prefecture and is the top producer in Japan. In addition, Tono is a major production area for leaf tobacco. In 2011, the per capita income in Tono City in FY 2011 was 2.09 million yen, which was 88% of the average of Iwate Prefecture, and 72% of the national average.

The Machizukuri of Tono City Implemented by Mayor Toshiaki Honda

Since 2002 the *machizukuri* of Tono City has been made possible by the leadership of Mayor Toshiaki Honda. Honda was born and lived in Tono City until graduation from high school. He was a prefectural government officer of Iwate Prefecture; serving in several posts such as secretary to the governor, section chief of the Fire and Disaster Prevention Section, and section chief of the Industrial Promotion Section, before being appointed section chief of the Planning and Coordination Section in 1999 to spearheaded the new Iwate Prefecture Comprehensive Plan, which adopted the method of citizen participation.

In 2000, Honda was appointed Director of the Kuji Regional Development Bureau, located in the northern part of Iwate Prefecture. As director, he actively promoted the measures for regional revitalization included in the Comprehensive Plan in cooperation with municipal governments in the area. He also strongly felt that individual municipalities must become more active to revitalize the entire prefecture. Around the same time, his friends and acquaintances in Tono City asked him to return to the city and stand for mayor, with the election scheduled for April 2002. Despite his vision to build a career as a prefectural executive official, he left the prefectural office at the age of 55 in December 2001.

The mayoral election of 2002 in Tono City proved a difficult race because of a strong rival candidate. However, Honda was elected the sixth mayor of Tono City in April 2002 as the successor to Sho Kikuchi (term of office: 1994–2002). Since then, he has been elected mayor without a vote for three consecutive terms, and he is currently serving his fourth term.

The Thoughts and Actions of Honda After Being Elected Mayor

Mayor-elect Toshiaki Honda told the officers and staff members of the Tono city administration at his inauguration ceremony:

> If we do not have a sufficient budget, we will bring together our wisdom. If we do not have sufficient personnel power, we will work in cooperation with the citizens. If we cannot increase the population, we will aim to increase the nonresident population with Tono Style. If the city is too large to promote modernization, we will systemize the rural landscape as part of green tourism. With this mindset I will work on the machizukuri of Tono City.[3]

He also told them:

> The majority of the municipalities are in a similar situation; however, machizukuri in the future begins by changing our mindset, by cooperating with other municipalities, and by sharing an attractive municipal vision with the citizens.[4]

He actively held roundtable discussions entitled "Let's talk with the mayor" as a free-form opportunity for residents and other groups to summarize their views on the daily issues faced. In the first two and a half years, 1000 administrative issues were identified, and all matters such as progress on the response to these issues were reported. While such methods may be regarded as conservative, they have proved an effective way to enhance the sense of ownership among residents and other groups. For example, local residents in one region identified issues, took ownership of them, and participated in the discussions aimed at solving them. The sharing of regional issues between residents and the municipal government thus led to the establishment of an effective collaborative system.

In FY 2003, during his second year as mayor, Honda reformed the organizational structure of the city office and established executive meetings (where important matters are discussed by the city's executive members) as well as a policy planning office in charge of comprehensive city planning.[5] A policy study group was established mainly by midlevel and younger members of the Policy Planning Office, and the group spent 1 year completing a 180-page book entitled *Tono Style,* which was published in October 2004. This study group was significant for the participation of midlevel and younger workers rather than the mayor or executive officers, and it conducted an assessment and verification of the policies implemented for *machizukuri* and looked to the future.

The Challenge of Attaining Certification as a Special Zone

At around the same time, Tono City was certified as a special zone for hometown revitalization in Japan, and attracted public attention through frequent media coverage as the so-called "special zone for doburoku," especially after last autumn when this book project began. It is easy to imagine that these activities conducted at the same time stimulated the members of the policy study group as well as the city workers. At that time, the Koizumi administration was about to implement noteworthy national policies under the system of special zones for structural reform. The mechanism of this policy was to ask for public and municipal proposals throughout the country and recognize special cases where restrictions would be eased in certain areas as special zones. By adopting this mechanism, the national government attempted to promote regional revitalization and intensify public activities toward structural reforms across the entire country by pushing forward successful examples of the efforts undertaken in these officially recognized special zones.

Despite his interest in the policy, Honda did not believe the policy could be used by Tono City. Later he realized that the system was more flexible than conventional systems, and that it covered all fields. He considered it a challenge to take on, that even small local towns could work on measures to have regulations relaxed. From this Honda's motivation grew. As part of this change, he came up with different ideas while talking with city workers. In these conversations the topic of the Dobekko Festival arose. Honda, who had become mayor in April, had not experienced the festival. *Nigori* sake (unfiltered sake) was an essential part of the festival, but due to regulations, only licensed producers could produce sake products. Therefore, nigori sake was produced by licensed brewing companies for the Dobekko Festival. This simple story triggered Honda to apply for a special zone for doburoku (nigori sake). He wanted to promote the *machizukuri* of Tono City by submitting a proposal for a special zone unique to Tono City at an early stage, although the system of special zones for structural reform would continue.

On July 4, 2002, Honda called section chief Ohara of the Planning and Coordination Section and his subordinate, Nagata, to the mayor's office. Honda told Ohara to identify the latest moves of the national and prefectural government by making contact with the relevant parties, and to consider the possibilities of realizing a special zone for Tono City. Ohara and Nagata immediately took action and reported back to Honda. Honda instructed them to develop a proposal for the special zone based on images of the Dobekko Festival. On July 26, 2002, a project team within the municipal government was established.

Ohara and others believed the details of the proposal must be unique to Tono City, with stories playing a central role. They brought the following ideas to the table: serve authentic doburoku from Tono City at the festival, and always have doburoku around; offer the traditional Nanbu Magariya farmer's house, which is representative of Tono City, as accommodation for visitors; provide opportunities for visitors to listen to old folktales around a fire; and it being very cold in the winter in Tono, with few tourists visiting the city, make the Dobekko Festival more attractive in winter. Then they expanded the images further. They wanted to attract urban tourists by serving rice, vegetables, and doburoku at the farmer's houses used as accommodations. Thus the dots were connected, and the images of the proposal were gradually shared among the people in charge. Ohara held numerous meetings with Honda and the executive officers of the municipal government to map out the details of the proposal, which was finally submitted to the national government on August 29, 2002.

The certification process for Tono City's proposal on the special zone faced many difficulties. The production of liquor is inextricably linked to liquor tax collection, and the conditions to obtain a license issued by the local tax office were regarded as most difficult.[6] The response from the national government on October 11, 2002 was "C"—the proposal was not accepted. But this only deepened Honda's commitment; even though the proposal was small, he and his team would keep squeezing out ideas until the Ministry of Finance (the National Tax Agency) accepted their proposal. In January 2003, the city resubmitted the proposal on the special zone.

Two objectives were set for Tono City's special zone. The first objective was to promote the warmth and hospitality of "Tono Tourism" by expanding the exchanges with urban areas using regional resources. Tono City had carefully protected and preserved the images of a hometown for folktales, the traditional landscape of Japan, the rich natural environment, and long-standing tradition and culture.

The second objective was to promote new business startups in Tono City, especially in tourism industry. Accordingly, the proposal asked for deregulation in following areas: simplified firefighting equipment in guesthouses; production of doburoku by locally designated farmers; leasing of agricultural and grazing land to specified organizations; and greater flexibility in promoting the use of agricultural land. On November 28, 2003, Honda received certification as the special zone for hometown revitalization in Japan. It was a new challenge for Honda, other city officials and staff, and Tono City citizens, to make it happen.

To locally produce doburoku for the first time in 100 years, Honda contacted all the farmers he could count on. Seven farmers were on the list, but due to the complexity in applying to become a doburoku producer, the only candidate was Sachio Egawa. In December 2003, Egawa prepared the application documents to be certified as a specified farmer by the Kamaishi Tax Office in Kamaishi City located on the coast. Egawa looks back on those days and says, "I wanted to give it up halfway through, but I managed to hold on to the end. I could manage it 10 years ago because I was still in my mid-50s, but I probably could not do it today" (Interview with Egawa 2014).

At the city office, a young worker named Nagata, who had been called to the mayor's office with Ohara on July 4, 2002, personally handled the matter and one more staff member joined him later under the instruction of Honda. The prefectural government cooperated by promoting interdepartmental coordination under the instruction of then governor Masuda. Technical workshops were held for Egawa at the Iwate Industrial Research Institute (which has a brewing department) from December 2003 to January 2004, On February 26, 2004, the license to produce doburoku (which attracted national attention) was issued from the district director of the Kamaishi Tax Office. Egawa became the first licensed farmer to revive doburoku production in 100 years.

The impact of the special zone designation was remarkable. The number of people staying in accommodation facilities totaled 57,000 in 2002, 62,000 in 2003, and 68,000 in 2004. Taking this opportunity, the Tohoku Region Green-Tourism Research Center opened and various groups and organizations in the city became more active. The initiative led to the expansion of farm guesthouses and restaurants, as well as activities to protect the hometown landscape. From a national perspective, special zones, especially for doburoku production, gradually increased in various municipalities. Tono City was leading such moves and held the first national Doburoku Study Session in February 2006. Each region has taken turns holding these sessions since then. The production volume of doburoku in Tono City has gradually increased from 352 L in 2004 to 20,000 L (total volume by five organizations) in 2013. Today, Tono Doburoku has become one of the representative products of Tono City.[7]

The Implementation of Machizukuri by Making Use of Regional Resources After Certification as a Special Zone for Doburoku

After the success of the special zone for doburoku, Honda and city officials and staffers began more initiatives to revive Tono City. One idea was *Tono Heritage*, which came from the World Heritage concept. At that time in 2006, Iwate Prefecture was pursuing World Heritage designation for Hiraizumi. Watching this movement, Tono Heritage was launched as a resident-led initiative. Honda instructed the city workers to contact the related departments in the prefectural government (board of education) and national government (Agency for Cultural Affairs) to confirm whether the city could independently designate its own heritage site. They responded that designation would not be prevented if the city did it on its own responsibility. Honda and his staff established an Ordinance on the Recognition of Tono Heritage (effective April 2007).

The Tono Heritage sites, as regional resources designated by the citizens, were to be preserved and used by them. The establishment of Tono Heritage provided citizens with opportunities to reexamine their localities, which in turn led to greater attachment to the region. As of FY 2014, 141 regional resources had been designated as a Tono Heritage site. Kappa Buchi, which is famous for the Kappa folktale (a creature in Japanese folklore), became the 22nd regional resource designated a Tono Heritage site.

Another initiative was the 1000 Storytellers Project. *Tono Monogatari* has been handed down by residents. Elderly women who have mastered the art of storytelling regale tourists and visitors with their stories. Honda and others considered using such storytellers in a variety of ways as important human resources of Tono City. Various projects were scheduled for 2010 to mark the 100th anniversary of the publication of *Tono Monogatari*. For example, child storytellers are nurtured in cooperation with elementary and junior high schools. By FY 2014, 652 people had been certified as storytellers. Other activities such as festivals and green tourism have been newly launched by citizens who were inspired by the efforts of Honda and the local government.

The Tono Broad Economic Zone Plan and Net/Yurikago

Honda had a long-cherished policy he wanted to implement after becoming mayor. This was the Tono Broad Economic Zone Plan, with a central focus on Tono City. The idea came to him as he circled the area within 50 km of Tono City center. The major cities of Iwate Prefecture, both inland and along the coast, are located within this circle, meaning they are located within an hour and a half driving distance from Tono City. When he traced back the history of Tono, he realized how active trading was during the Edo period because of the convenient location of the city. He also recognized that there was no point in limiting his thinking to within the boundaries of Tono City.

This also applied to another issue related to the policies Honda later implemented. In April 2004, after becoming mayor, the city faced a serious lack of obstetricians and gynecologists. In response, the city opened a municipal maternity clinic called Net/Yurikago (NET/Y) in December 2007, in the health and welfare village. To alleviate anxiety during pregnancy and reduce the burden of hospital visits, midwives were provided, and the municipal maternity clinic was connected to nine medical institutions outside the city through a collaborative network and the cooperation of related parties. He took note of the connection to facilities located outside the city, which enabled prenatal checkups with the assistance of midwives at a hospital located outside the city using the remote checkup system.

Securing Safety and Security During a Disaster

All residents of Iwate Prefecture are aware that the Sanriku coastal area has been hit by major earthquakes and tsunamis many times in the past, with two major earthquakes and tsunamis striking this area in the past 100 years prior to 2011. One was the 1896 Sanriku earthquake (and massive tsunami) that occurred on June 15, 1896 (the total number of dead and missing, including those from Iwate Prefecture, was approximately 22,000) and the other was the 1933 Sanriku earthquake (and tsunami) that struck on March 3, 1933 (approximately 3000 dead and missing). In addition, on May 23, 1960, a tsunami caused by an earthquake in Chile hit the Japanese coast within 24 hours after covering a distance of 17,500 km. The number of dead and missing was 142, with 150,000 people affected along the coast, including many from Iwate Prefecture.

In April 1995, when Honda was assigned the section chief position in the Fire and Disaster Prevention Section of Iwate Prefecture, the section was tasked with two major missions. One was to identify all active earthquake faults in Iwate Prefecture, and to revise the prefectural and regional disaster prevention plan by reflecting this new information. The other was to introduce Iwate's first prefectural disaster prevention helicopter for disaster relief and emergency drills, and launch an air rescue team. In January 1995, the Great Hanshin-Awaji Earthquake (approximately 6400 dead or missing) occurred. As section chief, Honda visited the affected areas in Kobe City and learned many things from the Kobe City Fire Bureau, an organization said to have the pride, will, and equipment needed to protect the 1 million citizens of Kobe City. But all of that was useless in the face of such a tragedy; the only useful things were shovels and work gloves. These words were deeply engraved in his heart.

Honda visited the municipal offices and actual sites along the coast, from Taneichi Town in the north to Rikuzen Takata City in the south. By doing so, he learned how high the massive tsunamis were in the Meiji and Showa periods, and how far inland they had reached. In addition, the new helicopter gave Honda a bird's-eye view, allowing him to actually see the need for disaster prevention measures for the wider Iwate Prefecture. He could see the Kitakami mountain range and Tono Basin lying in the central part of the prefecture.

Tono as a Disaster Support Base

Around 2004 or 2005, the results of the investigations by the national government, Miyagi Prefecture, and other analysts indicated a 99% probability of a major earthquake and massive tsunami centered offshore of Miyagi Prefecture within the next 30 years. This prediction was frequently reported by the media, and local government officials and prefectural residents began to take a growing interest in the matter. Around that time, Honda and others were investigating the history of the former Tono Town, and they found that the town had convened a special meeting on the day following the 1896 Sanriku Earthquake to draw up a budget for monetary donations, and town residents delivered relief and medical goods and blankets to towns and villages along the coast. This involved traveling up to 8–10 hours across the hills by horse. Honda believed Tono City should play a similar role connecting the coastal and inland areas in the twenty-first century, as it did in the past.

He thought helicopters from the fire and police departments and Self-Defense Forces throughout the country could be used; departing from Tono City it would take only 15 minutes to reach the coastal areas. He thought this point of view might also be important for improving road access, and Tono should revise how it made policies only for Tono City, and instead play a greater role in providing support in collaboration with other regions. Such thinking led to the scheme for developing a logistic support base to deal with earthquake and tsunami disasters, hereinafter referred to as "logistic support for affected areas" (the Tono Model), proposed by Tono City.

Honda was convinced that Tono City could play an important role as the base for rescue activities in the event of an earthquake and tsunami, given its central location within the prefecture. Fortunately, a large comprehensive athletic park was already developed in a suburb of the city. This park has good bypass access and no high-voltage electrical power lines close by, an ideal base for flying helicopters from. He finalized the logistic support for affected areas as the "Tono Model" from the city's perspective. Honda also recognized that the park was large enough to accommodate a base camp for the Self-Defense Force, an assembly point for fire and police forces from around the country, and for the relocation of the aging municipal fire department building as a comprehensive fire and disaster prevention center in the future.

In September 2007, the regional Iwate Prefecture Comprehensive Emergency Drill was scheduled for Tono City. This drill involved the participation of 8746 people from 87 organizations within the prefecture, and Honda and the city officials in charge of disaster prevention became more confident about the advantages of Tono City and the effectiveness of the logistic support activities. In autumn 2008, a large-scale earthquake simulation exercise was conducted by the Self-Defense Force in both Iwate and Miyagi prefectures with Tono City as the main base. "Michinoku Alert 2008" was conducted by the JGSDF Northeastern Army on October 31 and November 1. The exercise involved the participation of approximately 18,000 people, including all SDF troops stationed in six prefectures in the Tohoku region, local governments, fire and police forces, medical teams from Iwate and Miyagi prefectures, local residents, and 2300 vehicles and 43 airplanes. The exercise highlighted the position of Tono City and demonstrated that the comprehensive athletic park was sufficient in size to provide disaster support.

The Great East Earthquake and Tsunami on March 11, 2011

On March 11, 2011, Honda left home in the morning to carry out business; after completing his business in the early afternoon he returned for a late lunch. At around 14:46, when getting ready to return to the city office, he felt a very strong jolt. The shaking continued for a while. The Great East Japan Earthquake had struck (a magnitude 9+earthquake, the most powerful earthquake on record in areas surrounding Japan). The massive tsunami that followed reached the coastal areas of Iwate and Miyagi prefectures in only 20 minutes. A seismic intensity of 5 was recorded even in Tono City, which stands on stable bedrock.

The thought of a tsunami instantly crossed his mind. He changed into protective clothing and rushed to the city office by bicycle while listening to the flash report on a portable radio. He arrived at the city office in just under 10 minutes, but the ride seemed much longer. By then city workers had evacuated to the parking lot located in the inner courtyard of the city office. Honda immediately established the Tono City Disaster

Countermeasures Headquarters and instructed city workers to patrol the city, on the lookout for major damage and the outbreak of fires. At 15:20, he issued instructions to set up an evacuation center and issued an evacuation advisory to residents on the assumption of further aftershocks. Meantime, he confirmed that no serious damage had occurred in the city and instructed the office worker in charge of fire and disaster prevention to make the comprehensive athletic park available for use as a base for a wide-area support team consisting of the Self-Defense Force and fire and police personnel, which would soon be gathering.

At 1:40 a.m. the next day, one affected resident crossed the hills from Otsuchi Town to seek assistance in Tono City. The situation in the town was far worse than they had realized from television and radio reports. Honda decided to prioritize the support activities from Tono City. At 4:50 a.m., the first team of city workers headed for Otsuchi Town to deliver relief goods. This was the first step in providing support for the affected areas, and was much earlier than any actions taken by other municipalities and the national government. It was the beginning of months of logistic support activities for the affected areas. On March 13, 2011, the city established its own logistic support activity headquarters. Honda undertook support activities on his own initiative without waiting for requests from the national and prefectural governments.

The experience gained from the emergency drills conducted since 2007 had permeated the organization; integrated activities were conducted by the Disaster Countermeasures Headquarters and the Logistic Support Activity Headquarters. City workers and citizens, from children to adults, were engaged in activities ranging from food preparation, sorting of relief goods, assisting support teams, and accepting affected people from the coast, to support the affected areas. Mothers in Tono City continued to make rice balls until their strength gave out; 42,400 rice balls made by a total of 2050 people were delivered to the affected areas in a period of 29 days from March 11, 2011.

The Self-Defense, fire and police forces gathered at the city's facilities, including the comprehensive athletic park, and began relief activities for the affected areas by setting up a base camp in Tono City (3500 people as of March 20, 2011). In addition, relief goods were delivered to Tono City from over 40 municipalities, including the friendship municipalities of Tono City. The total of over 100,000 volunteers, municipalities, corporations, and organizations from across the country participated in the logistic support activities.

Birth of the Tono Model and Subsequent Developments

Through these efforts by Tono City to provide logistic support for the affected areas, the Tono Model became a reality and was not forgotten. When the Great East Japan Earthquake hit, logistic support activities for the affected areas were conducted in various regions, although not on the same scale as conducted by Tono City. It provided the opportunity to review the vertical system for requests and the vertical chain of command regarding disaster countermeasures and disaster relief by the national, prefectural and municipal governments as stipulated in the related laws. Attention became increasingly focused on the importance of horizontal collaboration between affected municipalities and supporting municipalities. Particularly in the case of a major disaster, or where an affected area is located in a remote region, it takes time for Self-Defense, fire and police forces to arrive on the scene, so the neighboring municipalities are expected to play an important role until the official relief teams arrive under the instruction of the national government. The laws were immediately revised to enable such horizontal collaboration using the case example of Tono City to promote greater understanding.

In Tono City, the Tono City Comprehensive Disaster Prevention Center was completed adjacent to the comprehensive athletic park on March 26, 2012. The two-story building has a seismically isolated structure, and functions as a base for fire prevention and emergency services during normal times and as a base for the disaster countermeasures headquarters in an emergency. In addition, the center carries out complementary functions for the Self-Defense, fire and police forces gathered at the comprehensive athletic park. In the Disaster Prevention Center, records of Tono City's logistic support activities for the affected areas are exhibited to pass down the lessons learned from the Great East Japan Earthquake to future generations and prevent the memories of the disaster from fading away, and the center has accepted 13,000 visitors in the 2 years since its establishment.

Tono City established its own investigation committee on logistic support activities with 29 city workers and 9 citizens in June 2012 (1 month and 3 months after the earthquake). The purpose was to compile a unified record of the logistic support activities conducted along the affected coastal areas by municipal governments and citizens. The results and issues were published as a book to pass down and communicate the experiences to future generations and the many concerned parties throughout the country. Japan's first book containing the records of disaster support activities, consisting of 343 pages and 700 images, was completed in September 2013.

On April 1, 2014, Tono City implemented the "Basic Ordinance on Disaster Prevention" to promote the role of the municipal government as well as "disaster-resistant *machizukuri* through self-help and mutual assistance" by citizens. This ordinance was established to review the experience gained during the disaster 3 years after the Great East Japan Earthquake and Tsunami, to pass down the lessons learned from the earthquake to future generations and prevent the memories of the disaster from fading away, and to develop disaster-resistant local communities for many years to come. To promote the efforts to enhance regional disaster prevention through self-help and mutual assistance, along with the enforcement of this ordinance the city distributed a disaster prevention map containing sediment disaster caution zones, flood assumption zones, evacuation centers, and disaster education, to all households in Tono City.

In Japan, the possible occurrence of the Tokai Earthquake, the Tonankai Earthquake, and the Nankai Earthquake and subsequent tsunamis in the next few decades is causing great concern. To secure the safety and security of residents, the implementation of disaster prevention measures for both soft and hard infrastructure has been rapidly accelerated. In recent years, many municipalities have actively executed mutual support agreements with other municipalities, and logistic support for affected areas, or the Tono Model, has become a practical educational tool and shared asset of municipalities across the country. Honda has had opportunities to give lectures all over Japan. While the responses to natural disasters that happened in the past fade from memory, and their occurrence feels like an inevitable consequence of life, we can learn from Tono City that different outcomes can be produced if committed people are willing to take action.

Epilog

One of the current major issues facing Tono City (as of 2015) is the revitalization of its city center. Beginning with this issue, Tono City is expected to further strengthen the disaster response network within all areas of the city, carry out the city and rural functions of the entire city in this regard, and effectively respond to possible events in the future.

Tono City is currently formulating a basic plan for the future direction of the efforts to revitalize the city center. The basic policies of this plan are: (1) to establish an excursion route for tourists by establishing Machiya (traditional wooden townhouses) in the city center and tourism resources such as attractions, historic sites, shrines and temples originating from Tono Monogatari; (2) to conduct a compact machizukuri by using integrated urban functions, and (3) to promote the development of the city (machizukuri) that is full of life, and where commerce and tourism are promoted side by side and citizens and tourists can enjoy interactions, utilizing empty houses and stores located in the city center as well as the skills of citizens such as the elderly.

In addition, the latest projects scheduled for the future include restructuring the city office functions that were distributed across the city after the 2011 earthquake. This project serves as a starting point for compact machizukuri to revitalize the rural functions as the city center core. This will contribute to the integration and collaboration of distributed functions by enhancing the convenience for citizens and extending the city office to adjacent areas, while utilizing the city office functions temporarily located in Topia, a commercial facility located in front of the station. Correspondingly, the future objectives are to develop new industries and attract companies (as a location for office functions) from urban cities. Therefore, the city regards the realization of high speed information and telecommunications infrastructure as an issue.

Lessons to Be Learned

The case of Tono has been narrated mainly from the perspective of Honda, who is the leader of the Tono municipal government. This is because there were some turning points in the process of implementing each policy and achieving results, and Honda's leadership played a key role in each situation.

Honda's Wise Leadership

When Tono City was applying to be recognized as a special zone for hometown revitalization in Japan, Honda's wise leadership came to the fore as follows:

1. Ability to make good judgments

Honda had the belief and commitment to revitalize the town with doburoku. He shared his belief and commitment with his staff and pursued realistic measures to have regulations relaxed. Thus, he proved that even a small rural city could achieve this feat;

2. Ability to perceive reality as it is

A leader should take a practical approach to the reality faced. Doburoku used to be a small pleasure enjoyed by people from poor rural villages in the Tohoku region during the winter, and remains a part of the region's dietary culture today. Honda thought it was important for Tono City to work on this;

3. Ability to create *Ba*

A leader should read the context of the situation. Although the proposal was small, Honda kept pushing his ideas until the Ministry of Finance (the National Tax Agency), a government office with the most powerful authority, relented and the way opened up;

4. Ability to articulate the essence

A leader is a producer. Doburoku was a symbol of town revitalization. Honda promoted machizukuri with the objective to create Japan's traditional hometown. He then used this experience to promote green tourism and revive industry;

5. Ability to exercise political power

A leader should create opportunities for self-organization. The initial proposal was rejected by the national government, but was positively received by the media and the public. Honda and his staff pursued the challenge by narrowing down the priority issues of the proposal. The city workers were highly motivated;

6. Ability to foster phronesis in others

A leader should strive for continuous change. Obtaining special zone certification was a start. Honda moved to the next stage by utilizing the confidence of the workers gained from this experience as well as the national attention focused on Tono City, to get the citizens involved. The movement to reconsider the value of regional resources was led by the local citizens, and included the establishment of Japan's first ordinance on the designation of Tono Heritage sites.

Other examples of Honda's wise leadership can be found during the 3/11 Great East Japan Earthquake:

1. Ability to make good judgments

Honda did not consider the machizukuri of Tono City from only the perspective of Tono City. The area within 50 km of Tono City, or one and a half hours from the city by car, is densely populated. It was important to adopt the perspective of a broad economic zone. To enable that, the road network needed to be developed. Tono City has served as a connection point for exchanges between the coast and inland areas since early times;

2. Ability to perceive reality as it is

Honda wondered "why are there so many building contractors in Tono City compared to its population?" This triggered the realization about Tono City's location. Nearby cities all lay in the radius of 50 km from Tono. This is why contractors conducted business both in and outside the city. In the same way, when Honda discovered the lack of obstetricians and gynecologists in the city, he began to think of ways to collaborate and cooperate with medical institutions located outside the city through networking. He was able to consider new ways without being trapped within the boundaries of Tono City;

3. Ability to create *Ba*

The probability of a major earthquake and massive tsunami within the next 30 years is predicted to be 99%. When the 1896 Sanriku Earthquake (and massive tsunami) occurred, people of Tono City traveled for hours in order to support the affected areas. Honda realized that Tono City had a role to play, and based on his experience and expertise as section chief of the Fire and Disaster Prevention Section of Iwate Prefecture, he organized drills across the prefecture, even involving the SDF, police, and fire departments;

4. Ability to articulate the essence

Honda told his staff to change their way of making policies from supporting only Tono City to providing support in collaboration with other regions. His narrative was as follows: “There is a comprehensive athletic park in Tono City. The aging municipal disaster prevention center has to be relocated. My experience gained as section chief of the Fire and Disaster Prevention Section of Iwate Prefecture may also be utilized to develop a plan to establish a base in Tono City for logistic support for affected areas. Let’s prepare a proposal for submission to the national government and other bodies;”

5. Ability to exercise political power

Honda realized that preparing a proposal and visiting relevant parties to make requests meant nothing without results. He therefore staged an emergency drill for supporting the affected areas, which was reflected in the Iwate Prefecture Comprehensive Emergency Drill, and the verification data was included in the proposal. A council was also formed with other municipalities located in the coastal areas;

6. The Ability to foster phronesis in others

Honda formulated a compelling proposal and continued to make requests. An encounter with the JGSDF Northeastern Army Commanding General led to the realization of major earthquake simulation exercises in Tono City conducted by the SDF. The Tono Model of logistic support for affected areas was gradually regarded as a solid plan by those involved in disaster prevention, and it was shown during the 3.11 Great East Japan Earthquake that many could act according to the drill.

Tono as a Fractal Organization

Machizukuri efforts are made by the municipal government and citizens. Some efforts are made independently by each side and others are made collaboratively. Regardless of how they are made—independently, collaboratively, or something in-between—they influence each other in the process and results of the efforts, although the extent may be different. In other words, when it comes to the region, the efforts toward machizukuri are made locally.

In this case, local means a region where the main activity bodies, such as local government, citizen groups, citizens, and companies, actually conduct their activities. Various units also exist, such as households, villages, district centers (former town and village), the entire area of Tono City, and the broader area including the coastal area. The factor of success in the case of Tono City is that the multilateral activities of the citizens are conducted locally in various forms based on the common future vision of the region, which is Tono as a Japanese Hometown.

The driving force of machizukuri in Tono City is the attitude of the city workers and citizens, as shown in their actions to strengthen their abilities to generate new ideas and pursue challenges. In addition, Tono City has certain identities that include folktales, festivals, traditions, and dietary culture; these can also be regarded as hometown aspects able to influence the establishment of new policies in the region. Accordingly, the policies created and disseminated by Tono City can shine in their own way. There may be better things elsewhere, but the Tono Style loved by these people is only found here.

The role played by a municipal government is naturally significant in the regional management of a small municipality (management of administrative services, private projects, and overall regional activities). Results can be achieved by comprehensive leadership as an administrative organization and the mayor. The more a municipal government intentionally accelerates the activities of the citizens, the more the awareness and abilities of the citizens increase. Correspondingly, to become a suitable administrative organization, the municipal government needs to strengthen its power and ability to implement policies.

Notes

1. Number of tourists (average number of tourists between 2010 and 2013) approximately 600,000 people per year at facilities in each city, and approximately 1.3 million people at Michi-no-Eki (roadside station) Kaze no Oka (according to research conducted by Tono City).
2. Fertility rate (2008–2012): Tono City 1.69 (Iwate Prefecture 1.45, nation 1.38), Statistics Bureau, Ministry of Internal Affairs and Communications.
3. The Policy Study Group of Tono City (2004, 171–172).

4. Ibid.
5. The Policy Planning Office was gradually expanded and became the current Corporate Planning Department, which is an important body in charge of secretarial work and PR, the comprehensive plan and machi-zukuri, finance, information, and policies.
6. The Ministry of Finance to which the National Tax Agency belongs is in charge of taxes and budgets, and is recognized by the public as a government office with the most powerful authority.
7. Egawa later obtained a license to sell liquor, and Kaitaku can now be ordered anywhere in Japan through the Internet.

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CHAPTER 5

Case Study 4: Institutionalized Innovation in Jembrana Regency Under Regent I. Gede Winasa (2000–2010)

Sadu Wasistiono

Introduction

Indonesia is a large country, having the fourth highest population in the world, but more than 12.5% of its citizens remain impoverished in the twenty-first century. This chapter suggests that this situation is at least partly due to a lack of innovation, where innovation is defined as finding a better way of doing something. Innovation is defined as the embodiment, combination, or synthesis of knowledge in original, relevant, valued new products, processes, or services. Amabile (1996) remarked though that "innovation is the successful implementation of creative ideas within an organization. In this view, creativity by individuals and teams is the starting point for innovation; where the first factor is a necessary but not sufficient condition for the second." For our purposes, innovation, like many business functions, is a management process that requires specific tools, rules, and discipline.[1] According to Govindarajan

S. Wasistiono (✉)
National Governance Institute (IPDN), Bandung, Indonesia
e-mail: sadu_ws@yahoo.com

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and Trimble, innovation means ideas and execution. In this chapter, execution means motivation, process, and requires leaders.

Innovation though, is easier to talk about than make happen. All too often, innovation becomes nothing more than a buzzword or a bumper sticker—the management theme du jour—that receives a lot of reverential rhetoric in company meetings and corporate ad campaigns (Skarzybski and Gibson (2008). It is easy to see why innovation might have caught the imagination of governments on its export from “donor” countries, but the context within which it must function is “home-grown,” and is in response to local problems that are necessarily tied to market-based solutions or hostile to the market. On the positive side, because innovation addresses real problems facing citizens, its application usually confers a perceptible and immediate relief to those citizens. It is therefore scarcely surprising that government innovation is fast becoming a global movement (Rizvi 2008). However, to initiate innovation governments need citizen participation Citizen participation. According to Fung (2008, 53–54):

> This image of government, of its relationship to politics and the public, and therefore of the appropriate nature of public-sector innovation cannot explain why so many of those who have applied for innovation have created programs that reach beyond the boundaries of government to enlist private citizens to advance the public interest. These innovators have discovered that they often cannot do their various jobs well unless they secure the cooperation and contribution of citizens and community organizations. Unfortunately, they frequently lack the methods, techniques, and skills to interact effectively.

After Soeharto’s resignation as President in 1998, Indonesia saw two significant changes, namely democratization and decentralization. To implement widespread autonomy, local governments need good leaders and good leadership. In Indonesia, and perhaps also in other developing countries, leadership is very important because governing systems and management do not always function smoothly. Leadership means innovation, and without innovation there is no leadership, only management. Unfortunately, some local government leaders in Indonesia lack leadership and innovation.

The Jembrana Regency under I. Gede Winasa’s leadership was chosen as a model for this case study, because Winasa was very innovative compared to other champions. Under his leadership (2000–2010), the Jembrana Regency became a favorite place for many of Indonesia's local governments to conduct comparative studies. After stepping down from office though, all the innovations accomplished by Winasa's administration no longer worked, even though they had become a mass movement. In other words, the spiralization of innovation was not happening due to changing laws and regulations, a different leadership style and a changing political environment after 2010.

This case study covers the period from 2000 until 2010 (approximately 10 years), when Winasa was Regent of Jembrana. He served two terms, the first from 2000 to 2005, and the second from 2005 to 2010. During his first term (2000–2005), the Indonesian government changed from a centralized to a decentralized one (based on Law No. 5/1974) by implementing quasi-elections to choose the heads of local governments (governor/regent/city mayor). After revision Law No. 5/1974, the heads of local governments have been elected by the Regional People's Representative Council (DPRD). In his second term, in line with Law No. 32/2004, the regent was elected directly by voters. Winasa was elected and supported by more than 87% of Jembrana's constituents.

The issue at that time was how to shift the paradigm from a centralized government under the control of the bureaucracy and dominated by the military apparatus, to a local government authority controlled by the people. Local governments had no experience in overall planning, including short, medium, and long term, and did not have any experience of managing multiple functions and budgets. On the other hand, with the end of Soeharto's New Era, political euphoria spread across Indonesia. Government decisions, even at the local government level, were not being made through political discussion, and the DPRD (Regional People's Representative Council) gained more power.

In his first term as Jembrana's regent, Winasa was elected by the DPRD and supported by the Indonesian Democratic Party of Struggle (PDIP). This party represented most Council members, and every innovation and decision to make Jembrana a better regency was supported by the DPRD in terms of policy and budgets. Over time, Winasa gained the people's support to make several changes, especially in public services. In his second term, the rule of local government changed (from Law No. 22/1999 to Law No. 32/2004), and Winasa was elected directly by the people. He enjoyed an overwhelming victory with more than 87% of the

Table 5.1 List of Jembrana Regency awards under the Winasa administration (2000–2010)

Year	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*Total*
Number	2	–	1	4	12	10	8	7	11	4	59

Source Author

voters, after which Winasa's leadership was supported by the people and the PDIP. Local government officials also gradually changed their mindset and culture set, and followed Winasa's successful leadership style. Table 5.1 gives the list of awards won by the Regency under the Winasa regime.

The History of the Jembrana Regency

The Jembrana Regency is located at the western tip of Bali Island. It is one of nine regencies in Bali Province, Indonesia, and its area covers 841.80 km^2 (or 15% of Bali Island). The Jembrana Regency is divided into five Districts or Kecamatan, with 42 Villages/Desa, 9 Subdistricts/Kelurahan, and 244 Subvillages. The population is 260,791 (2009), and the population density is 309 people/km^2. In 2000, there were 12,206 heads of households representing 19.4% of the total population. This figure gradually declined to 6999 heads of households (8.85%) in 2005. The population of Jembrana is, however, ethnically heterogeneous. The breakdown of the population according to religion is as follows: Hindu (76.11%); Moslem (17.35%); Christian (2.93%), Catholic (2.77%), and Buddhist (0.85%). The communities live in harmony under the principle of "Menyama Braya" or "living together harmoniously," but the level of poverty is high.

Jembrana is the least popular region in Bali, and barely visited by tourists. Mostly covered by the forested highlands of Bali's National Park, the land is comprised of two main regions: a large mountainous area in the north, which is part of West Bali National Park, and a coastal area in the south.[2] The origins of the Jembrana Regency date back to the Jembrana Kingdom 600 years ago. The Jembrana Kingdom gained a modern bureaucracy in 1839.[3] Step by step, Jembrana has developed into an advanced regency well known at local and national levels, especially under the Winasa administration.

The Institutionalization of Innovation

After being elected regent of Jembrana in 2000, Winasa outlined his vision and laid out four missions:

1. Improve the quality of people's lives by raising their education, health, and economic empowerment levels;
2. Improve public services including infrastructure such as roads, electricity, and water supply, improve communication and administration services, and improve social and cultural life;
3. Develop the spirit of unity, integrity, and harmony among communities that are heterogeneous in terms of religion, tribes, and customs; and
4. Implement the rule of law and create a clean, effective, and efficient form of government.[4]

Winasa also developed three programs to implement his four missions:

1. Jembrana Medical Support: A program of health services providing medical insurance to all Jembranese;
2. J-Net (Jembrana Networking). A form of service developed by the Jembrana Regency and supported by the Ministry of Research and Technology, Ministry of Information and Communication, and the Board of Investigation and Application of Technology (BPPT), to connect the regency and villages in Jembrana to improve service quality; and
3. The good management of Funds, People, and Tools in consideration of resources in the Jembrana Regency.

The focus of this research is the innovations implemented by Winasa during his 10-year administration (2000–2010). There were seven innovations developed in the Jembrana regency under the Winasa administration that is now embedded in the SIMDA (Sistem Informasi Manajemen Daerah, or Local Government Management System):

1. SIMAKDA (Regional Finance Accountancy Management System)—finance accountancy and asset evaluation system based on electronic data (IN1);

2. SIMPEGDA (Regional Civil Service Information System)—to accelerate and facilitate civil service data management (IN2);
3. KANTAYA (Cyber Office)—fast and efficient information and communication media among office units (IN3);
4. SIMDA (Local Government Management System)—including general public service, poultry, fisheries, call center, and short message service (SMS) center, subdistrict/village reporting system (IN4);
5. Providing information services by installing touch screens in the main office, also available in all subdistrict offices. This model was adopted from the private sector (IN5);
6. Installing a finger print machine for the staff attendance system (since 2002)—this innovation has been imitated by most local governments in Indonesia and is also supported by the Ministry of State Apparatus and Bureaucratic Reform (IN6); and
7. Installing cameras (CCTV) in 59 locations around offices and public areas (IN7).

These innovations paved the way for the implementation of electronic government (e-govt), with the aim of making Jembrana's government more effective, efficient, transparent, and accountable. Winasa introduced an IT system to the Jembrana Regency, ahead of other local government organizations across Indonesia.

Winasa and His Innovation Initiatives[5]

After several months as regent, Winasa faced many problems, such as limited local budgets, poor inhabitants, and an unprofessional bureaucracy. His first step was to discuss these problems with his "sparring partner," I. Gede Agus Wibawa. Next, he conducted routine weekly meetings with all units-staff, line, and territorial—in the Jembrana Regency.

Winasa's innovations came from his abundant life experience, especially his study in Japan (1983–1985). He took the value of discipline from Japanese culture, and was inspired by his religion (Hindu) and Bali culture. He promoted innovation to Jembrana Regency officials through meetings and discussion, and to organizations across Indonesia by holding national seminars and writing books. During his first year as Regent of Jembrana, Winasa held routine weekly meetings with local government organizations and territorial organizations to discuss his innovation and how to implement them. He understood the gap between innovation as a concept and its implementation, given the different capabilities of his staff. His innovations were supported by special staff, namely Gede Agus Wibawa and Made Budhiarta. He held discussions with other regents and mayors all over Indonesia under APKASI (Association of Regency Governments of Indonesia) and APEKSI (Association of City Governments of Indonesia). Winasa had a "hot line" with Joko Widodo, the Mayor of Solo City (at that time) and Untung Wijono the Regent of Sragen. They came from the same party (PDIP) .

In 2005, Jembrana Regency received 12 awards from national government institutions. After that, many local government officials came to Jembrana to conduct comparative studies. Then, Winasa set up a special team to protect his innovations. He also held discussions with officials from other local governments when they came to Jembrana to study. He said: "We can learn together." He also often discussed how to improve his innovations with prominent Jembrana Regency officials, recognizing the discrepancy that existed between concept and implementation, while at the same time implementing his innovations and building a "learning organization." He faced many constraints, especially in the use of innovations, from laws and regulations that did not support them.

Continuing and Improving Innovation

After governing for roughly 10 years, Winasa was replaced by I. Putu Arta (2010–2015). Winasa and Putu Arta were very close friends (Table 5.2). During Winasa's first term of office (2000–2005), Arta served as chairman of the Jembrana Regional People's Representative Council (DPRD). During his second term (2005–2010), he served as Jembrana's vice regent. Both Winasa and Putu Arta came from the same political party, the Indonesian Democratic Party of Struggle (PDIP), and both had the same political platform. Because of the long-term cooperation established between Winasa and Putu Arta, Winasa hoped that his successor would continue his innovations and maintain the competitive advantage for Jembrana. The PDIP comprised the majority of the DPRD members, and every innovation and decision to make Jembrana a better regency was supported by both of them with policies and budgets.

During the interview with I. Putu Arta on continuing and improving Winasa's innovations (July 23, 2014 in Putu Arta's office), he

Table 5.2 The close relationship between Winasa and Putu Arta

Year	*Winasa's Position*	*Putu Arta's Position*	*Remarks*
2000–2005	Regent of Jembrana (1st term)	Chairman of DPRD Jembrana	Putu Arta supported all of Winasa's innovations with the annual budget (APBD)
2005–2010	Regent of Jembra-na (2nd term)	Vice Regent of Jembrana	Putu Arta learned much from Winasa
2010–2015	Prominent person in Jembrana	Regent of Jembrana (1st term)	Winasa supported Putu Arta's leadership

Source Author interviews

Table 5.3 Ongoing Winasa innovations under I Putu Arta

Innovations	*Not working*	*Still working but not improving*	*Still working and improving*
SIMAKDA (Regional Finance Accountancy Management System) (IN1)		V	
SIMPEGDA (Regional Civil Service Information System) (IN2)		V	*
KANTAYA (Cyber Office) (IN3)	V		
SIMDA (Local Government Management System) (IN4)		V	
Providing information services by installing touch screen (IN5)			V
Installing finger print machine (IN6)		V	
Installing cameras (CCTV) (IN7)		V	

Source Author

summarized the points listed in Table 5.3. Putu Arta stated that six innovation initiatives by Winasa were still working but not improving, and one innovation was not working. He explained that laws and regulations change rapidly, especially in government finance. The government financial system is used as the performance budget model. Every activity of local government units or organizations must be planned ahead and arranged in the annual regional budget (APBD). Space for sudden innovation is not readily available. On the other hand, audits by the BPK (the State Audit Board) are now tighter.

Putu Arta also said that the political environment today is more competitive, and support and demand from constituents more highly valued. As a consequence, control by constituents and mass media is also tighter. Local government leaders also make decisions slowly and carefully. When innovation comes from someone's ideas, a favorable climate is required to express these ideas. Innovation needs someone who can "think outside of the box."

In this researcher's opinion, innovation in Jembrana did not continue and improve because of a change in leadership. The style of leadership between Winasa and Putu Arta was different. Winasa was an innovator who exerted strong leadership, while Putu Arta displayed weak leadership as a "safe player." He seemed more like a manager than a leader. In this regard, Govindarajan and Trimble (2010) claim that innovation means ideas plus execution. Execution means motivation, process, and *leaders*. It also means that leaders and leadership are very important to start and improve innovation.

The author supports the assertion by Irwan Noor (2011), who conducted research in the Jembrana Regency for his PhD dissertation in 2011. Noor said: "There are two factors that are assumed to drive the development of innovation in local governance; internal factors (leadership and organizational climate) and external factors (political environment)…" (2011, 82) also explains the reversible influence between internal factors (leadership and organization climate), and external factors (political environment) on local government innovation. According to his analysis, local government innovation in the Jembrana Regency was influenced by the organization climate, leadership style and political environment. In correlation with the author's case study, Winasa and Putu Arta faced the same problems in initiating innovation, but took different actions. Winasa was a "risk taker and speedy decision maker," while Putu Arta was a "precise and careful decision maker." The results arising from the different style of leadership between the two Jembrana leaders were also different Winasa initiated many innovations, but Putu Arta only a few. Winasa was ready to face the consequences of his decision-making (he was later jailed because of it), while Putu Arta took the safe road. They headed the same local government organization in the same climate and faced the same political environment, but presented different leadership styles.

In any public organization, the role of leaders and their leadership styles are very important. The organizational climate is usually traditional and hierarchical with order coming from the top. The members of the organization are loyal to their leader, not to the organization's goals. Managers as top leaders play important roles in the organization and in making decisions, so innovation and the institutionalization of innovation depend on leaders and their leadership style. Koehler and Pankowski (1997) note that the leader of a government organization must demonstrate transformational leadership; something they define as "a process of inspiring change and empowering followers to achieve greater heights, to improve themselves, and to improve organization processes. It is an enabling process causing followers to accept responsibility and accountability for themselves and the processes to which they are assigned."

The correlation between the work of Koehler and Pankowski (1997) and the author's conceptual framework and research show that Winasa had five of the six skills of a transformational leader. He had strong conceptual skills, communication skills, writing skills, teaching skills, and coaching skills developed during his past experience as a university professor and lecturer. But he only had average technical skills. Several of his innovations were based on his conceptual skills, but were difficult to implement because of technical problems. There was a discrepancy between concept and reality.

On the other hand, Putu Arta was a pure politician with a full career in the political arena. He had good communication skills, but was average in terms of the other skills (conceptual, communication, writing, teaching, and coaching). Much of his time and energy was put toward communicating with his constituents. Every day he attended five or six meetings with people all over the Jembrana Regency, and did not have enough time to apply his conceptual skills to innovations. This resulted in there being few innovations under his administration. During his administration (2010–2014) he received five awards on the national level, with most of them (4 awards) based on the IT innovations begun by Winasa (Table 5.4).

Table 5.4 List of Jembrana Regency awards under the Putu Arta administration (2010–2015)

Year	*2010*	*2011*	*012*	*2013*	*Table*
Number	1	1	1	2	5

Source Author

Lessons to be Learned

Innovation is knowledge creation. Nonaka et al. (2008) said that "because human interactions are the source of knowledge creation, knowledge is subjective, process–relational, aesthetic, and created in a practice." Innovation depends on individual initiative. A lesson can be learned from innovation in the Jembrana Regency, and that is that innovation is not only about how to initiate change. It is also about how to institutionalize and improve on change. Winasa and his successor Putu Arta had a close relationship because they came from the same political party (Table 2.4). But this did not guarantee that Putu Arta would continue Winasa's innovations. Leaders of local government organizations who initiate innovations must create a "successful team" to guide their innovations and ensure a smooth process of spiralization.

In other regencies or cities, the spiralization of innovation may be more difficult to achieve. More than anything, successors may come from different political parties with different political platforms, or a different tribe or culture. Therefore, the central government must ensure regulations and a political climate in order to guarantee that the best innovations by a regent or mayor will be continued by their successor. In this way, the spiralization of innovation will be smooth.

Nonaka's SECI model is a useful tool to explain initiation innovation. For local government organizations (LGO), the SECI model is modified, with the leadership factor at the center of the process. This means that leaders and leadership style play an important role in initiating innovation. The first step (Socialization) comes from the minds of LGO leaders, because they are the decision makers. Without innovation initiated by the leaders of LGOs, the potential natural and cultural resources of a local area cannot be utilized to improve public welfare. In the second step (Externalization), both leaders and members of LGOs need the top leader's support. Without this, the process may run slowly.

In the third step (Combination), the role of leaders and their leadership style in LGOs are very important. A leader must have authority, and under the leader's authority the process can be supported by money, material or manpower. Here, people are "the real embodiment" of innovation as initiated by the leaders of LGOs. Innovation is the change from tacit to explicit knowledge. In the fourth step (Internalization), the role of leaders is still important. LGO leaders can initiate new innovations or support LGO members who make new innovations. This is where the process of spiralization of innovation begins. If leaders or members of LGOs stop the process, spiralization of innovation will stop as well. The culture of an LGO is in orientation and communication, so all important decisions depend on the leader.

As with the first form of the SECI model, the second form is also useful for the analytical process of developing new innovation (Fig. 5.1). For LGOs, the SECI model is modified with the leadership factor placed at the center of the process. The first step (dialogue) may flow more smoothly if supported by the leader in terms of time, money, or location. Through dialogue, an LGO leader can change the mindset and culture of the LGO members.

The second step (linking explicit knowledge) in an LGO is a very important one in which vague ideas become concrete knowledge. Leaders use skills such as communication, teaching, and coaching to influence LGO members. They try to reassure the members about new innovation. The third step (learning by doing) is also important. Here,

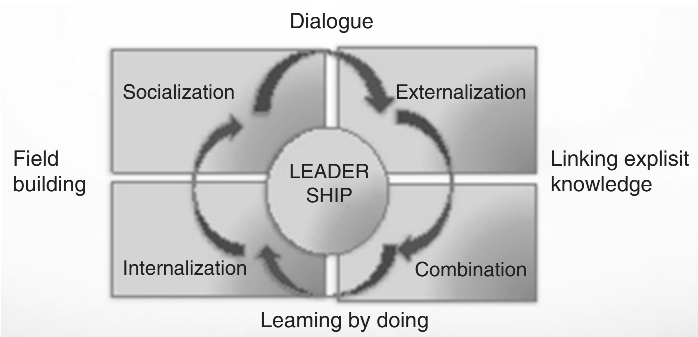

Fig. 5.1 SECI model for innovation in local government organization (Form 2). *Source* Nonaka et al. (2008)

other people try to understand new innovations and learn by doing. Doing something new allows them to understand and gain confidence. Leaders must motivate and increase the enthusiasm of the LGO members. If this step is successful, leaders can be confident of a smooth spiralization of innovation. The fourth step (field building) is a difficult phase where ideas meet with reality. Here innovators face the pros and cons of their innovations. Leaders with the skill to persuade people are needed in this step.

The spiralization of innovation thus refers to serial innovations developed over a period of time. LGOs need to manage such change, and those who initiate innovation must learn to manage change. In short, initiation and the spiralization of innovation in an LGO require leadership. Leaders and leadership style are very important factors in starting innovation and keeping it going.

Notes

1. http://en.wikipedia.org/wiki/Innovation.
2. bali-directory.com.
3. jembranakab.go.id.
4. I. Gede Winasa (2007), 4.
5. On July 24, 2014, the author of this case study interviewed Winasa about his innovation initiatives under the SECI model. The interview was held in the library room of Jembrana Prison in Jembrana (I Gede Winasa was found guilty of corruption connected to a compost factory machinery procurement order, and sentenced to 2 years and 6 months in prison according, to The Jakarta Post March 25, 2014. http://www.thejakartapost.com/news/2014/03/25/supreme-court-overturns-acquittal-sends-former-regent-prison.html).

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CHAPTER 6

Case Study 5: Thinking Big for the Common Good: A Case Study of the Household Block-Grant Initiative in Agricultural Management in Vietnam

Tran Thi Thanh Thuy and Nguyen Thi Thanh Tam

Introduction: Issues and Motivations for Change

Vinh Phuc Province is situated in the northwestern region of Vietnam, with a varied topography of delta plains, hilly midlands, and mountainous terrain, and a total land area of 1370.73 km^2. It borders several provinces, including Thai Nguyen and Tuyen Quang in the North, Phu Tho Province in the West, and Hanoi in the South and the East.

The province is a transition zone between the Red River Delta and the northern key economic region that covers the rugged northern midlands and further on to China. The area is relatively flat, with traditional rice cultivation that is blessed with the potential for development. The midland area covers 24.9 thousand hectares of natural land, while the mountainous area occupies 65.3 thousand hectares. Both the midland and mountainous areas are dotted with lakes (including large ones such

T.T.T. Thuy (✉) · N.T.T. Tam
Ho Chi Minh National Academy of Politics, Ha Noi, Vietnam
e-mail: thuy.tranthithanh@gmail.com

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as Dai Lai and Lien Son), capable of supplying water for a variety of purposes, such as agriculture and aquaculture development, and tourism. However, farmland in Vinh Phuc is generally poor and agricultural yields are low. While the climate has created favorable conditions for intensive cultivation, an increased use of agricultural land, and a diversification of agricultural production, natural phenomena such as floods, droughts, tornadoes, hail, and frost can also adversely affect crop production.

Economic Management in the 1960s and the Cooperative Model

In feudal times, few farmers owned land. Instead, they lived on rented land or worked as servants for the rich. This situation increased twofold during French colonialism. With independence in 1945, the Socialist Republic of Vietnam embarked on a new way of economic thinking. The mainstream ideas of the Party of Vietnam back then were heavily based on the economic rationality of socialist countries (led by the Soviet Union), selecting and incorporating the ideas of leading socialist thinkers such as Marx, Engels, and Lenin, before being reinterpreted subjectively through the perspectives of Soviet economists and leaders.

While both direction and destination were clear in the minds of the Vietnamese leaders, the real matter was one of implementation. Consequently, all leaders, from the central to local level, had to bear in mind that the gradual phasing out of the private ownership of production was to eliminate individual-based small-scale production. As soon as the means of production were under collective ownership, people would develop a sense of common good, and collective labor would facilitate the application of science and technology to larger-scale production. These were the necessary conditions to gradually reach a grand socialist production economy. Labor productivity in the socialist production economy was certainly higher, creating more wealth for society compared to scattered, small-scale production. It was emphasized that when wealth was abundant, the distribution of benefits would be more equitable and people's lives would be more prosperous and fulfilling.

Cooperatives in Agricultural Management

With the end of the agrarian revolution in 1956, the Vietnam Labor Party (now the Communist Party of Vietnam-CPV) and the Vietnamese government accomplished the goal of "land for farmers"—a realization of the long-standing dream of millions of farmers in Vietnam. Following the efforts of the agrarian revolution, and with a desire to boost agricultural production and make farmer's lives more sustainable and prosperous, the Party advocated a revolution in production relations through the cooperative agricultural movement. In January 1959, the 16th Central Congress of the Vietnam Labor Party issued a resolution on cooperatives in agriculture. The essence of the policy was to set up agricultural cooperatives, which had been popular in the Soviet Union and other socialist countries, in rural areas in the North (the South, at that time, was still at war).

Specifically, the core principles of the cooperative model were as follows: production means such as land, cattle, plows, and harrows belonging to individuals or households were pooled as collective production means (collective ownership, or more accurately, cooperative ownership); households belonging to a cooperative would contribute 95% of their land to the cooperative, retaining only 5% for vegetable cultivation for their own daily needs; the organization of labor and production in the cooperative was collective (according to plans, the division of labor was based on work specialization; all labor was under the direction and monitoring of the cooperative management board, or the so-called Cooperative Committee); and, distribution of the fruits of labor was based on the principle of work according to one's capacity, taking performance output into account.

This mechanism of distribution was called a "shift- and score-based distribution system." "Shift" represented the average day of work. "Score" was a measure of how difficult the different types of shifts were. One shift was worth 10 scores, and this value was higher for hard, heavy work. For example, plowing and irrigation were such heavy work that they received up to 20 scores each, while taking care of kindergarten children scored less, the rationale being that babysitters looked after few children, since most farmers left their children at home with their grandparents or other relatives, allowing babysitters to combine the task of babysitting with their own housework. Other indirect work, including management meetings, art performance rehearsals and propagation activities, counted for scores as well. At the end of each production season, each farmer would announce his scores. The collective outcome of the cooperatives, after deducting taxes and duties paid to the State, and expenses for general events such as welcoming guests and other collective activities, were then distributed to the communes according to the total scores of the term.

This model of labor organization was initiated by macro-level policy makers and leaders for the following reasons:

- In the cooperative model, farmers would abandon individual-based production and contribute their production means, working together toward collective businesses and goals and applying science and technology advancements to achieve higher productivity and welfare in society;
- The division of labor, the shift- and score-based labor arrangements and the distribution of benefits would ensure fairness and minimize inequality between the rich and poor (believed to occur with individual-based production and businesses);
- Furthermore, the revolution in productive relations in agriculture and the abolishing of the private ownership of production promised to break down the foundations of economic exploitation; and
- In addition, collective ownership of production would promote greater awareness and a sense of collective ownership and protection of common property and interests (one for all and all for one) of farmers in Vietnam. But this was at a time when many people continued to have a selfish, individual-owner mindset, a particular trait from feudal times.

A sense of collective ownership, an appreciation of collective tasks, and the protection of common interests and society's interests were thus seen as fundamental characteristics of the new socialist personality that the country's leadership wanted each Vietnamese peasant, worker, and intellectual to adopt. There was much investment in propaganda for the cooperative model: the bright picture of the future excited farmers in the North, who were now confident of their future under the cooperative model.

Dawn of the Cooperative Model Introduced to Vinh Phuc

Like other localities in the North, Vinh Phuc started to implement the cooperation movement in 1959, with strong support and consensus from farmers. According to Nguyen Van Ton, the former head of the Committee for Rural Matters in Vinh Phuc Province in the 1960s, by 1961 almost 90% of farmers had joined cooperatives in Vinh Phuc Province. For the first year, almost all households were enthusiastic about the movement. They worked happily together, with a gong signaling the beginning and end of each working day. Each working day ended with the sounds of drums, trumpets, and public speaker announcements about the cooperative movement. During the movement's first year, positive changes took place in many areas, bringing with them good agricultural achievements.

In 1960, Vinh Phuc reached a productivity level of 478 kg of rice per person, almost double that of the French colonial period (293 kg/person), and other types of crops were thriving. This initial victory made some officials believe the cooperative model had many more advantages over individual production.

Middle Period—Difficulties and Challenges in Change

But after a very short time, labor productivity dropped to a low level and, as a consequence, product distribution after the harvest to each cooperative member became too low. For each shift, successful cooperatives distributed two kilograms of rice, while almost all other cooperatives gave only one kilogram or even half of that, without any currency supplement. At this level, it was hard for farmers to feed their families. Income from collective businesses also declined. This trend took place over a long period of time, greatly disappointing farmers. While the distribution to farmers declined, the income of some officials and the cooperative chairman of committees increased.

In 1965, faced with the inefficiency of the cooperatives, 3000 households in Da Phuc, Kim Anh, asked to leave the cooperatives. Their letters of request made it clear that the way the cooperatives were run was only making them poorer, while the cooperative leadership was becoming a new type of master. This event shook the province of Vinh Phuc. As a provincial general secretary, or provincial leader responsible for the lives of farmers and others in the province, General Secretary Kim Ngoc pondered the reasons behind the low agricultural productivity, and why each cooperative member, the key household provider, was given only 14 kg of rice per month, not enough to even feed their families. Yet, in the old days a tenant like himself not only produced enough food to feed himself, but also enough to enrich the landlords. It was not understandable how a country now independent, with its people enjoying freedom from feudal landlords and foreign invaders, could be hungry and needed to ask for aid from abroad. Mr. Ngoc believed this situation to be unacceptable. Why were farmers, who had been provided with land, still hungry? The question gnawed at the General Secretary.

Solving the Challenges: Final Judgment and Action

Vinh Phuc General Secretary Kim Ngoc (actual name Kim Van Nguoc) was born on October 19, 1917 at Dai Noi, Binh Dinh, Yen Lac, in Vinh Phuc. He was born to be a true farmer and to be expert in all kinds of farm work. Brought up in a poor farming family with no land of its own, almost all his siblings worked as servants or "tenants" of village landlords.

Working as a tenant farmer on the Do Dinh Dao plantation in Binh Xuyen (Vinh Phuc), Kim Ngoc was encouraged by Hoang Quoc Viet to follow the Viet Minh (the Vietnamese Communist Revolutionary Army). In 1939, he participated in revolutionary activities under the alias Kim Ngoc. In 1940, he was admitted to the Communist Party of Vietnam. He served as (Party) General Secretary of the Tam Duong district, and then as General Secretary of the Binh Xuyen district. In 1952, he assumed the post of General Secretary of Vinh Phuc. Later he was assigned to the Military Regional Committee of Viet Bac and became Deputy Political Commissar of the Military Regional Zone. By 1958, he had returned to the position of General Secretary of Vinh Phuc.

As General Secretary of Vinh Phuc, Kim Ngoc decided to spend time studying to improve his own educational level from grade 5 to grade 7 (10-year system). His assistant, Mr. To, became his teacher (usually in the evenings after hard days at work or in the car during work trips). Later, given the heavy demands of the "household block-grant/contract" work, he was unable to further his studies to a higher level but continued to learn from life's experiences.

Kim Ngoc was keen to work in the fields at the grassroots level, visiting cooperatives to observe, listen, and understand the real situation. He also asked his assistant and subordinates to make all relevant documents available on his desk and regularly update all pertinent information. At any time, he would go straight to the fields to gather information personally in order to confirm the reliability of the information he received. His assistant recalled that Kim Ngoc required him to draw up his work timetable, with his time divided according to the following rule: one-third allocated to trips to the fields, one-third for reading newspapers and documents, and one-third for conducting meetings.

Kim Ngoc's dedicated secretary also recalled that Mr. Ngoc asked the following question at a conference: "Do you know the biggest dream of the people?" Some answered that it was victory over the Americans. Mr. Ngoc then smiled and replied: "Their biggest dream is to eat well, dress well and receive health care free of charge. Being well fed is the foundation of doing the right thing, and as long as the people have enough food to live properly, we can defeat the American invaders."

Observation in the Field and Dialogue with Farmers

Believing that farmers should work just like government officials in line with a timetable and plan, following general rules, and in teams ("three trees joined to make a mountain"), rather than under the traditional, individual-based production method, the cooperative initiator designed the farm working day along the same lines as that of public workers, starting with the sound of a gong or drum (since farmers back then had no watches). For thousands of years, most farming households in Vietnam had been going to their fields early each day to make the best of the cool morning temperatures, and with the sun at its peak at midday, withdrawing to spend time on household chores such as cutting vegetables, feeding pigs, or cleaning and repairing tools and equipment. As the afternoon heat dissipated after 2 or 3 pm, they then returned to the fields until late.

However, working time and behavior were significantly altered during the period of the cooperatives. All activities simply followed the sound of a gong or drum. But without the sound of the gong, there was no work. As a result, the cooperatives harvested only 20–30 kg per acre on average, or 50 kg at maximum, while individual households (5% of the land was allocated to each household to freely cultivate) harvested up to 200–250 kg of rice per acre.

Once, Kim Ngoc visited a group of farmers who were sitting, smoking, and chatting. Having greeted them, he then asked whether the buffalos or people were sick, given how idle they were. Not knowing who Kim Ngoc was, several members answered impolitely that they were "hungry, not sick." But Kim Ngoc replied: "Working like this, hunger is certain." One man looked at Kim Ngoc, saying, "People like you wearing white do nothing but talk. If you're so good, you do some work!" At these words Kim Ngoc jumped into the field, saying to the farmers, "Let me tell you, I used to work for landlords, so don't you dare challenge me." He then took off his pants and coat, grabbed a tool and began to work in the field.

Mr. Ngoc spent much time observing and asking the farmers about the current situation. He once went out with several colleagues to visit an old man who was the head of San Diu village and a former friend of Kim Ngoc. The old man insisted that the group stay for a lunch of rice and chicken. Only after some drinks did the words of the old man come out:

> Without telling you, you already understand, Nguoc (his real name). In the old days, when we were both tenant farmers, the landlord gave us land to cultivate as we saw fit. He didn't care how the rice was cultivated or how the land was plowed. He didn't care whether we planted more vegetables between seasons. It only mattered that he got his share. Yet we still had enough to eat until the next season. On the same land we now enjoy both freedom and national independence, so why don't we have enough food? You are supposed to have the answers since you have taken the most important position in the province. If you don't know how to feed me, then it is definitely your fault. So, can you find a solution?

It is said that the eyes of Kim Ngoc turned red and he began to cry. A colleague then said: "We are at war with the American invaders. When the war ends we will look for a way forward…." Based on his observations, Kim Ngoc asked his colleagues to find out what was really going on in the villages and rice fields. He acknowledged that the farming households earned 40 to 60% of their income from only 5% of their land. If cooperative land could be used as well as this, household incomes would also increase. That should be the reason.

Debate and Dialogue Among the Leadership

By working directly with the cooperatives, Kim Ngoc discovered that in the majority of them, the people who gained the highest scores were members of the cooperative management boards and captains of the production management units. One day, as harvest time approached, he entered a village on his way to the fields for a face-to-face meeting with the farmers. It was 2 pm in the afternoon but the farmers were sitting under a banyan tree chatting. Mr. Ngoc went straight to the office of the cooperative and saw the board members killing pigs and preparing for a festival. He immediately demanded to see the shift book (record of the farmers' shifts and scores) and asked his secretary to read out the performance data and scores of those present. By talking to the farmers and villagers and asking his staff to uncover the real situation in this way, Kim Ngoc gained sufficient evidence about the common symptom of "lying about shifts and scores" in other cooperatives. If the cooperative management board or the captains of the production management units favored someone, a higher score would be given. Their own relatives or close friends also enjoyed the same privilege. They also concocted reasons to hold meetings and greet guests as ways to count shifts and scores on the one hand, and to corrupt the budget and public resources on the other. Consequently, the cooperatives' total number of scores continued to increase, production costs rose, but direct labor into production, and cooperative members' income did not. As the turnover for each household at the end of the season did not match the hardships endured to harvest the crops, especially compared to the easy lifestyle enjoyed by the cooperative management boards and their families, the famers became fed up. They went to the fields each day just to show up, and did not work properly.

Kim Ngoc spoke many times to his secretary, a man with education, about why farmers, known for their diligence, were now lazy and careless. During one such discussion, the secretary did not hesitate to say that "its simply because they do not consider the land as their own." Mr. Ngoc replied: "Cooperative members do not view the land as their own, so they pay little attention to the land and their work."

Acknowledging the Essence of the Problem

By visiting the fields and talking to farmers and villagers, Kim Ngoc came to believe that the way the cooperative management boards ran the cooperatives made it impossible to raise the farmers' diligence, and that the indifference and irresponsibility of both the farmers and the management boards were sufficient explanations for the low productivity and poverty results. When farmers worked for the public good without their own interests being guaranteed, they were likely to turn to their own private interests. In other words, the problem lay right at the heart of labor management, the production process, and the farmers' output.

To deal with this, an alternative approach was required, one that would lift the good qualities of the farmers and allow them to work for the public good on the one hand and meet their own family interests on the other: "Let farmers be masters of their own land." Advanced techniques and technology should also be applied to the production process. But given that, supervising the farmers' daily work was neither feasible nor affordable in terms of time and human resources. During discussions, Kim Ngoc asked his secretary whether it would it be a good idea to give the farmers a block grant that would make them more responsible and accountable.

A Different Way of Production Management: Testing a New Method

In early 1965, the central government pushed forward a strong movement to improve the management of cooperatives and agricultural techniques. Nguyen Van Ton, who was in charge of Vinh Phuc's agricultural sector at that time, was sent to Guangdong Province in China to learn methods of cultivating spring wheat. Returning to Vietnam he was called upon by Mr. Ngoc to report on what he had learned. After listening and talking to his subordinates, Mr. Ngoc decided to test a newly developed Chinese rice breed in Vinh Phuc's rice fields. After discussions and deep contemplation, Mr. Ngoc decided to put the plan into action. The fundamental problem, as he was well aware of in carrying out the "block-grant" method of production management, was how to assign the volume of land and the outputs. However, this thinking was contrary to the views, guidelines, and policies of the Party and the State at that time. So, what could he do?

In early 1966, he asked the province's board of agriculture to conduct a survey on the farmers by questionnaire. He then called the provincial leader to discuss the difficulties and problems of agricultural production and to search for solutions. At this meeting, many participants supported the idea of applying the block-grant/contract-based method to individual cooperative members or households, instead of groups of cooperative members. Mr. Ngoc led the discussion on how to pilot the new method. It was decided as follows: The Provincial Party Bureau established a taskforce consisting of three people from different functional departments of the local authorities, namely the head of the Agriculture Committee, an agriculture engineer, and a cooperative management board member. This unit was assigned to conduct research and make concrete proposals concerning the system and method of block-grants as well as develop a set of criteria to measure the impact. They selected the Thuong village cooperative in Vinh Tuong District's Tuan Chinh commune, as this locality was considered the focal point of rice cultivation at that time.

There are many types of block-grants. One gives the household a specific stage in the production process. Another determines the fixed output that the household gives to the cooperative each season, with the household enjoying whatever is left. Mr. Ngoc decided on the latter. For that initial crop, the farmers won big. Productivity rose from 2 to 3 tons per hectare to 3 to 4 tons per hectare. For the spring crop, productivity reached as high as 5 or more tons per hectare. The good news spread throughout the province, inspiring farmers all around.

Cooperative 3 in the Dai Dong commune, the hometown of one of the vice chairmen of the People's Committee, was also selected for a pilot project. Most households there, 193 out of 198, were eager to take part in the block-grant project. Only five single farmers did not apply. On average, each household took 01 acres and 14 meters. They were very happy, working hard on their land and keeping it busy throughout the year. Block-grants for livestock production took place in a cooperative in the Lap Thach District's Tan Lap commune. The general secretary of the district was assigned to lead the process.

The outcome of the pilot project proved that things were moving in the right direction, as it was successful in both cultivation and livestock production. Productivity increased along with household incomes. The cooperative's obligation to the State was also met in terms of time and required volume, and the whole process appeared much more manageable. Indeed, by mid-1966, when the cooperatives had completed work for the winter-spring crop, a preliminary meeting on the block-grant pilot project was called by the Provincial Party Bureau. District civil servants came to listen and learn from the experiences of the Vinh Tuong and Lap Thach districts. The majority of the participants showed strong support for the block-grant method, claiming it met the desires of the farmers very much, and the evidence of the success of the pilot project was strong.

Institutionalization of the Idea—Resolution 68 on Household Block-Grants

Consensus on the idea was obvious in the meetings and among the farmers and local civil servants. The Agricultural Committee was assigned to draft a resolution on the improvement of agricultural production management. Nguyen Van Ton, the head of the Provincial Agricultural Committee, was put in charge of drafting the resolution. From September 3 to 7, 1966, the Provincial Party Standing Committee met to evaluate the draft resolution. One objection claimed that the method was contrary to the collective ideology, encouraging and enabling farmers to become private business households. Mr. Ngoc specifically cited the evidence that household land of 5% produced from 200 to 250 kg per 360 m^2, while cooperative farming produced just 50 to 80 kg per 360 m^2. He also cited some clear indications of irresponsibility, dependence, and deceit within collective labor, as well as the improper use of collective property. He then concluded that the block-grant approach was indeed a matter of motivating labor and stimulating farmers' sense of interest to be more committed to work and to the rice fields.

On September 10, 1966, Resolution No. 68/NQ-TU on "household block-grants," was put to the vote by the Party Standing Committee of Vinh Phuc Province, under the title "Resolution of the Provincial Party Standing Committee on some issues of agricultural labor management in cooperatives nowadays." The vote was 100% in favor. To avoid misinterpretation of the resolution through intermediaries such as the district-level and commune-level authorities though, Mr. Ngoc asked the functional units to print several hundred copies of the resolution, and send them directly to cooperatives across the province. A total of 1100 copies were printed.

Outcome and Resolution

In 1967, only a year after the resolution was issued, 75% of the cooperatives in Vinh Phuc Province had implemented the block-grant method. Despite the escalation of the harsh war against the United States, and while many youths were being mobilized to join the army, almost all cooperatives achieved high agricultural productivity in that year.

In 1968, the volume of crops in Vinh Phuc recovered, reaching 22,200 ha, or roughly the same level as that of 1960. Cattle increased by more than 10,000. In 1960 the number of pigs was only 287,100, but this figure had risen to 434,900 in 1967, and to 465,200 in 1968. Farmers in Vinh Phuc eagerly welcomed the resolution, calling it by its colloquial name, "household block-grant resolution," while Mr. Ngoc was referred to as the "household block-grant secretary," or Mr. Household Block-Grant. And by the end of 1968, Vinh Phuc was leading the provinces in the North in the fight against drought and improving agricultural production. News about Vinh Phuc's agricultural achievements spread to other localities. Some provincial and district authorities visited, eager to learn from the best practice. The news also attracted the central leadership's attention.

Objections

The success of Vinh Phuc in "leading the other localities in the North in agricultural productivity" soon came to the attention of the country's top authorities. In July 1968, the Central Board of Agriculture decided to conduct research on the cooperative management model in Vinh Phuc. A three-person working group visited Vinh Phuc's communes and districts for several months investigating and analyzing the facts before submitting a report on their field studies to the central authorities. It was asserted that the report was written from the personal perspective of the team leader, a person who strongly supported the original cooperative model and the cooperative management methods of the Soviet Union. The report viewed the management method of the household block-grant initiated in Vinh Phuc as being contrary to the original cooperative model. It also blamed the initiative for promoting individual work styles, or a mindset that prioritized the individual, stating that it puts the cooperative structure at risk. The report then compared Kim Ngoc's method with that of "renting the land and collecting the output" developed during the feudal period.

The objection to the 1966–1967 household block-grant initiative in Vinh Phuc cited several reasons that were mainly related to the period's wartime context. The opposition claimed that first, in applying the method, it was unfair to households whose key role had been to serve in the army. These households could not register for much land because they lacked the manpower to work on that land, leading to a much lower income compared to others. Although incentives were to be applied to this group, they were not sufficient to ensure fairness or ease concerns among the soldiers, making it impossible for them to focus fully on fighting the enemy. Second, the war against the United States for national reunification required both spiritual and material support from socialist bloc countries, especially the Soviet Union (for advanced weaponry in the South, and machinery, science and technology for reconstruction in the North after the war against the French). Careful consideration needed to be given to the advantages and disadvantages of modifying the socialist economic ideology and the model that originated in, and was led by, the Soviet Union.

To listen to the findings of the working group, on June 11, 1968, Truong Chinh, a Politburo member and Head of the Party Central Secretariat Committee on Theory, scheduled a meeting with Vinh Phuc authorities. He chaired a face-to-face meeting with key officials of all levels of the province (provincial, district, and commune), analyzing and pointing out the impact of the household block-grant policy. In the meeting, with courage, honesty, and strong belief in what he had seen and attempted, Mr. Ngoc frankly argued with Mr. Chinh to protect "the truth."

He believed it was impossible to develop wide-scale centralized production at that time. With high levels of literacy still relatively new, farmers were not well prepared or ready to apply a collective method to agricultural production. Rural areas needed time to prepare. Farmers would have to utilize their potential, internal strengths, and experiences as the foundation for development. However, regardless of Mr. Ngoc's arguments that cited the achievements of the household block-grant method in improving productivity and better fulfilling their obligations to the State, the central authorities rejected Vinh Phuc's initiative. The household block-grant was considered contrary to socialist agricultural management thinking; it broke away from socialist production relations and held back the advancement of science and technology in the economy.

On December 12, 1968, the Party Central Secretariat Committee issued a notice on the correction of cooperatives management regarding the block-grant method and land management. The central authorities ordered Mr. Ngoc to conduct self-criticism on the development of the household block-grant initiative. He was then asked to read it out at the review meeting on April 28, 1971. But deep in his heart, he believed that what he and his colleagues had done was rational and appropriate. As long as it brought prosperity and happiness to the farmers it was the right thing to do, even though it may go against the central directions and policies. But that could not be a "fault."

After 1968, Vinh Phuc Province embarked on a "correction," returning to the old method of cooperative management. Farmers were forced back to business based on orders and the sound of gongs. Their motivation to work in the rice fields declined, and the acreage of fallow land gradually increased. Ten years after the ban of the household block-grant method, agricultural productivity was unable to improve, despite the more intensive application of science and technology. Labor productivity, food production, and livestock fell sharply, compounded by the cutting off of foreign food aid. The entire country faced a serious food shortage.

Parallel Policy Process or Policy Spillover/Influence: The Case of Other Provinces

An Emerging Wave of Rethinking of the Cooperative Model

In terms of the central government level viewpoint, many officials no longer strongly believed in the theoretical model of "collective business in the cooperative." For example, the Ministry of Agriculture viewed the household block-grant method favorably, citing its appropriateness with the reality of Vietnam's situation. However, the Central Board of Agriculture maintained the view that the only ways of achieving socialist production were to support the cooperative model and advocate continuous efforts to develop advanced cooperatives on a national scale. They went even further, believing that to achieve these visions and goals, one should accept and overcome the "temporary crooks."

At the local level, authorities were generally inclined to support the household block-grant model of management, mainly because cultivation to feed farming households and even workers who did not toil in the agricultural sector had become a matter of urgency, and people could no longer wait for subsidies from the central government. After reunification in 1976, the Party Central Committee advocated an expansion of cooperatives, directing the merger of some village-level cooperatives into commune-level cooperatives. There was a restructuring of the cooperative management boards, but not much change in production and management methods, except for the number of cooperative members coming to the cooperative meetings.

To address this issue, the central authorities sent Vo Chi Cong, deputy prime minister at that time, to work with the Vinh Phuc Party on another household block-grant trial. The Provincial Party Standing Committee of Vinh Phu (merger of Vinh Phuc and Phu Tho) continued discussions, and then issued Resolution No. 15 on the direction of cooperatives to apply the household block-grant and lend households land to add to the winter crop.

Doan Xa Cooperative's Choice of the Household Block-Grant

In 1976, the Doan Xa commune in the An Thuy district of Hai Phong City faced a severe food shortage crisis. The winter-spring crop of Doan Xa suffered an unprecedented "loss." As a result, a flood of residents began leaving their hometowns in search of a better life. Doan Xa's cooperative management board was extremely nervous about the real risk of losing the next crop as a result of the labor shortage. To address this, the cooperative management board decided to quietly adopt the household block-grant method of management and appeal to the residents to return home, accepting any punishment that the central government might administer. As a result, Doan Xa's volume of production in 1977 jumped six times higher than a normal year in the old days. They paid the State tax and sold a sufficient volume of rice according to their obligation. The farmers were satisfied, but the civil servants were both happy and anxious.

Political Commitment of the Leadership of Hai Phong City

The worries of the commune and cooperative management board were eased, thanks to the common concerns shared by the Hai Phong General Secretary (Bui Quang Tao) and the Chairman of the People's Committee (Doan Duy Thanh). They both thought hard and were uncomfortable with the level of poverty in Hai Phong. The two Hai Phong leaders visited Doan Xa to directly observe the rice fields and attend a face-to-face meeting for reflection. In the same month, the Party Standing Committee of Hai Phong City issued Resolution No. 24-NQ/TU dated June 27, 1980, instructing the application of household block-grants covering 100% of the agricultural land in Hai Phong.

Another Attempt in the Kien an District and the Story of Leadership from the Central Government Level

The Hai Phong City Party Committee issued Resolution No. 24 to create a legal foundation for the implementation of the household block-grant mechanism in Hai Phong. The Kien An district was selected as the pilot area to convince the central government. The Kien An District's general secretary immediately carried out the directive. Meetings among and between the leadership and local group representatives were organized to discuss and form a consensus on the objectives of the resolution, and the policy and targeted missions to be delivered. The way Kien An implemented the method was truly democratic, right from the beginning, and gave much respect shown for the voices of the farmers. The first crop harvested under this new method saw average productivity across the district jump to 1.5 times that of the previous year (2.5 tons/hectare compared to 1.6 tons/hectare).

In accepting this model of agricultural production, the Hai Phong leadership insisted on presenting the initiative to the Central Secretariat Committee. But the result was only half supported, with the other half objecting. The leadership of Hai Phong then came to an agreement that they needed to convince the top three leaders of the Party and State—General Secretary Le Duan, President Truong Chinh, and Chairman of the Council of Ministers Pham Van Dong, and that the best way to convince them was to invite each of them to Hai Phong to see the actual situation.

The first person the leaders of Hai Phong wanted to convince was General Secretary Le Duan. Mr. Tao went to Hanoi, asked for permission to meet the General Secretary in person, and reported on the serious situation in Hai Phong, narrating the positive impacts of the household block-grant mechanism in addressing poverty. He then asked the General Secretary for permission to continue using the mechanism.

With the General Secretary's permission, on February 10, 1980, the leadership of Hai Phong invited him to observe the local harvesting and hear directly from the farmers and villagers on their life since applying the household block-grant method. During his visit to the cooperative, General Secretary Le Duan told Kien An General Secretary Vũ Ngọc Làn (Dang Phong 2014) that "I am" glad too, we started from a small-scale economy. We need to find our own way without rigidly employing the methods of foreign economies."

The Hai Phong leadership then invited Prime Minister Pham Van Dong. They reported on the challenges faced by the city and took the Prime Minister to visit the actual units carrying out the household block-grant method, where he could see the actual results for himself. The Prime Minister offered his strong support for the model. The third person to be convinced by Hai Phong was President Truong Chinh. He listened to the report on the people's lives before and after the new management experiment and visited the cooperatives and farmers in person.

The Policy Reaction of the Central Government: Decree no. 100 of the Party Secretariat Committee

After retrials of the household block-grant model in Vinh Phuc and Hai Phong between 1976 and 1980, given the advocacy demonstrated by some high-ranking leaders at the central government level, the discussions and exchanges on the mechanism of agricultural management became more open and gained more floor in public debates. The daily People's Newspaper, the mouthpiece of the Party, had played a very proactive role in creating and promoting a forum for exchanges and discussions on this topic. It continued to update the public on the "best practices" in Hai Phong and Vinh Phuc. Aiming to blow a breath of fresh air over the new economic thinking throughout society and give sufficient space to voice the truth, in late October 1980, the People's Newspaper hosted a conference on the topic with almost 100 participants including key provincial leaders, key figures in the agricultural sector, researchers, representatives of science institutions, and the mass media. At this conference, the majority of participants expressed their support for the cooperative management model of directly allocating block-grants to every farmer or household.

The 9th Congress of the Central Party Committee (in December 1980) decided to "expand the implementation and improvement of the block-grant method in the agricultural sector." The Party Secretariat Committee went further, and issued Directive No. 100-CT/TW dated January 13, 1981, on the improvement of the block-grant method and extension of product-based block-grants to labor groups and individual workers in agricultural cooperatives. The directive touched on all the issues of concern by officials and farmers, especially on how to radically improve the varied forms of block-grants applied by the farmers.

The directive acknowledged the product-based block-grant method as a type of production management and remuneration that closely and directly linked the responsibilities and rights of workers with the final products and outputs. In pointing out the advantages and values of this method, such as promoting voluntary commitment of the farmers, inspiring them to pay more attention to and make a great effort in production and actively using the land and pesticides, the proper implementation of the product-based block-grant method provided a foundation for actively strengthening and improving new production relations.

But the directive also pointed out that this form of production-based block-grant method was newly developed with uncompleted reviews and unresolved deficiencies. On the other hand, if the process was not properly monitored and supervised, it was very likely to result in failure, such as allocating land to farmers for fragmented use and careless management of labor, tractors, and fertilizers. Therefore, the directive emphasized that the product-based block-grants to individuals or labor groups be supervised, reviewed, and carefully studied before expansion on a wider scale.

With the issuance of Instruction No. 100, cooperatives around the country held discussions to decide on concrete measurements. The management task of the cooperatives became less complicated. The measurement of performance made it clear that "abuse of meetings" and "lying about shifts and scores" had decreased significantly. Food output across the entire country continued to rise, leading to a steady increase in food mobilization of the State over the years.[1]

Resolution 10

At the 6th Plenum (IV Congress) in September 1979, Resolution No. 6 modified some previous policies and measurements that were once taboo, including the household block-grant method. Fortunately, the idea of production management initiated by Vinh Phuc was strongly advocated by high-ranking leader Vo Chi Cong, who was a Politburo member and Deputy Prime Minister in charge of agriculture. Under the pressure of proposals and requests from local authorities, the Politburo discussed innovation in agricultural production management. The draft resolution was brought to open discussions with agricultural officials and local authorities across the country. On April 5, 1988, the Politburo officially issued Resolution No. 10 on innovation in agricultural management. As part of the resolution, it frankly admitted the key reasons behind the mistakes in agricultural management, such as simple (naive) perceptions of the agricultural economy, insufficient knowledge about socialism, and the initial transition stage and shortcomings in understanding the rules of production relations. For a long time, there was a lack of public policy to encourage household economies and promote individual economic sectors. The links among various economic sectors were not well formed.

Resolution No. 10 officially acknowledged the household as a basic unit of production, and recognized the lasting and positive existence and effects of the individual-based economy in the transition toward socialism. It also acknowledged the household's full legal status, ensuring equal rights, and duties of economic sectors before the law. The State encouraged individuals to invest capital, labor, and technology to expand production.

Only a year later in 1989, national rice production dramatically increased from chronic food shortages and frequent requests for foreign food aid, reaching 21.5 million tons (from 19.6 tons in 1988). For the very first time in its history, Vietnam not only produced enough food to feed its people but also exported 1.2 million tons of rice. In the following years, rice production continued to expand. More recently, in 2012, it reached 43.7 million tons, enabling Vietnam to export 7.7 million tons of rice valued at US$3.5 billion. Vietnam had now become the second largest rice exporter in the world.

The Great Echo—the State's Recognition

The thinking about household block-grants in the agricultural sector continues to run in the Vinh Phuc policy. For example, it was reflected in Resolution 03-NQ/TU dated December 27, 2006, of the Provincial Party Committee on agricultural and rural development to improve the quality of farmers' lives from 2006 to 2010, and toward 2020.

In recognizing the contribution of former Vinh Phuc General Secretary Kim Ngoc, the Party and the State of Vietnam posthumously awarded Mr. Ngoc the First Class Medal of Independence in 1995. Speaking at the ceremony, Deputy Prime Minister Pham Gia Khiem stressed that throughout the past 30 years in provincial leadership positions, Kim Ngoc had made an important contribution to the theory and practice of agricultural production and played a key role in stimulating innovative thinking in the field and changing the face of rural Vietnam.

General Vo Nguyen Giap, a prominent leader and legendary figure in Vietnam and around the world, once stated: "The prosperity and happiness that farmers have come to enjoy is largely thanks to the work of the Party and Uncle Ho. But in the process of nation building, we have to be grateful to Mr. Kim Ngoc, a party member with the creativity and courage to be responsible to the people."[2]

Implications: Lessons Learned from the Case

This case described the story of the policy process in which policy ideas were derived from the leadership's understanding and sympathy for the hard life of the Vietnamese peasantry, with all types of discussions and debates engaged within the leadership team, and from the sleepless nights and headaches of the leader whose thoughts and actions were completely devoted to raising the quality of people's lives.

The wisdom of leadership emanated from direct and heartfelt observation and discussion with the peasants, while the courage of the leader to try something new came from the pursuit of excellence. In this process, meaningful lessons were learned about leadership style, leadership skills in thinking creatively and practically, and acting with courage to bring about change in policy mindsets and work habits. This case illustrates the point that faith in doing something for the common good can be a long-lasting source of creativity and courage for change. In other words, it reflects a good sense of responsibility toward the community. To cite one of Kim Ngoc's subordinates at that time (who later became Minister of Agriculture and Rural Development), the policy of the household block-grant not only changed productivity in agriculture, the leading sector in Vietnam, but more importantly, it changed farmers' lives and souls. The policy returned the right of decision-making to the farmers, encouraging them to work with commitment and creativity.

In dealing with the misunderstanding, or more precisely, adopting the opposite approach to one's superior on ways of improving agricultural productivity, the leadership in Vinh Phuc Province chose to officially terminate the policy while continuing to study the impact of that decision. This is a case of the roles of true leaders conflicting in the search for excellence and a better life for the people, and of getting subordinates to follow the decisions of the authority. In this case study, knowledge creation theory has been applied not only to lead the audience through the policy journey, but also to add value to the case in the sense of naming what the leadership process does, and revealing its underlying driving force.

Breakthrough Idea and Experiment

The crucial mission of leadership is to introduce a new approach, system, and method to fulfill the mandates of the organization. In other words, it refers to concept creation—a new way of perceiving, interpreting, and creating life. The household block-grant model was first initiated during the 1960s by Vinh Phuc Province's party secretary, Mr. Kim Ngoc, who is known today as "the father of agricultural management reform." It was officially documented in Resolution 68 dated in 1966 of the Vinh Phuc Provincial Party bureau as the "Resolution on some matters of agricultural labor management in the cooperatives." This model of agricultural management helped eliminate the shortcomings of the cooperative model applied in the early 1960s; it also motivated the commitment and creativity of the farmers, increased agricultural productivity, and improved the quality of the people's lives. The initiative has been considered the breakthrough to the bureaucratic, centrally planned administration that had existed for a long time.

The spirit of the household block-grant policy idea returned to government policy in the 1980s in Decree 100-CT/TW dated January 13, 1981 (name shortened to Block-grant 100) and Resolution 10 of the 6th Politburo on agriculture issued in 1988. Resolution 10 was issued based on the experiments and experiences of the many provinces that had employed the Kim Ngoc model. The outcome was that in 1991, only 3 years after the implementation of Resolution 10, and for the very first time in its modern history, Vietnam did not import rice but actually exported it. The country has retained that status up until now.

Notes

1. According to the Annual Statistics 1994, the agriculture volume of the entire country in 1980 was 14.406 million tons; 15 million tons in 1981; 16.82 million tons in 1982; 16.9 million tons in 1983; and 17.8 million tons in 1984.
2. On the occasion, the general said the delegation of Vinh Phuc officials and people, including Mrs. Nguyễn Thị Liên, Mr. Ngoc's wife, had come to celebrate his long life.

CHAPTER 7

Case Study 6: Co-Creating the Census Serbilis, a Study of the Philippines National Statistics Office

Magdalena L. Mendoza, Ma Christina R. Valte and Krichelle Alyce L. Ching

Introduction

The National Statistics Office (NSO) of the Philippines is arguably the most relevant government agency in the lives of all Filipinos. As the principal implementer of the Civil Registry Law, every Filipino who needs to interact with the government and the private sector for purposes of school enrollment, employment, travel, and receiving government assistance has to deal with the NSO to obtain copies of certificates of birth,

Data and information cited in this case are primarily based on accounts in the NSO Annual Reports, and interviews with Administrator Tomas P. Africa, Administrator Carmelita N. Ericta, and the CRS-IT Project Team led by Director Valentino C. Abuan, who is now interim assistant national statistician of the Philippine Statistics Authority.

M.L. Mendoza (✉) · M.C.R. Valte · K.A.L. Ching
Development Academy of the Philippines (DAP), Pasig, Philippines
e-mail: dedengmendoza@yahoo.com

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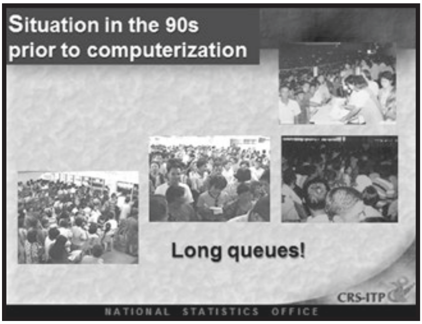
marriage, and death. Through its Census *Serbilis* Centers, the NSO services over 12.2 million applications for civil registry documents nationwide annually, with its office in the National Capital Region (Metro Manila) accounting for 25% of all applications. That the NSO manages to efficiently service its clientele is demonstrated in its consistently high customer satisfaction rating and its awards for innovative use of information technology in serving the public.

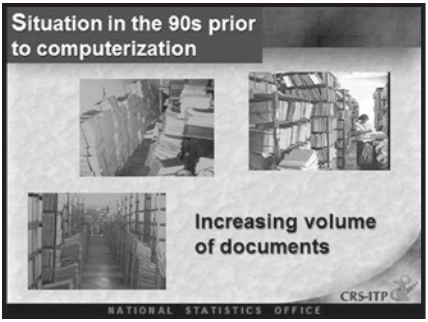
The current accolades for the NSO are a far cry from the scorn heaped upon it by an irate public back in the 1990s however, when applying for civil registry documents was the bane of hapless Filipinos who had to endure seemingly endless queues and long processing times—often only to find out that they had no birth or marriage certificates registered with the agency (Fig. 7.1). It took one man's vision and leadership to galvanize and mobilize a group of talented employees into making the transformation that eventually turned the NSO into a premier national government agency, and a world-class provider of reliable census and statistical information.

The Census *Serbilis* Center was the product of the ambitious Civil Registry System-Information Technology Project (CRS-ITP), which entailed digitization of over 120 million civil registration records, and the establishment of an operating structure that would "make available any civil registry document anytime, anywhere." The term *Serbilis,* a concoction of the Filipino words *serbisyo* (service) and *bilis* (fast), was a metaphor for the more efficient and reliable statistical and civil registration service that the NSO wished to deliver. Conceived by no less than Mr. Tomas P. Africa, this "dream project" was realized after lengthy negotiations between the NSO and a private provider. But Mr. Africa decided to retire from the NSO on the eve of project implementation, leaving the daunting task of overseeing to fruition the multiphase CRS-ITP to his successor Carmelita N. Ericta and the CRS-ITP Team.

The "intermediate leaders" of the NSO proved up to the task. The innovative capacity of the organization continued to be unleashed through the creative routines (e.g., field awards, middle-up-down planning, knowledge sharing) initiated and later embedded in the system. We can see in this case that a culture of excellence, sharing, and innovation had permeated the NSO, making it a fractal, or more adaptive and dynamic public sector organization.



We did everything. We were serving people from 7 a.m. up to the last person served, but sometimes it lasted until midnight, and the employees had to come to office at 7 am. the next day. And the trauma of having people camp outside was inexplicable. People heated water and bought coffee from 7-11 while they waited outside for the office to open at 7 am. I saw it, and it made me realize that we were so behind. – Tomas P. Africa, 2014



Most of my staff were women. They couldn't wear pants then, and they clambered up the steel cabinets to get files. I really pitied them. – Tomas P. Africa, 2014

Document verifiers suffered the discomfort of a dusty, warm, crowded and poorly ventilated working environment. – Civil Service Commission, 1998

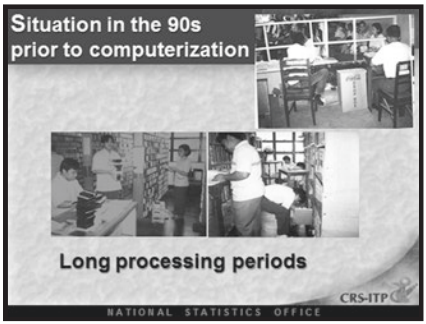


Fig. 7.1 The Situation in the 1990s. *Source* Philippine Statistics Authority, with permission

The Civil Registration System in the Philippines

As the primary statistical arm of the Philippine government, the National Statistics Office was established to collect, compile, classify, produce, publish and disseminate general-purpose statistics, and administer the provisions of the Civil Registry Law and other issuances.

Headed by an administrator (with the rank of deputy minister) who also served as ex-officio civil registrar general, the NSO has five departments: Civil Registration, Household Statistics, Industry and Trade Statistics, Information Resources and General Administration (Fig. 7.2). At the time of establishment, the NSO had about 3,018 personnel spread over its central, regional, provincial, and municipal census offices nationwide. By 2012, the total number of personnel was 2,439, though the number of customers and transactions had increased exponentially over the years. The NSO Central Office is located in Sta. Mesa, Manila, along

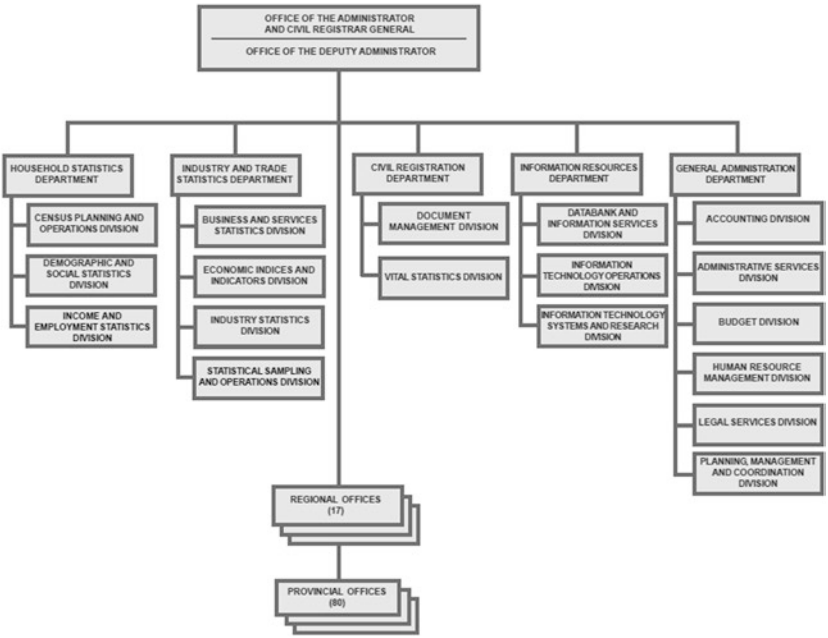


Fig. 7.2 The NSO Organizational Structure. *Source* Philippine Statistics Authority, with permission

Ramon Magsaysay Boulevard *en route* to the Malacañan Palace—the official residence of the Philippine president.

The civil registry system was decentralized, with local civil registrars (LCRs) in cities and municipalities responsible for recording birth, death, marriage, and other vital information.[1] Appointed by mayors, the LCRs worked under the direction and supervision of the Office of the Civil Registrar General. Besides transmitting to the latter duplicate copies of registered documents, LCRs collaborated with the NSO's census officers in conducting an educational campaign for vital registration, and assisted in the preparation of demographic and other statistics for the city or municipality.[2] The NSO, on the other hand, distilled civil registry information into vital statistics that were used in government planning, and microfilmed and manually archived the documents.[3] But the decentralized system was disjointed, with no relationship between the LCR and the NSO field office outside of specific activities.

Crisis in Civil Registration

In the late 1980s, due to the proliferation of fake identity papers, embassies began requiring that copies of civil registry documents submitted by visa applicants (especially overseas contract workers) be certified by the national government. This created a surge in requests for NSO-verified documents. Unfortunately, the agency's manual system of document storage and retrieval hampered its ability to meet demand within a reasonable amount of processing time. As a result, visibly long lines of applicants became a daily occurrence at the NSO central office, such that the queues caused "concern and alarm from the ordinary public, the media and even from Malacañan." NSO officials were summoned twice by the Office of the President to explain, but no help was offered to mitigate the situation (Civil Service Commission 1998).

This was the situation that confronted Tomas P. Africa[4], who was appointed the 12th administrator of the NSO by President Corazon C. Aquino on January 19, 1989. He recalled:

> It was embarrassing to find people passing by our building and asking, *"Ano yung pila na yan?"* (What are they lining up for?). The lines were blocking the way, so first, we snaked it around the building until people were unable to even see the building anymore. We still needed to fix the system. We had an archiving system with 1,000 documents in one file. If someone rioted, *siguradong may madidisgrasya* (people would surely get hurt).[5]

Even with an estimated 10% of births and 25% of deaths unregistered, the NSO was keeping at least 80 million documents in its archives. Besides having only limited space to accommodate the transacting public, there were not enough employees to serve people. Document verifiers suffered the discomfort of a dusty, warm, crowded, and poorly ventilated working environment (Civil Service Commission 1998). The whole experience was upsetting for NSO employees. Mr. Africa was as disappointed as his staff:

> My people are very simple people. We did not get [graduates from the top universities] since they were never meant [for the kind of work we did, anyway]. But when I came in, the training program was really good. The NSO technical staff were all trained in calculus and linear algebra[6], but their work was something even high school graduates could do. They were crying because they could not understand why there was a 6-month course on advanced mathematics when this was all they did—editing questionnaires, and everything was being done manually when you can already read about existing electronic editing and analyzing abroad…. The employees wanted change because they were embarrassed. Neighbors would come up to them to find an easier way to get a copy of their documents, but even if there was an easier way, retrieval and storage was terrible.[7]

By the early 1990s, innovations in information and communication technology were spreading even to emerging economies like the Philippines, but the government did not have the material resources to make use of these technological advances. At the NSO, although there were technical staff who had adequate training, there were more who had not touched anything but a manual typewriter and were afraid to use a personal computer. When Mr. Africa took office in 1989, the agency was preparing to conduct the 1990 census. Besides employing around 40,000–50,000 enumerators for the task, the NSO obtained assistance from the United States Agency for International Development to computerize the census data processing. Mr. Africa recalled:

> It was my first challenge. At that point, we were one of the first medium-size countries to run a census with microcomputers. But after that, since my people were already nearing retirement age they didn't want to use the computers, being afraid they might break these and be unable to retire. Then the fax machine—they removed the plug at night thinking it might burn.[8]

Building the agency's capacity to adapt to technological changes and create the digital infrastructure to efficiently service NSO customers required enormous resources. But Mr. Africa could not bring himself to request increased budgetary support from the government, mainly because he thought they did not deserve it after doing such a bad job. He lamented:

> For example, almost 40% of requests for authenticated documents would come out negative. "*Yung pipila ka, magpupuyat ka, magtitiis ka doon ng pawis at di mo pa rin makukuha yung record mo*" (After falling in line and enduring the heat and the crowd, you come up empty-handed because it turns out that NSO had no record of your document). The problem was due to the NSO's lack of a master archive, and the agency only kept indexes of individual records.[9]

Besides, in those days when there was a huge budget deficit, asking the government for money was difficult. As later affirmed by his successor Ms. Ericta, the annual budget hearing was like a "self-flagellation process."[10] Potential political interference, in exchange for funding, was also something Mr. Africa avoided. Thus, whatever consolation or affirmation the NSO got during this period came from grateful applicants who "were willing to wait when they saw that the system was working," and from the consuls general of various embassies who paid courtesy calls to Administrator Africa, and expressed hope for continuous cooperation with the NSO in securing the integrity of documents.[11]

The problems besetting the NSO would have discouraged anyone in Mr. Africa's shoes. It would have been easy to fall back on the usual excuse for not doing much: "We did not have the money." But the call for change could not be ignored, and Mr. Africa did what he said he would do during his interview—"go for change in culture."

Journey to Transformation: Building a Knowledge-Creating Organization

Creating Ba, Sharing Context

Mr. Africa was an atypical leader who managed by *wido*, the Filipino translation of the Spanish word *oido* (hearing), which was akin to doing something based on what one heard, experienced, or sensed from an inner voice, like intuition. Some referred to it as innate wisdom. For instance, his sense that modernization through information technology, despite all the constraints, would be the key to fixing myriad problems—long lines, fraud, accessibility, and so on—proved right. He employed the same *wido* style to arrive at a win-win solution in negotiating for the government with a private sector partner for the first time. He used his *wido* wisdom to rally support for his reforms.

Being a newcomer, he had to get a feel for the place and the flow in the office. He created *ba* to stimulate interaction and foster solidarity. Being a shock absorber of harsh criticism and admonitions, the staff shared his feeling of embarrassment, sense of crisis and frustration over not being able to do much, and thus responded to his call for action, with the rank and file motivated to offer solutions.

Among the first things he did was to "go to the battlefield," for example, he visited many regional offices to personally see the situation and work environment and listen to the sentiments of his personnel. That was how he discovered the "dynamics of the bureaucracy," for example, whether the rank and file were unable to talk if they were sitting beside their bosses. But Mr. Africa thought he ought to break the barriers because with a small budget, he could rely only on his people to work to the best of their abilities to alleviate the situation. To get "into the flow of the office," he loosened the hierarchy by opening communication lines and channels, including e-mail and e-groups at a time when these were not yet in fashion, and introducing pep talks with the rank and file. For 1 hour, he would talk to their representatives about office and personal matters and the current situation.

The rank and file were excited by the opportunity to directly raise all concerns with the administrator and, in turn, asked, "Ano ba ang diskarte mo?" (What would be your strategy?). They could not do much, but could make suggestions to improve their surroundings, such as fixing a broken window that let in rain, thereby damaging documents, and bringing in plants to enliven the office.[12] Understanding this situation, the office staff volunteered to work longer hours to accommodate more applicants, and managed to be patient even though they were tired and being shouted at by angry applicants.

Mr. Africa unsettled the comfort zones of managers. Realizing that the employees union was brought together because the workers were having a hard time with promotion and had no one to turn to, he signed a memorandum of agreement with the union during his first year in office, to the shock of the senior staff. The MOA augured well for the fostering of cooperation and winning the support of employees.

In field offices, he observed a severe lack of facilities and noted that the quality of work of field personnel was not being studied, showing that staff could probably have done more besides collecting documents if work standards had been clear and performance had been measured. To strengthen their effectiveness, Mr. Africa purchased vehicles and microcomputers and had them deployed in the field offices. With these improvements, the offices were able to produce and release statistical tables for local consumption. But he thought they could do much more.

Due to his keen interest in sports, the management model Mr. Africa knew best was that of running a team, in which teamwork and competition were essential. To stimulate healthy competition and motivate the field offices, he launched a grading and ranking system based on performance criteria and called it "field awards." The prize was very modest—about PHP15,000—but the innovation was instantly popular and proved to be a game changer: To get ahead of others, everyone did what they could to earn points. The NSO played up the awards, and they eventually became an annual fellowship *ba* and cultural event that people anticipated with pride and excitement. According to the middle managers at the Central Office, Mr. Africa targeted the field offices to motivate them:

> The first round of field awards was held in Laguna. He saw the response of how people were applauded and how it seemed like an awards night. He created a team to formulate the criteria, which were documented and refined over the years.[13]

Many regional innovations sprouted because of the field awards.[14] But this was just one side of the coin. Local government units, particularly the local civil registrars, were important partners in moving along the change process being implemented by the NSO. However, given the absence of formal links between the agency and the LCRs, the NSO had to create a channel for cooperation and coordination. Mr. Africa placed such responsibility on the field offices, which organized the LCRs and became the link to the civil registrar general. From 1991, the LCRs held annual national conventions to network and share knowledge. Among others, this *ba* gave birth to the idea of the population reference number for easy retrieval of records. Inspired by the annual conventions of LCRs, the solemnizing officers (individuals authorized to solemnize marriages) also organized themselves, and held annual conventions to share with each other their knowledge and experiences.

True to Mr. Africa's intuition, people would churn out ideas once they were inspired. But an inner voice was telling him that they could achieve more. He said:

> I really wanted to test NSO because you can knock at anyone's door and ask them difficult questions, and you will be accommodated. That kind of work is special. We could go into territories that have never been explored.... You'd think [the Olympics] motto would be "higher, faster, stronger," but no. Their motto is "celebrating humanity," or appreciating the humanity of a person if you test him to his limits. It is not a soft kind of humanity like kindness and sympathy, and that is why I really like it.

Even without a scientific management model in mind, Mr. Africa knew that giving pep talks and instituting remedial measures would not suffice to turn around the agency and make his dream come to fruition. The NSO needed a road map to reach the desired destination. To Mr. Africa, the NSO needed a strategic plan to unify purpose, focus on productivity, clarify its mission, orient attention to users, build networks, and upgrade its hierarchy, and the elements of this plan should be:

- Unity of purpose. The NSO was an office of census teams, survey teams, computer processing teams, support staff and field offices that operated independently, not an integrated, connected organization;
- Focus on productivity. It was an office that complained about lack of manpower, money, and machines, not an organization that optimized the use of available resources;
- Clarity of mission. It was an office that conducted censuses and surveys and processed administrative records, not an organization that provided information based on official statistics;
- Attention to user orientation. It was an office that viewed samples as n's and not as providers of quality information or satisfied users of information or promoters of NSO activities;
- Building of networks. It was an office complacent to its functions as a standalone unit and not as an organization to build bridges with the global and local agents of development; and
- Upgrading of hierarchy. It was an office with an outdated and lowly classified structure, and not a sub-department (sub-ministry)-level organization.[15]

Setting the Direction

Mr. Africa knew how powerful a vision was and how a clear statement of the mission could rally his people toward a common goal. He could never forget the question that was posed by his daughter when he accepted his post at NSO:

> The night I was sworn into office, my eldest child Michelle asked me what I was really doing. I told her, "We give information to the president as supplemental information to their projects." I don't think she understood…that we conduct censuses and surveys. If you asked anyone in government "What are you doing?" they would answer by their mandates and charters. That is why the vision/mission is important to me.

Mr. Africa tapped Ms. Carmencita Abella,[16] a well-known strategic planning and change management expert, to facilitate their first strategic planning exercise. He engaged the active participation and contribution of various units, particularly those in middle management. In this exercise, the NSO used metaphors to capture the desired state. A small group of highly trained managers was tapped to visualize the NSO's future. During the discussion with middle managers, one staff person recalled how they were told to "just dream" and imagine the NSO 5 years hence.

The first expression of the NSO was simple: "fertile soil with a bud sprouting from it." Likening the NSO to an empty and idle yet fertile field, it stressed the need for everyone to work hard and bring out the potential for greatness that lay within the organization. The "fertile soil" represented the foundation, and the bud that was sprouting symbolized the beginning of the NSO's pursuit of excellence. Three years later, when they resumed the exercise, the field employees were compared to "buds that sprouted into trees with birds and shade." While in the Central Office, the staff was imagining an "intelligent building of IT."

The output of the strategic planning was the first *Five-Year Development Plan (1991–1996)*, which defined the NSO's mission as providing "timely, accurate and reliable information…and [establishing and preserving] the basis for the legal status of Filipinos." Participants also enunciated an elaborate vision statement, capturing their imagination of how "collecting data can make a difference."[17] The NSO put a new face to its logo to represent its newfound essence.

The middle managers—most of whom were graduates in economics, statistics, and engineering—eagerly translated the vision/mission into targets and commitments.[18] Monina Collado[19] recalled the first FYDP eyeing incremental changes and improving intergovernmental relations:

> The thrust…was mainly to continue its current activities [strengthening statistical capabilities of field offices] but there also was an inclination towards the use of computers in the operations [machine processing of census data] of the agency. The plan pushed for better relationships with the national and local governments, and focused on data dissemination as a major part of the agency's activities (Collado 2006).

Mr. Africa saw the excitement of his middle managers. Offices, especially Information Technology, reached their targets in the first 2 years, and several product innovations and new systems were proposed by various offices, as will be discussed in a subsequent section. The FYDP became the basis for the series of annual planning workshops held in regional offices, enabling employees not only to get to know one another, but also to become sensitized to local conditions.[20] By 1995, most of the objectives and goals of the first FYDP had been met.

The second *Five-Year Development Plan (1997–2001)* aimed for "a civil registration system that establishes with integrity, the identity of the Filipino; secures his place and his abode in the global village; and roots him to the motherland." Reiterating its commitment to providing "prompt, reliable and efficient services," the NSO pledged to strive for "higher productivity—inspiring creativity and innovativeness" and "excellence in its products and services." Its thrust was greater decentralization of functions to field offices to effect statistical improvements and civil registration services that were unique in each region (Civil Service Commission 1998). The second FYDP was also more ambitious, i.e., aiming to achieve 99% registration of acts and events affecting the civil status of persons. It introduced a new focus—the customers—and emphasized interconnectivity (Collado 2006).

The third *Five-Year Development Plan* (2002–2006) was rolled out in 2001, under Administrator Ericta. This time, the planning process had been institutionalized and featured a middle-up-down process. The NSO refined the vision statement, highlighting the aspiration to be "a recognized world-class provider of statistical and civil registration products and services," and maintained the mission statement and the core values. The thrusts centered on customer satisfaction management, strengthening capabilities in survey and census operations, research (a new agenda item), and capabilities of field offices (NSO 2002).

A Middle-Up-Down Planning Process

The NSO routinized the highly participative FYDP process that had emanated from the middle. As had been practiced, the preparation of the successor plan started with assessment of accomplishments. The Central Office Planning Workshop served as the prelude to the National Planning Workshop. FYDP teams, chaired by division chiefs, were formed to review the various KRAs (key results areas) and formulate the strategies for the next FYDP. Based on a situational analysis, the Management Committee would review the vision, mission, and values. A management review committee (MRC) was also set up to review the strategic planning activity and the output for each KRA. After a series of meetings were reviewed by both the FYDP teams and the MRC, the plans were finalized with performance indicators for each goal identified and timeframe set. The plans and programs were cascaded to the field through the regional planning workshops, culminating in the National Planning Workshop, where all senior officials gather. A monitoring plan and cascading plan were formulated, and featured a two-phase mid-plan evaluation to assess accomplishments and revise strategies or activities as necessary (NSO 2002; Collado 2006).

Innovating Solutions

The FYDP provided the platform for the NSO staff to formulate innovative technological solutions. Among the pioneering efforts in civil registration[21] were:

1. *Civil Registry Information System (CRIS)*. CRIS was a computerized civil registry document storage and retrieval system given for free to civil registrars to speed up their transactions with the public;
2. *Online Query System*. This system allowed access to information regarding marriage and facilitated the retrieval of said documents (A similar system was developed in 1995 for birth documents);
3. *Electronic referencing*. The Population Reference Number (PRN) was devised as a convenient number for the purpose of electronic safekeeping and retrieval. The PRN became an important number in the conception of a national identification system;
4. *Mobile registration*. Mobile registration was introduced to bring the service closer to the people and conduct registration on the

spot (Other government agencies followed suit in providing mobile services); and

5. *Out-of-town reporting*. The system enabled registration of events at any branch of local civil registry offices or the NSO, eliminating the need for the applicant to go back to where the event took place (Civil Service Commission 1998).

Such efforts at self-improvement did not go unnoticed. In 1994, the Senate Committee on Civil Service cited the NSO as one of the 33 centers of excellence in government service. The CRIS received a citation during the 1994 National Search for Product Excellence in Information Technology by the Philippine Council for Advanced Science and Technology Research and Development, the Department of Science and Technology, and the IT Foundation of the Philippines. On their first attempt to vie for the Philippine Quality Award[22] in 1997, the NSO received a commendation. In 1998, it obtained the PQA Level 1 for Commitment to Quality. The Ateneo School of Government and the Ateneo Center for Social Policy and Public Affairs cited the NSO in 1999 as "Cinderella in their collection of human resource management case studies, for being able to transform itself into an organization that works enthusiastically and efficiently, given comparatively low budget and working conditions that are admittedly bad even by government standards (NSO 1999)." The public and media were equally generous in praise for the NSO.

This early success was attributed to a new organizational culture settling in: a *culture of excellence* or that conscious thought of each employee to give the best effort in every endeavor; a *culture of sharing* or reaching out, disseminating information, learning the needs of stakeholders, and laboring to respond to them; and a *culture of innovation* in which creativity and individual initiatives were encouraged (NSO 1994). Behind the accomplishments lay painstaking work. Many of the innovations introduced within the first 5 years of Mr. Africa's term emerged out of the organizational processes that he introduced; processes that forged a "shared context" and perspective on the challenges that the NSO faced and possible solutions, and engendered a strong sense of community not only in the central office, but in the field offices and between the central and regional offices as well. Mr. Africa was pleased with the continuous improvements (since he was taught not to aim for perfection, only excellence) but he thought the NSO was not "there" yet.

The Civil Registry System-Information Technology Project: The Long-Term Solution

Mr. Africa's knowledge of drawing in strategies and capital information from statistical figures grounded him in the value of collecting and analyzing data. Aware of the boundless possibilities technological advancement could bring, it was his goal to bring this to the NSO:

> I related it to democracy. The citizen should be given a menu of services or options to one's services. You can get it through telephone, online, municipal provinces, mall kiosks and the centers, but it never ends. That's the thing about pursuit of excellence, it does not stop.[23]

The vehicle would be the Civil Registry System-Information Technology Project, the long-term plan that embodied the NSO's commitment to safeguarding precious documents and providing world-class service with the public's convenience and comfort utmost in mind. The civil registry documents would be captured and stored in digital media using the latest technology. The CRS-ITP would make available any civil registry document within 30 minutes in Metro Manila and within 4 hour in other provinces.

The CRS-ITP was conceptualized as a build-operate-transfer (BOT) project.[24] But because the law had been enacted only recently, there was no existing project that could serve as a model. Putting together the project components was a small group of directors and managers—the NSO "Dream Team"—who flourished under Mr. Africa's leadership, and did the hard work to turn the CRS-ITP into a reality. It did help that other agencies such as the National Computer Center[25] and the NEDA helped with the project.[26]

The invitation to bid for the project was made in 1996, but was put on hold because of a legal controversy. Bidding was reopened in January 1999. Despite careful preparation, the unexpected happened. From 14 applicants, the number of bids went down until only one bidder was left. The NSO team, which had no prior experience in dealing with the private sector, had to negotiate with the lone bidder (Unisys). Cognizant of the enormous responsibilities entrusted to them, the team thought it wise to craft the guiding principles they would uphold during the negotiation. The initial meeting was adversarial but Unisys was disarmed when Mr. Africa and his team laid down their four guiding principles:

1. *Improve service to the public*. The very reason for CRS-ITP was to improve service to the public but they ought to strive to make the service as affordable as possible;
2. *Maintain the financial advantage of the government*. While they found a partner in the private sector, this did not free them of the responsibility to the national government;
3. *Provide Unisys reasonable return on its investment*. While they had the public's benefit utmost in mind, they recognized that the private partner ought to have a reasonable return on its investment; and
4. *NSO's human capital is precious*. As tangible proof that they cared about the welfare and well-being of personnel, NSO would retool and prepare them for the changes that lay ahead.[27]

In the end, it was a win-win situation. The contract for the 12-year multiphase project worth USD65 million (about PHP2.1 to PHP2.3 billion) was finally signed in 2000. The private provider Unisys was responsible for supplying IT equipment, developing application systems, scanning and indexing documents, database maintenance, site preparation, system integration, and information campaigning. The NSO provided the frontline personnel during actual operations. One significant feature of the agreement was that there was no revenue guaranteed to Unisys. Private investment would be recovered through revenue-sharing (Abuan 2013).

The project's first 7 years were to focus on development, and the last 5 years on operations. The development stage proceeded in three phases. Phase 1 entailed the development of various application systems, conversion of the first batch of documents (about 55 million), and the establishment of the Central Facility and five Metro Manila outlets. The point of access was the Census *Serbilis* Center. Phase 2 sought to establish more *Serbilis* outlets in regional centers plus the conversion of a second batch of documents. Phase 3 brought the service much closer to the citizenry through the establishment of *Serbilis* outlets in the provincial offices (NSO 2001). The Census *Serbilis* represented a new brand for the NSO—accessible, efficient, and reliable statistical and civil registration service.

A Defining Moment

It was "all systems go" for automation. The CRS-ITP Team was in high spirits, but unknown to them, the man who had led them to this path was about to go off on his own journey. In May 2001, after serving the government for 29 years (12 years at the NSO), Administrator Africa thought it was time to retire.[28] The United Nations Statistical Institute for Asia and the Pacific (UNSIAP) based in Chiba, Japan, was looking for a new director. UNSIAP thought that Mr. Africa, with his long experience as civil registrar general and rich knowledge of establishing national statistical systems, would be the best person to lead the Institute's programs to build country data and statistical capability involving national statistical organizations in Asia and the Pacific.

For Mr. Africa, the prospect of retiring from government would mean that there would be no more media to bug him about citizen displeasure over inefficient public services (Africa, 2008), not to mention that if he took the UNSIAP offer, he could share what he did at the NSO with other national statistical organizations in the region. He could also probably earn enough on the side to pay off debts he incurred from "getting afflicted with government AIDS"[29] from serving the government for years. But more importantly, he felt that he had reached such a level of authority as NSO administrator that no one—neither his staff nor the president—questioned him anymore. In his view, this was no longer good:

> After 12 years, I was beginning to become such an authority that it wasn't healthy for them not to challenge me anymore. Because of my experience alone, they would listen, and I didn't think that was right…. Its not good to be in one place for a long time because people will not argue with you anymore. You are already too much of an expert…. The next step to that would be abuse.

What held him back was his dream project, the CRS-ITP. Having seen the development and success of his dream team, Mr. Africa had no doubt that they would rise to the challenge. After all, as he once told his staff, it was their "sweat and tears" that drenched the "hallowed ground" that was the NSO, that they all labored for the desired changes, and whatever successes the agency reaped were to everyone's credit.

Among the middle managers Mr. Africa placed high confidence in was Valentino "Val" Abuan, a computer techie who was then in charge of the IT Division.[30] Mr. Africa had only admiration:

> After studying computer data systems, I knew the capacities of technology and I am really proud of my IT group who just went on their own and showed me their products.

Piece by piece, he and the IT Division helped to introduce the automation of NSO core functions. As CRS-IT deputy project director, Mr. Abuan was responsible for the IT and other technical requirements of the CRS modernization project. He knew the project "by heart" since he was involved in all phases, from conceptualization and preparation of a feasibility study to overall project steering and management.

With such an able technical leader for CRS-ITP, all that Mr. Africa needed was to find the right successor who could steer the NSO through the new challenges that lay ahead. That turned out to be Deputy Administrator Carmelita N. Ericta[31], a fellow statistician whom Mr. Africa had known since their high school days. Although very much a recent addition to the NSO—having rejoined only in 2000 as deputy director—she was no stranger to the agency, after spending more than a decade at the earlier National Statistical Coordinating Board. In Mr. Africa's eyes, Ms. Ericta was the perfect successor. He said that when he wrote to President Arroyo to seek approval for early retirement, he also nominated Ms. Ericta to succeed him, and the president readily approved her appointment. With Administrator Ericta at the helm, the NSO benefited from a similarly progressive mindset for nearly 25 years.

The NSO middle managers were not surprised when Administrator Africa announced his retirement. After all, toward the latter part of his term, he was often away from the office and left day-to-day management to Ms. Ericta as officer-in-charge. Although saddened by Mr. Africa's departure, the middle managers thought that the transition went smoothly, and that there was no danger of disruption in ongoing projects due to the agency's faithful implementation of the Five-Year Development Plan.[32] As she was sworn into office, Ms. Ericta assured the staff:

> With all the accomplishments and innovations set through the years by my predecessor…NSO has truly evolved as a quality public office…we will work diligently…aimed at building a more *quality-dependable NSO*.

By the time the NSO was scanning close to 100 million documents, Mr. Africa had already joined UNSIAP. His successor oversaw the implementation of CRS modernization with the CRS-ITP team.

Filling Mr. Africa's shoes would be a daunting task for his successor. After all, Mr. Africa's transformation of the NSO was widely known; the public knew he was the "innovator"—the father (Orcilla 2013) of the modern and improved civil registration system of the Philippines—and was wary that reforms at the NSO could end without him, as was the usual case in the public sector when there were leadership changes. But the worried public was proven wrong. Ms. Ericta brought with her a different management style but the same level of commitment to making the NSO "a world-class organization." Like Mr. Africa, she made optimal use of the NSO's pool of reliable, talented middle managers in sustaining earlier innovations and creating new products. She won their trust with her "motherly" ways and sincere efforts to talk to staff, remembering everyone's name (even those in the field). At the same time, she pushed them to take on greater responsibilities. NSO middle managers[33] distinguished their styles this way:

> Mr. Africa talked to the agency and did the penetrating, but Ms. Ericta wanted us—the technical level—to penetrate the agency, then she will [come into] clinch the partnership/agreement. It was more difficult for us at the technical level, since we had to rely on our own linkages.

Implementing the CRS-ITP required the collaboration of two divisions within the NSO, the Civil Registry Division (CRD) for implementation, and the Information Resources Division (IRD—the IT group) for technical expertise. Although the IRD played a highly prominent role in project conceptualization and development, it was clear to its members that the CRD, as the process owner, was the main proponent. Mr. Abuan maintained that:

> We build the tools as IRD but CRD is the user, they own the tool, thus they should own the project. We assist them in defining the tools they need.[34]

The seamless cross-functional collaboration facilitated acceptance of the new system, aided by efforts to prepare the employees at the project's onset. People wanted change because they were embarrassed by the existing system and the constant criticism from media. Ms. Edith Orcilla of the CRD recalled how keen they were to succeed:

> In CRD, our only worry was about possible problems that may be caused by the transition from manual entry to computerization, but we had Unisys train us with culture enablement training (such as introduction and familiarization with computers). The process was good.[35]

Initial Results

By the end of 2001, the first phase of CRS-ITP was completed. All the major systems required for the outlet operations had been developed, tested, and implemented. The scanning and indexing of birth documents for loading into the database ran full-blast. Sites for the civil registry outlets called Census *Serbilis* Centers were equipped with the computer hardware and other equipment necessary to operate the outlet. The first outlet to be completed was the Central Facility at NSO East Avenue, or the Transition Outlet. Four other Census *Serbilis* Centers were opened in Metro Manila, which aimed at decongesting the main outlet and bringing NSO services closer to the people (NSO 2001).

By 2002, the NSO was able to roll out all of its Regional *Serbilis* Centers. The nearly completed conversion of all birth documents into digital format, combined with the outlets and the facility for online application, allowed the NSO to operate on the envisioned "request anywhere while you wait" system. It significantly increased the number of clients served per day and cut the processing time. Administrator Ericta listed these milestones in a midyear report aptly titled "The Long Wait is over":

- After 10 months of implementation of CRS-ITP, one out of every two clients gets their document within the same day or the next day. With a daily average of about 12,000 requesters that NSO has serviced for the past 6 months, this translates to 6,000 satisfied government clients per day. This means further that half of the 1,443,964 applications that NSO served for the first 6 months of this year were pleased with the government's frontline service;
- Queuing time, or the time that clients had to wait in line to request…their documents was also reduced. The results of the June 2002 Customer Satisfaction Survey (CSS) round revealed that more than half (52%) of the clients waited for only 1 hour before they were served at the service counters while only 12% of them had to stay in line for 3 hour or more. The reverse was true in the March 2002 round of the CSS, where 46% had to wait for 3 hour or more and only 15% queued for 1 hour;
- As of June 2002, 46.5 million out of 76.5 million birth records from 1945 to 2000 have been loaded in the computerized database. Those in priority years 1970–1980 have all been converted

into digital format. For those births occurring in 1960–1969 and 1981–1986, conversion rate ranged from 87 to 100%. With these birth records in the database, copies can be released within a day or the next day, once requested. Processing time for unconverted documents has likewise been reduced to 6 working days;

- The NSO has also succeeded in bringing its services closer to the citizenry. Aside from the six (6) Census Serbilis Centers (CenSCs) opened in Metro Manila, NSO has also opened eight (8) regional CenSCs. The same services provided in Manila are now available at these outlets, which mean that the public need not spend so much time and money in coming to Manila to apply for copies of their documents. They can be served in their respective regions regardless of where their vital events have been registered;
- Online applications have also gained increasing patronage with an average of 800 website (e-Census.com.ph) visitors per day in the past 3 months. Application through the telephone (NSO Helpline Plus-737-1111) has continued with an average of 1,300 daily applications. These facilities provide the public with the option of requesting…their documents without leaving the comforts of their homes or offices, through the telephone and the Internet. Requested documents are delivered to the clients by courier service. On average, 11% of the total requests for June were through these facilities.

These improvements in the delivery of NSO services are reflected in client satisfaction level, as shown in the results of the June CSS where more than half (56%) of NSO's clients were either satisfied or very satisfied with the way NSO did its job. In December 2002, within its first year of implementation, the "e-Census" won the First Philippine E-Government Award. (Philippine Star 2002). For the NSO staff, the turnaround with the accolades was more than a dream came true. From outside, Mr. Africa was also gratified by the outcome of the reforms:

> One of my indicators was having any regional NSO vehicles to have written on (them) "census," so that wherever they pass by, the census is there. [Once] when we got lost in San Fernando, Pampanga, we stopped and asked a local where the NSO office was. He said, *"Ah, birth certificate? Punta po kayo doon.* (Please go there.)" It [NSO] was word of mouth; it was an impact indicator. *Nilalasap ko na lang young ganda nung kinalabasan* (I just savor the beauty of the outcomes).

To date, there are about 40 online *Serbilis* outlets: 6 in Metro Manila, 12 in regional centers, and 20 in provincial areas. The NSO's customer satisfaction in Metro Manila steadily improved, from the 19% satisfaction rating it obtained prior to computerization up to 70–80%.

Lessons to Be Learned: Distributed Leadership-Developing Phronesis in Others

As an 'outsider' who was appointed NSO Administrator, Mr. Africa reiterated that all he wanted was "to bring in the technology" to the organization. Faced with the challenges of achieving efficiency, integrity, and balanced supply and demand for civil registration documents, he banked on the NSO's assets—its personnel. He believed in multiple intelligences that not everyone should be good at math or science, as some had singing, athletic, or even interpersonal skills, and was convinced that the organization should know how to use them. He urged the staff to solve problems by relying on available resources. To his delight, the personnel responded and came out with innovative products and solutions. In the end, Mr. Africa succeeded in instilling ownership and solidarity:

> *Naplantsa ko* young ownership (I was able to impress ownership.)…. We had a cheer that went like this: When I shout "NSO", they shout "world-class." At first they did not believe, but in the end they were shouting it as well.

Ms. Ericta continued to involve the middle managers in the drive for continuous improvement. It was a conscious endeavor on her part to reach out:

> Of course it takes a lot of effort, especially for middle managers. I make effort to get to know them. What makes them work? I analyze why they don't like certain ideas… I discuss this with them and try to find out what's in their minds. I try to find something in common with them… Usually it works.[36]

She recognized the importance of having a "critical mass of like-minded individuals" in sustaining an organization. In the NSO's case, cultivating this critical mass was done through regular communication, various meetings, and continuing the traditional "Administrator's Hour." She said:

> We would always talk about our principles. Even in dealing with other agencies, we would talk about the basic principles that we believe in. We even put them in the contracts. Also, there is constant training for personnel development.

In 2012, when the National Career Executive Service Development Program was revived (now called the Public Management Development Program, or PMDP), Administrator Ericta readily sent her middle managers and senior executives to the program, despite their heavy work demands:

> My hope for the government and for our country was resurrected when the Career Executive Service Development Program was revived and gave birth to PMDP. And I translated this hope into an investment. Without any doubt, I invested in PMDP by allowing my officers to leave their posts to retool themselves, because of the program's promise to bolster the present corps of public managers and strengthen our current defense line.

The PMDP required scholars to conceive citizen centric, innovative, responsive, and collaborative reentry projects. Despite the heavy responsibility, Ms. Ericta personally mentored the NSO scholars because she wanted them to see emerging problems, experiment and invent new solutions. The scholars not only created innovations but proved more than capable of assuming leadership roles and holding the NSO's defense line.

Notes

1. Section 1 of the Civil Registry Law.
2. Batas Pambansa No. 337.
3. In the same year for instance, the number of civil registrar documents microfilmed was 31,817,334 (NSO 1989).
4. Tomas P. Africa was a student leader and activist and a veteran public servant. He obtained his degree in statistics from the University of the Philippines. Lured by government service, he joined the National Economic Development Authority in 1973 and was soon designated assistant director of the Statistical Programs and Standards Staff. After taking economics and earning Ph.D. credits at Wayne State University in Detroit, Michigan, he returned to the Philippines. From NEDA, he moved to the National Statistical Coordination Board to serve as

director of the Statistical Programs and Resource Management Office, where he oversaw the preparation of the blueprint of the Philippine Statistical System. He served concurrently as president of the Philippine Statistical Association. Mr. Africa became NSO administrator and civil registrar-general at the age of 39. Among the distinctions he received were: Achievement Award for Public Administration (1992), CSC Pag-asa Award (1992), CSC Employee-Friendly Employer Award (1998), National Award for Exemplary Public Service (2001), and the Ateneo Government Service Award (2001).

5. Interview with T.P. Africa in (2014).
6. Administrator Africa and his successor Carmencita N. Ericta attributed the rigorous training in mathematics and statistics to their mentor Dr. Tito A. Mijares, who had served as executive director of the National Census and Statistics Office (the NSO's predecessor) and, before that, as deputy director general of the National Economic and Development Authority Statistical Coordination Office. Dr. Mijares later served as project director of the Statistical Institute for Asia and the Pacific (SIAP) in Chiba, Japan.
7. Interview with T.P. Africa (2014).
8. Interview with T.P. Africa (2014).
9. Interview with T.P. Africa (2014).
10. Interview with T.P. Africa (2014).
11. In one instance, Senator Juan Ponce-Enrile came unannounced to the NSO to observe the queues. Even if the place looked like a *bodega* (warehouse), he saw the people in the lines knowing they would be served. Senator Enrile said nothing after that visit (Interview with T.P. Africa 2014).
12. This practice was later dubbed "An hour with the administrator," and continues to this day.
13. FGD with NSO middle managers (2014).
14. For instance, the Population Register Information System developed by NCR V to update the demographic profile of barangays; an idea bank of Region 8 for suggestions to improve office systems and procedures; Region 11 NSO Survey of Authentication Clients to gather profile clients and get feedback about the service delivery and the attitude of the personnel; a breakthrough attempt of NSO ARMM to reach out to the Moro Islamic Liberation Front for the Muslim Birth Registration.
15. Interview with T.P. Africa (2004).
16. Mr. Africa considered Carmencita "Carn" Abella, president of the Development Academy of the Philippines (DAP), and Sofronio "Nonong" Llorin, DAP vice-president, his mentors. Accordingly, the DAP was first in line to see the NSO's potential and was right beside the NSO throughout its changes, especially during the "arc of reform."

17. While at NEDA, Mr. Africa learned how statistics were used in planning. After hearing a story about how Japan established a shipbuilding industry because it would engage every sector, he gathered that if one had that kind of mindset, i.e., if one believes that collecting data can make a difference, he/she can do a lot. This was exactly what he wanted to do (interview with T.P. Africa 2014).
18. The performance areas focused on statistical operations, civil registration, research and studies, and information dissemination. The capability areas covered support services such as administrative, fiscal and management, human resource development, computerization and physical facilities, which are needed to carry out performance components (Collado 2006).
19. Paula Monina G. Collado is the interim deputy national statistician for the Philippine Statistics Authority.
20. This practice of each regional office hosting the annual planning workshop continues to this day (FGD with NSO Middle Managers 2014).
21. The NSO also had numerous breakthroughs in its statistical functions which were no longer cited in the case.
22. Patterned after the Malcolm Baldrige Award, the Philippine Quality Award is the highest recognition given to performance excellence in the public sector.
23. Interview with T.P. Africa (2014).
24. In 1990, the Philippine Congress passed the Philippine BOT Law (Republic Act No. 6957), which allowed private participation in financing government infrastructure projects including non-traditional areas such as information technology. Republic Act No. 6957 was amended in 1994 by Republic Act No. 7718, which authorizes the use of nine specific variants of BOT (PPP Center of the Philippines 2011).
25. Accordingly, Timoteo Diaz de Rivera (who later became commissioner of the National Computer Center) was selling the imaging technology of Unisys and brought the NSO to the Social Security System to show its use in document management, something that can be applied to the civil registration system. Sally Cabrera developed the concept and invited General Fermin Javier, then head of the National Computer Center, to develop the investment plan (interview with T.P. Africa 2014).
26. The National Economic Development Authority did the civil stepping and studied the project's rate of return prior to negotiation.
27. FGD with NSO middle managers (2014).
28. Mr. Africa's government service spanned the administrations of President Corazon Aquino, President Fidel Ramos, President Joseph Estrada and up to President Gloria Arroyo's first year in office.
29. For Mr. Africa, government AIDS meant "acquired income deficiency syndrome" when one was working in the government, since the pay was very low.

30. Val Abuan has devoted his career to the NSO. After college, with a degree in electronics and communications engineering, he joined the NSO as an EDP computer programmer and rose from the ranks to head the Information Resources Division in 1992. After getting his master's degree in public management (with honors) from DAP, he was charged to technically lead the groundbreaking CRS-IT Project. He initiated and developed numerous computer and IT applications to automate NSO services and operations.
31. Prior to joining the NSO, Ms. Ericta was the assistant secretary general of the National Statistical Coordinating Board. Throughout her career, she had been connected with the country's statistical agencies. A UP Statistics graduate like Mr. Africa, her first job was with the then-Bureau of the Census and Statistics, where she spent nearly 7 years. When she left, she had been chief census statistical coordinator of the National Census and Statistical Office (the precursor of the NSO) and headed the Business Branch of the Establishment Surveys Department. She also worked with NEDA as assistant chief economic development specialist, director of the Economic and Social Statistics Office, assistant director general of the National Statistical Coordinating Board and executive director of the Statistical Research and Training Center in a concurrent position. Ms. Ericta published numerous statistical papers. In 2012, she was recognized for exemplary public service.
32. FGD with NSO middle managers (2014).
33. FGD with NSO middle managers (2014).
34. FGD with NSO middle managers (2014).
35. FGD with NSO middle managers (2014).
36. Interview with C.N. Ericta (2014).

Epilog

Under the watch of Administrator Ericta, the NSO reached new heights. After the CRS-ITP, the NSO pursued the E-Census Online Service, Census *Serbilis sa Radyo* (Census on Radio), and NSO on Caravans. It introduced a system for electronic endorsement of civil registry documents, established the Batch Query System in partnership with local government units, and decentralized functions to Local Civil Registry Offices through the Census *Serbilis* Centers. To be closer to the citizens, the NSO established a presence in shopping malls through the SM Business Services, which now reached 43 outlets throughout the country. On the statistical side, the NSO had become more aggressive in undertaking new thrusts, for example, the Registry System for Basic

Sectors in Agriculture, the Free Birth Registration Project for the potential beneficiaries of the *Pantawid Pamilyang Pilipino* (Conditional Cash Transfer) Program, and many others.

The NSO was later merged with other statistical agencies to form one statistical body. In 2013, the Philippine Congress passed Republic Act No. 10625, which created the Philippine Statistical Authority (PSA), which would serve as the central statistical authority of the Philippine government on primary data collection and administer civil registration functions in the country as provided by law. The PSA would be made up of existing personnel of the major statistical agencies—namely the NSO, the National Statistical Coordination Board, the Bureau of Agricultural Statistics, and the Bureau of Labor and Employment Statistics.

Administrator Ericta headed the PSA and presided over the transition until her retirement in February 2014. At the graduation of the second batch of members of the Senior Executives Class of the Public Management Development Program, to which five of her senior officers belonged, she mused, "In my 43 years in government service and now that I am retired, I am quite confident that I will be leaving or have left the NSO officers ready and revived." A few months later, two members of the NSO's "dream team"—Mr. Valentin Abuan and Ms. Monina Collado—were designated assistant national statistician and deputy national statistician of the PSA, respectively.

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CHAPTER 8

Case Study 7: Dr. Sanguan Nitayarumphong and Public Healthcare Reform in Thailand

Supasawad Chardchawarn

Introduction

Universal health coverage is a type of welfare provided for people in many developed countries. For the Thai people in general, universal coverage (UC) is rather a new concept. Among academics and researchers in the field of public health, however, UC has been examined for some time (Siriwan Pitayarangsarit 2004, 24). Unfortunately, UC was never driven and implemented as a government policy. By 2000, apart from the social security system, various schemes provided medical benefits for the Thai people, including free medical care for low-income groups, the Civil Servant Medical Benefit Scheme for government officials, and a voluntary health card scheme; all of these schemes were prepaid and partially subsidized by the Ministry of Public Health. Consequently, the existing insurance schemes varied markedly with respect to benefits, payment mechanisms, and government subsidies, resulting in different standards and quality of health care. More significantly, approximately 20% of the

S. Chardchawarn (✉)
Thammasat University, Phra Nakhon, Thailand
e-mail: csupasaw@tu.ac.th

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population was not covered by any insurance scheme or supported program (Bureau of Policy and Strategy, Ministry of Public Health 2006, 3).

Statistical data collected by the ABAC-KSC International Poll found that 43.8% of the sample population experienced high healthcare costs or unaffordable costs. From that group, 62.5% were in debt, and 16.6% requested exemption from payment (Siriwan Pitayarangsarit 2004, 25). These figures demonstrate that under various public healthcare schemes, some people faced difficulties in accessing public health care provided by the government.

In 2000, a systematic health sector reform movement was coordinated by the Office of Health Systems Reform and funded by the Health Systems Institute under the National Health Systems Research Committee (Siriwan Pitayarangsarit 2004, 29–30). Essentially, the National Universal Coverage Act, which grants every Thai citizen universal coverage, was passed in 2002, causing a major change in the Thai public healthcare system; the relationship between medical doctors and patients also changed quite dramatically. In the past, almost 49 million Thai people were without the right to proper medical health care from the government (NHSO 2014, 13). Moreover, the public was quite passive. Patients would neither question nor argue about the quality or approach concerning medical treatments from doctors or other public health officials. Since the implementation of this act, however, every Thai citizen now has universal health coverage and extensive rights under the public healthcare system.

With these changes in mind, it cannot be denied that the Thai Rak Thai Party led by Thaksin Shinawatra played a significant role in passing the National Universal Coverage Act, especially since universal coverage was part of their manifesto. This policy was announced and used during the political campaigns before the general election on January 6, 2001, when the Thai Rak Thai Party won a landslide victory. Soon after, Thaksin remarked to the media that his party's policies should also be the government's policies, and vowed to follow through on this commitment.

It is also apparent, however, that another key actor played an important role behind the enactment of the universal coverage policy: this player was Dr. Sanguan Nitayarumphong, a medical doctor with experience working in rural hospitals. Inaccessible health care motivated the doctor to launch various pilot projects aimed at improving the quality of public health care for people in remote rural areas. Spearheading the campaign for universal coverage, Dr. Sanguan Nitayarumphong relentlessly played a leading role in the reform movement of Thailand's public healthcare system, and today he is acknowledged as the 'Father' of Thai universal coverage (Jaroenchiwakul and Nitayarumphong n.d., 26).

His life and leadership style are quite interesting and provide us with valuable lessons. When we examine his background, we see that Dr. Sanguan began to develop ideas and knowledge about the public healthcare system first as a student at a famous medical school in Thailand. He balanced the competing demands of study, and student activities involving people's well-being and rural development. After graduation Dr. Sanguan voluntarily worked at a remote community hospital in the northeastern region of Thailand, where he witnessed the inaccessibility and disparity in healthcare services provided for people living in remote areas. This was the root of Dr. Sanguan's determination to change the public healthcare system.

Dr. Sanguan Nitayarumphong: A Story Learnt from His Biography

School Life

Dr. Sanguan Nitayarumphong was born on March 18, 1952 to a Thai-Chinese family. He came from a middle-income family, and was the youngest of six siblings. His responsibilities apart from studying were light compared with his older brothers and sisters. Regarding his educational background, Dr. Sanguan graduated from Triam Udom Suksa High School, one of the best high schools in Thailand. He then studied to become a medical doctor at Ramathibodi Medical School, Mahidol University, between 1971 and 1977. At this period, Thailand was still ruled by an authoritarian regime, and the student movement was very active in challenging the military-led government, demanding basic rights and greater freedom for the people. Student activists launched various campaigns to bridge the inequalities between the rich and the poor. Like other socially active university students, Dr. Sanguan joined various kinds of activities, especially those involving rural development. As a fourth-year medical student, he was selected Chairman of the Academic Section of the Mahidol University Student Union. A year later, he was promoted to Vice President of the Thai Medical School Student Center. In his final year, he was chosen President of the Mahidol University Student Union.

As a key leader in the student movement, Dr. Sanguan was involved in two major civic demonstrations against the military regime, the first in October 1973 and the second in 1976. Many students were arrested at the end of the demonstrations, and some students joined the Thai Communist Party movement and went off to live in remote rural areas. Dr. Sanguan chose to stay in the capital, Bangkok, because he did not believe in using violence against the military regime. Nonetheless, he was closely monitored by the military and other government agencies and forced to maintain a low profile during that time.

Working in Rural Hospitals: Learning About People's Difficulties

After receiving a medical degree in 1977, Dr. Sanguan decided to work in a remote area of northeastern Thailand. He was posted to Rasi Salai Hospital in Si Sa Ket Province. During the 1980s, Rasi Salai was considered one of the poorest districts in the country. After working in the hospital for a while, Dr. Sanguan was promoted to acting director in 1981–1982.

At this community hospital, Dr. Sanguan launched a new approach for patients to access public health care. Apart from providing medical services at the hospital, like other doctors and healthcare officials, Dr. Sanguan initiated a much more proactive approach to public health care. He went directly to the villages and communities to provide people with basic knowledge on disease prevention and proper use of medicines. Back then people in remote areas usually bought prescription drugs from sellers who lacked sufficient medical knowledge. These 'rogue' distributors benefited from the patients' inaccessibility to medical treatment from public hospitals or clinics; they roamed the remote villages and communities, exaggerating the benefits of their drugs for sale. Such prearranged prescriptions offered by these distributors had the potential to be harmful.

To solve this problem, Dr. Sanguan decided to establish a medicine fund for the local people in the Rasi Salai District, in which everyone would contribute a small amount of money to purchase medicines. Dr. Sanguan and his colleagues also began operating a mobile medical unit to serve the villagers. In addition, the cooperative effort of the rural hospital staff unpinned the establishment of an innovative project to assist the underprivileged in accessing health care. Dr. Sanguan successfully built a like-minded team that attached the same importance to alleviate the disparities and improve the living conditions of rural people. Family-like discussions at the dining table became part of building this solid team, with everyone contributing to hire a chef to cater to the hospital staff.

Dr. Sanguan illustrated how working at Rasi Salai Hospital provided him with new ideas and perspectives. He realized that people in remote areas faced difficulties in accessing and receiving public health care from the government. This could be seen as an inequality in society. He concluded that Thailand needed healthcare reform that could improve community health, and guarantee faster and easier access to medical care (Bumrungskulswat 2009, 42).

In 1983, Dr. Sanguan was promoted to Director of Buayai Hospital in Nakhon Ratchasima Province, a prominent and more convenient hospital than Rasi Salai (Jaroenchiwakul and Nitayarumphong, 19). Dr. Sanguan's good performance and strong work ethic at Rasi Salai was well received by his colleagues at the Ministry of Public Health. Consequently, he was selected as Chairman of the Rural Medical Doctors Network.[1] While working at Buayai Hospital, Dr. Sanguan was granted a scholarship to pursue a master's degree in public health at the Institute of Tropical Medicine in Antwerp, Belgium.

Upon return to Thailand, Dr. Sanguan realized that the country's primary health care was inefficient. In reality, people in remote areas received low-quality public health care from the government, and in terms of administration, there were weaknesses and limitations. In cooperation with his colleagues from the Ministry of Public Health and other academic institutions, Dr. Sanguan decided to launch action research[2] aimed at examining and developing an efficient model of the public healthcare system.

With this goal in mind, Khun Han District in Si Sa Ket Province was selected as the experimental area for this action research, which was conducted between 1986 and 1988 (Nitayarumphong 1990, Introduction). The scope of the Khun Han research project extensively covered many issues. The research boundaries included the general behavior of patients, the behavior doctors in prescribing medicines, and the examination time spent by doctors and other public health officials (for more details see Nitayarumphong 1990).

In 1986, Dr. Sanguan was transferred to Bangkok and posted to the Office of the Permanent Secretary of the Ministry of Public Health, where he was placed in charge of primary health care. His main responsibility was to involve the public in public health care. In this position he learnt that the key issue was the top-down approach, meaning that the ministry made the decisions and gave the orders, with the staff obligated to carry them out. After working at the Primary Health Care Office for a couple of years, he was relocated to the Planning Division, where he had the chance to observe and understand the overall picture of the public healthcare system in Thailand. It was here where he realized the multiplicity of problems involved in the nation's healthcare system.

Being a Keynote Speaker at the Komol Keemthong Conference: Dr. Sanguan's Concrete Ideas About Public HealthCare Reform

While working at the main office of the Ministry of Public Health, Dr. Sanguan was selected as the keynote speaker at the Komol Keemthong Foundation's annual conference.[3] Such an honor was important to Dr. Sanguan in terms of reputation, privilege, and beliefs when compared with the other speakers in previous years. Expounding on his beliefs, Dr. Sanguan delivered a speech titled 'New Perspectives of the Thai Public Health System' and illustrated just how preparing for this speech was conducive to self-discovery. He realized that public health care in Thailand needed reform and perseverance was the only key to success. In his speech, Dr. Sanguan pointed out the shortcomings of the Thai public health system and proposed alternative solutions. He remarked on the idea that being healthy is a basic human right, and that every group of people in Thailand should be able to access qualified public health care provided by the government without geographical, economic, or cultural barriers. To promote a healthy Thai public, a holistic approach was needed beyond providing medical health services to the public; the focus needed to be extended to all related issues. One tangible example was the help provided for the malnourished. In addition to providing them with medical treatment and essential nutrients, the alleviation of poverty was also a relevant issue (Nitayarumphong 1987, 19–38).

He also stated that the existing Thai public healthcare system might not be able to cope with every problem and that many people could not access good quality services. Reform of the public healthcare system was unavoidable, and thus he proposed that reform of the public healthcare system in Thailand include several criteria. First, primary health care should be sufficient and cover all Thai people. Second, the approach to public health care should focus on disease prevention rather than medical treatment. Third, the public healthcare system should be more decentralized with greater involvement from local governments and the public. And last, management of the public health system should involve cooperation from other related sectors. Apart from structural reform, people also need to manage their own behavior. Essentially, they should take responsibility for their own health, for instance, quit smoking knowing its harmful effects (Nitayarumphong 1987, 19–38).

Joining the Sampran Forum

As mentioned earlier, Dr. Sanguan was the Chairman of the Rural Medical Doctors Network, one of the most active networks in the field of public health. In 1986, it organized an important discussion forum entitled 'Sampran Forum,' with Dr. Prawase Wasi, an influential rural medical doctor, as the founder.[4] In setting up this platform, Dr. Prawase disclosed that its inception arose out of the multitude of issues involving the public healthcare system and the work of rural medical doctors. It sometimes seemed that the ideas for coping with such issues were too diverse and inconclusive, also leading to conflict among the members, and therefore a mechanism to facilitate dialogue was initiated. But participation without the necessary data or research would not contribute to relevant alternatives or solutions, so Dr. Prawase proposed that all members collect data or conduct research before attending the forum (Interview with Prawase Wasi, 26 May 2014, Pathum Thani).

The Sampran Forum has been conducted monthly at the 'Rose Garden Resort' in the Sampran District in Nakhon Pathom Province. Currently, Dr. Prawase remains at the group's core as both founder and its most senior member. This forum is an exclusive meeting for members of the Rural Medical Doctors Network and access is not granted to the general public. Apart from Dr. Prawase, several famous medical doctors in the field of community and public health care have also been active. These people include Dr. Suwit Wibulpolprasert, Dr. Wichai Chokewiwat, Dr. Mongkhol Na Sonkhla, Dr. Amphol Jindawattana, Dr. Choochai Suphawongse, and others. Dr. Sanguan was also one of the active members of the forum before he passed away (Phranakornsarn http://www.phranakornsarn.com/democrat/1474.html). At the forum, any relevant issue involving community and public health can be brought up and discussed. If a particular topic is important but difficult and complicated, an authorized body is assigned to acquire further data or conduct research, after which they gather and deliver a presentation. Dr. Sanguan appreciated the forum's pivotal role in assisting him to develop various ideas and knowhow, which significantly contributed to universal health coverage.

Serving as a solid foundation for Dr. Sanguan's understanding of Thailand's healthcare predicament, the Sampran Forum also includes a number of people from the Ministry of Public Health's think tank. These people have become indispensable assets of the Office of Health Systems Reform and Health Systems Research Institute, organizations that played a vital role in gathering information for drafting the National Health Security Act as well as initiating and managing the National Health Security Office. In this way, Sampran Forum is an active network of practicing and ex-rural medical doctors who played an essential part in materializing the universal coverage system by meeting regularly to exchange medical information.

Being a Preparation Committee for the Establishment of the Social Security Office

Through his posting at the Ministry of Public Health, Dr. Sanguan was periodically appointed to a variety of influential positions. He was promoted to Director of the Divisions and Bureaus, and eventually to Deputy Permanent Secretary. Before his promotion to Deputy Permanent Secretary, Dr. Sanguan was the Director of the Public Health Planning Division, where he gained much valuable experience. To some extent, these positions also helped to formulate his ideas on public healthcare reform.

For instance, he noted that while working at the Planning Division of the Ministry of Public Health, he was also a member of the preparation committee for the establishment of the Social Security Office (Nitayarumphong 2007, 52). There were at least two reasons for voluntarily joining this committee: first, he believed that this working committee would provide him with extensive experience and contribute to his ideas about public healthcare reform; and second, he was invited by Prof. Nikhom Jantarawithoon, who had initiated and campaigned for the Social Security Act for more than 30 years. Dr. Sanguan was recognized and respected for his perseverance (Nitayarumphong 2007, 52). He also noted that because social security was a rather new concept at that time, several difficult debates and arguments arose among the working committee members and related agencies. One of the most heated arguments involved the management of hospitals that provided public health services for social security subscribers. Unsurprisingly, the Minister of the Interior who oversaw the social security fund wanted his ministry to build and manage these hospitals. In this regard, the members of the working committee believed that any public health hospital should be able to provide services for social security subscribers. Building new hospitals for this specific project was unnecessary and extravagant.

After long debates, the working committee insisted that the Social Security Office should function as a regulator; it would not establish and operate its own hospitals. Its main duties would involve providing guidelines to both public and private hospitals and strictly monitoring their operations. This management approach proved to be efficient as the office would not be required to spend funds on the construction and management of hospitals. Its main responsibilities would include supervision, monitoring, quality control, and tasks requiring fewer expenditures (Nitayarumphong 2007, 56).

Dr. Sanguan's participation in preparing the Social Security Act and Social Security Office gave him the knowledge necessary for public healthcare reform. These concepts covered the distribution of budget per capita, the establishment of hospital or public healthcare center networks, and so on (Nitayarumphong 2007, 58–59). However, the insightful work experience at the Ministry of Public Health was eclipsed by stress and political pressure. His journal illustrated how political pressure undermined his intention to reform hospital subsidies. Dr. Sanguan's willingness to replace ongoing unsystematic funding with a per-head subsidy plan spurred some resentment toward him as new regulations were required to back up the changing momentum. Eventually these regulations would become the cornerstone of healthcare reform. But political pressures from the ministry and its refusal to implement such regulations impaired Dr. Sanguan's career opportunities.

The Triangle Can Move a Mountain Principle and Thai Universal Coverage Policy

As mentioned earlier, Dr. Sanguan clearly understood the need for change in the Thai public healthcare system. However, he knew that structural reform was not easy and would require patience and hard work. Nevertheless, one of the principles proposed by Dr. Prawase Wasi seemed to influence his concept.

Dr. Prawase suggested three main elements known as the ‘Triangle Can Move a Mountain’ principle for Thai public healthcare restructuring, namely knowledge, social movement or support, and political support and decision. First, to change in a specific matter, thorough knowledge is essential. To have thorough knowledge, extensive research is required. Second, social movement or support is important to differentiate between good and bad, what should be done and what should not be done. Collecting this type of knowledge is a massive job, but social change is impossible without it. To make any significant change, social awareness and support must be established. Third, political support and decision-making are other important elements as politicians are the key drivers of policy change. Support from political decision makers is essential. Therefore, political affiliations are crucial as opposed to political opposition (Nitayarumphong 2007, 85–86).

The ‘Triangle Can Move a Mountain’ principle was accepted and recognized by Dr. Sanguan. When campaigning for public healthcare reform, he implemented these three elements as the key principle. While working at the Ministry of Public Health, Dr. Sanguan and his colleagues conducted studies and experiments on the public healthcare system with the objective to gain general knowledge on the Thai public healthcare system, examine its efficiency and develop an appropriate model for reform.

In doing so, other renowned professors in economics and public health were invited to share their expertise on the financial issues involving public health care. As an experiment, Dr. Sanguan launched a pilot universal coverage project in Ayutthaya Province, known among the participants as the ‘Ayutthaya Project,’ in which each person was obliged to pay a flat rate fee of 70 baht for all medical treatment received from any hospital or community healthcare center. Even with such a small amount of money, this model proved to be workable since hospitals and community already received budget allocations from the government. So, effective budget management would entail a favorable outcome. This pilot project, therefore, can be cited as a trial rehearsal for the universal coverage model that was launched nationwide in 2002 (Nitayarumphong 2007, 61–62).

In addition, Dr. Sanguan learnt from Dr. Prawase how change would not occur if campaigns were launched only by academics and medical practitioners. In this connection, any support coming from society was essential. While proposing the draft of the National Universal Coverage Act, Dr. Sanguan approached many key persons in various nongovernmental organizations (NGOs) for their support. Initially, Dr. Sanguan had to clarify how beneficial this draft would be and it was apparently well received. The key people of the NGOs arranged various meetings among themselves and, consequently, the draft's benefits were extensively recognized. Later on, the NGOs members became key supporters of the draft and worked to have the National Universal Coverage Act's draft endorsed by parliament (Nitayarumphong 2007, 73–75).

In terms of politics, Dr. Sanguan embraced political affiliations as he knew the draft of National Universal Coverage would not pass without political support. He accepted the need to relentlessly propose his ideas to all political parties, namely, the Democrat, Chart Thai, Seritham, and New Aspiration parties (Nitayarumphong 2007, 73–74). And despite many failed attempts he never gave up. Dr. Sanguan noted that in 2000, through arrangements made by Dr. Suraphong Suebwonglee MD, he met with Thaksin Shinawatra, leader of the Thai Rak Thai Party, and proposed the idea of universal coverage. Thaksin accepted the idea and attached it to the party's manifesto (Interview Prateep, 10 July 2014, Nonthaburi). However, the party leader pointed out that the public might not understand the phrase 'Universal Health Coverage' and suggested a more attractive slogan. Finally, Thai Rak Thai settled on the '30 baht treats all diseases' campaign (Pitayarangsarit 2004, 62).

A Landslide Victory of the Thai Rak Thai Party and the Implementation of the Universal Coverage Policy

After the landslide victory of the Thai Rak Thai (TRT) Party, Thaksin Shinawatra became Prime Minister. It should be noted that this was the first time, since the establishment of the constitutional government in 1932, for a single party to win a majority in the House of Representatives, capturing strong popular support across the nation. This allowed the policies stated in the party's manifesto to be quickly implemented, and these policies included universal healthcare coverage under the name '30 baht treats all diseases.'

Before the implementation of the universal coverage policy, the provision of health care in Thailand experienced fragmented funding and healthcare disparities (Bureau of Policy and Strategy, Ministry of Public Health 2006, 27). The main principles and objectives of the universal coverage policy, therefore, would have to ensure universal coverage and the creation of a standardized, sustainable system. The universal coverage policy was implemented immediately. During the initial phase in April 2001, the pilot program was tested in the six provinces of Phayao, Pathum Thani, Yasothon, Samut Sakhon, Nakhon Sawan, and Yala. By June 2001, the number of pilot provinces had increased to 21. By October 2001, all provinces except Bangkok were participating in the universal coverage scheme.[5]

In April 2002, the universal coverage scheme covered approximately 45 million people across the country, with 17 million people receiving medical care through the Civil Servant Medical Benefits Scheme (CSMBS) and the Social Security Scheme (SSS). From this perspective, we can see how universal coverage reduced the fragmentation of the Thai public healthcare funding system and how it standardized the quality of health care. In terms of supporting legislation, the House of Representatives passed the National Health Security Act in May 2002, and the Senate ratified it in August 2002. The National Health Security Act of 2002 states the requirement of the National Health Security Office (NHSO) as an autonomous body in charge of universal coverage. Apart from this office, the National Health Security Board (NHSB) was constituted to design the universal coverage program, providing direction to manage the universal coverage scheme and ensure standardized health care for all Thais. In addition, the National Committee for Quality Accreditation was constituted to deal with quality control, with the establishment of several inspector committees to investigate grievances (Pitayarangsarit 2004, 117).

After its inception, Dr. Sanguan Nitayarumphong was approached to become NHSO's first secretary general. He wrote that he was approached by the Prime Minister and the Minister of Public Health at the time, and given the choice of being appointed as the first Secretary General of NHSO or becoming an Assistant to the Minister of Public Health. Dr. Sanguan decided on the secretary general position in order to distant himself politically. He also mentioned that to be the first occupant of this office would be a difficult task, as it was newly established, and pressured by many elements. One of the toughest pressures was raising public awareness that his office was not a political instrument to be used to deliver the government's populist policies.[6] His mission and responsibilities as the first Secretary General of the National Health Security Office were to sustainably steer universal coverage in the right direction, and to seed the appropriate core culture and values of the organization (Nitayarumphong 2006, 2007).

Dr. Sanguan noted in his autobiography how difficult it was to keep the NHSO free of political influences. As the Secretary General, he was aware that some politicians would like to exploit this office for personal benefit. He insisted that the role of this organization was to serve public rather than private interests. The NHSO must be sustainable and refrain from serving the interests of politicians. Many accept that he was able to keep the NHSO free from political influence, and to seed the appropriate core culture and values of the organization, until he passed away in 2008.

Lessons to Be Learned from This Case

This case illustrates that Dr. Sanguan played an extensive role in Thai public healthcare reform; being recognized as the 'Father' of Thai universal coverage highlights his role even more. The case also shows that 'the Triangle Can Move a Mountain Principle' influenced Dr. Sanguan's strong work ethic. It was applied quite clearly as he pushed the reform process ahead. Essentially, he built up a solid knowledge base through his student activities, various field researches, and post-graduate studies. To achieve public healthcare reform, Dr. Sanguan worked closely with many nongovernmental organizations and garnered their support. More importantly, he never stopped meeting and talking with politicians.

Using the 'Six Abilities of a Phronetic Leader' proposed by Prof. Ikujiro Nonaka and Prof. Hirotaka Takeuchi to analyze Dr. Sanguan Nitayarumphong's life and achievements, it is evident that the doctor can be identified as having all six abilities.

The Ability to Set Good Goals and Make Judgments on Goodness

This ability is considered the most prominent feature of Dr. Sanguan; it contributed to his commitment to establish healthcare equality and was reflected throughout his life. Dr. Sanguan was involved in rural development activities during his student days at university, and as a doctor he initiated innovative projects like the mobile medical unit that provided healthcare services to villages on the go. These examples illustrate Dr. Sanguan's motivation to improve the accessibility of medical services in rural regions. While assuming influential positions in the Ministry of Public Health, he endeavored to reform the healthcare system with the intention of providing equitable entitlement to health care for all Thai citizens and achieving universal coverage. Dr. Sanguan's personality seems to have played a vital role in pursuing his ambition of initiating and achieving universal health coverage in Thailand.

The Ability to Perceive Reality as It Is

This ability is evident through Dr. Sanguan's understanding of the challenges faced by rural communities with regard to primary health care and proper use of medicines. During his posting at Rasi Salai Hospital, Dr. Sanguan arranged a medical unit to provide people in remote areas with basic knowledge on disease prevention, and set up a medicine fund in which everyone contributed a small sum of money. Despite the initial negative feedback, the project was gradually accepted as people recognized its operating process and benefits. Another example of Dr. Sanguan's ability to perceive reality is seen through his keynote speech at the Komol Keemthong Foundation, which exemplified his insightful understanding of the Thai healthcare system. It subsequently contributed to Dr. Sanguan's formulation of a coherent and thorough proposal on healthcare reform. In addition, Dr. Sanguan's cooperation with political parties stemmed from his acknowledgment that political affiliations underpinned successful policy changes at the national level.

The Ability to Create Ba

Dr. Sanguan's ability to create a teamwork culture is illustrated during his posting at Rasi Salai Hospital, and during the inception of the National Health Security Office. The doctor and his team were committed to providing support to people living in remote areas. The so-called 'dream team' was motivated and driven. In this regard, a teamwork culture was achieved through Dr. Sanguan's simple method of hiring a chef to cater to the hospital staff. Spending time together over meals became part of the building of a solid team.

The Ability to Articulate the Essence into a Narrative

Phronetic leaders must be able to communicate in a way that everyone can comprehend, and Dr. Sanguan was that kind of leader. This can be seen from his various proactive projects launched while working at rural hospitals. These projects involved providing local people with knowledge on disease prevention, the proper use of medicines, and so on. These issues were difficult and complicated, not only for the locals but also well-educated people. Nevertheless, Dr. Sanguan and his team were able to simplify the issues and communicate effectively with rural people. The projects were mainly successful.

The Ability to Exercise Political Power to Realize the Story

This ability is exemplified by Dr. Sanguan's leadership in terms of his ideological influence over his colleagues. Although the staff at Rasi Salai Hospital had already demonstrated a strong work ethic to improve the plight of the poor, it was intensified by Dr. Sanguan's dedication and hard work to assist the rural people facing severe constraints. Also, despite strong condemnation of the universal health coverage proposal, Dr. Sanguan persistently explained its complexity to his fellow professionals. He took steps to rectify the misperception that universal health coverage would be detrimental to the medical community. Most importantly, Dr. Sanguan understood that policy-making requires political affiliations.

The Ability to Foster Phronesis in Others

This ability is perceived through Dr. Sanguan's fostering of his ideology and work ethic among his functional 'dream team,' members of which later went on to assume influential positions. Dr. Prateep Dhanakitcharoen, former Deputy Secretary General of the National Health Security Office (NHSO), was a at Rasi Salai Hospital, and Dr. Winai Sawasdivorn, former Secretary General of NHSO, also worked with Dr. Sanguan after the inception of NHSO. It is evident that in addition to each individual talent, Dr. Sanguan's role model quality played a vital role in fostering phronesis in his coworkers.

In addition to Dr. Sanguan's characteristics identified by the Nonaka and Takeuchi framework, other unique traits contributing to the success of universal health coverage include:

Compassion and Empathy A tangible example of these traits lies in Dr. Sanguan's participation in many activities related to rural development during his university student days. Also, once he began working he initiated various projects to provide the underprivileged with easy access to medical care. In addition, the main goal of universal health coverage was the equitable entitlement to health care for all Thai people;

Perseverance Dr. Sanguan's steadfastness in the pursuit of ambitious healthcare system reform, despite the many difficulties faced, was initially seen through his efforts to secure equitable entitlement to health care for rural people. His keynote speech at the Komol Keemthong Foundation's annual conference in 1987 also exemplified his determination to achieve access to primary health care and improved services for all Thai citizens. In addition, Dr. Sanguan relentlessly focused on gaining support from civil society groups and politicians, despite a series of failed attempts, and he also faced strong opposition from his fellow medical professionals. But these difficulties did not deter Dr. Sanguan from his ambitious goal. He demonstrated extreme diligence and a calm, rational manner in explaining detailed information on Thai healthcare reform;

Flexibility Another unique trait of Dr. Sanguan was his ability to adapt to changing circumstances that were often beyond his control. He embraced change so it would not undermine his goal. This is shown through the TRT leader's receptivity to the doctor's initially proposed universal health coverage. Dr. Sanguan welcomed Thaksin's intention to modify the idea and make it one of the party's campaign slogans; he even became Thai Rak Thai's primary agent of support to guarantee the materialization of such policies because he recognized their mutual objectives.

Notes

1. The Rural Medical Doctors Network was created in the late 1970s and later became a foundation. It functions as a network among medical doctors working in rural areas or community hospitals, sharing various information, and knowledge among its members and providing support to research and public health care. More importantly, it illustrates a strong and active interest among medical doctors working in rural areas.
2. At that time, "action research" was new to the Thai public healthcare system. Dr. Sanguan explained that action research was different from other types of research because researchers had to participate or get involved in actions or real situations. Researchers were obligated to perform their duties and conduct research related to their work as well.
3. The Komol Keemthong Foundation was founded in 1971 in memory of Mr. Komol Keemthong, a young teacher in a small school in the Wiang Sa District in Surat Thani Province, who was shot death by a member of the Communist Party. Its key objectives are not only to recognize Komol but also to promote and *recognize people* for *their* outstanding *contribution*

to society. The foundation is currently one of the most active NGOs in Thailand.

4. Dr. Prawase Wasi is a medical doctor by training. In the area of medical services, he has been well recognized for his role in community and public health. He won the Ramon Magsaysay Award for Government Service in 1981 and has been honored by the public as “Thai Senior Citizen.” Apart from his high reputation in the field of public health, Dr. Prawase is also widely respected among NGOs in Thailand.
5. There are various kinds of hospitals in the Bangkok metropolitan area *under the responsibility* of other organizations, such as universities, the Public Health Ministry, or local governments. A longer preparation period is clearly required.
6. After winning the January 2001 election and forming the government, the policies of the Thai Rak Thai Party were implemented but also *criticized as a form of populism*. The “30 baht treats all diseases” policy *also fell under that category because* the policy itself was so radical, causing drastic reform in the public healthcare system, and its name sounded too market oriented.

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CHAPTER 9

Case Study 8: Redefining Reality: A Case Study of the Emerging Leadership of Truong Chinh

Bui Phuong Dinh

Introduction

The years from 1982 to 1986 were marked by extreme difficulties for Vietnam. The war against the United States invasion had just come to an end, and the country was already involved in the international effort to free Cambodia from the genocide being committed by the Khmer Rouge, as well as in a border war with China. During this period, the prevailing economic management and growth model, infamously known as the bureaucratic-subsidized system, had entirely lost its efficacy and was hindering the development of the country. In this context, Truong Chinh demonstrated his capacity to think differently and lead the critical debate on the course of Vietnam's development. In later years, Truong Chinh has been regarded as the architect of the reform program known as *Doi Moi*, which the Communist Party of Vietnam (CPV) launched in 1986, and continues to implement today. The study of Truong Chinh's

B.P. Dinh (✉)
Viet Nam Institute of Leadership and Public Policy, Ho Chi Minh National Academy of Politics, Hà Nội, Vietnam
e-mail: bpdinh2010@gmail.com

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journey of self-reflection, as well as the context in which he made important decisions for himself and the country, is significant in terms of innovative leadership and effective decision-making, which are some of the key questions in leadership studies.

Profile of Truong Chinh

Truong Chinh (real name Dang Xuan Khu) was born in Vietnam in 1907, to an intellectual family with a tradition of attaining prestigious titles. His grandfather earned a doctoral degree under the Nguyen Dynasty. His father was also a teacher. As a child, Truong Chinh benefitted from a traditional Confucian education. Later, he entered Hanoi College of Commerce, during which time he participated in Vietnam's revolution and was one of the founders of the Indochina Communist Party in the North, the predecessor of today's Communist Party of Vietnam. Truong Chinh held the position of Secretary General of the Communist Party of Vietnam from 1941 to 1956, and for 6 months from July 1986 to December 1986. He also held the top positions of the State: Chairman of the Standing Committee of the National Assembly of Vietnam (now Chair of the National Assembly) and Chairman of the State Council (today's President of the State), from 1981 to 1986. After the sixth Congress of the Communist Party of Vietnam, he was appointed as Advisor to the Central Communist Party Executive Committee. He passed away in 1988.[1]

Truong Chinh was well respected as a principled man possessing a broad base of knowledge; he was also a cautious leader who always protected his own perspectives and beliefs and always took action in accordance with the regulations and requirements of the organization. At the same time, Truong Chinh was a brave and frank leader, who readily accepted public responsibility and resigned from the position of the then Labor Party of Vietnam for the mistakes he had made during the land reform movement in North Vietnam between 1953 and 1956.

Historical Context

Between 1954 and 1975, Vietnam embarked on two simultaneous causes: the development of the political and economic base of the socialist regime in North Vietnam, and the fight for the liberation of South Vietnam. At that time, North Vietnam was significantly reliant on large-scale aid from the Soviet Union, China, and other socialist countries to meet its needs during the battle for unification. In-kind aid from these countries was also fixed at subsidized prices. In South Vietnam, a market economy was developing, based on market elements established during the French colonial period prior to 1945. Light industry and consumer goods such as food products, construction materials, and banking and credit, were quite strong. Some sectors of the economy in the South relied on services—provision, logistics, and repair—for the American and South Vietnamese armies. However, it also depended on aid from the United States to serve its war needs. According to the Asian Development Bank, U.S. aid accounted for one-third of the total GDP of South Vietnam by the late 1960s (van Arkadie et al. 2004).

After liberation and official unification in 1975, a large-scale process was undertaken to actually unify the country in all political, economic, national defense, and other aspects.[2] A Soviet type of centrally planned economy, also known as a command economy, was put in place. This economic management mechanism was applied to all sectors of the economy, from industry and agriculture, to the distribution and circulation of commodities. In industry, the State assumed control of the entire planning process, including the supply of materials and the control of product off takes, and product sales to the public. In agriculture, farmers worked in cooperatives and were managed by a daily roll-call check-in system. The State would buy rice and other foods at fixed prices, and resell them to the public, also at fixed prices. The State was also responsible for the distribution and supply of other public necessities at fixed prices. There was absolutely no market regulation of business and trade transactions and the exchange of goods.

Aspirations for future economic growth were set forth in the Fourth Party Congress held in December 1976, which acknowledged the limitations of the industrialization policies in the North prior to 1975, and calls were made to allocate a greater share of the nation's investment resources to the agricultural sector. This call, however, did not appear to be reflected in the strategic objectives for economic development identified by the Congress, namely to:

- Rapidly create the material and technical bases for socialism;
- Take the economy from small-scale production to large-scale socialist production, with a modern industrial and agricultural structure;

- Give priority to the rational development of heavy industry on the basis of developing agriculture and light industry, with the intensification of agricultural production being regarded as the main task of the initial 1976–1980 5-year plan;
- Redistribute the social workforce to make productive use of unused land, found mostly in the hilly and mountainous regions;
- Organize districts as economic agro-industrial units;
- Build the national economy taking account of the need for national defense;
- Develop simultaneously a flexible central economy and regional economies;
- Promote rapid technical and scientific development;
- Transform the South gradually in order to establish an integrated socialist nation; and
- Resolve the nation's economic management problems.

The objectives and directions of economic growth set out in the Fourth Party Congress were seen as impractical, based as they were on inaccurate assumptions of the power of bureaucratic-subsidized centralization as well as aid and support from socialist countries, including the Soviet Union, China, and the Eastern Bloc. Triumph-induced joy was translated into subjective directions and goals. Large-scale campaigns including industrial and trade reforms, coerced cooperation, and coupon-based distribution of necessities were introduced vigorously throughout the country. As a consequence, the momentum of economic growth faltered after only 1 year, leading to the unpredictable challenges that followed.

In 1978, Vietnam signed a comprehensive friendship and mutual assistance agreement with the Soviet Union. In the same year, Vietnam became an official member of the Council for Mutual Economic Assistance, or COMECON, an economic union of socialist countries. The centrally planned economy, which functioned well during wartime, now revealed its weaknesses when applied nationwide by the late 1970s, leading to unpredictable consequences:

- Largely unmet key economic targets set by the Fourth Party Congress;

- Stagnation of industrial manufacturing as the State was unable to meet the demands for input materials and product off take;
- Declining agricultural production with farmers abandoning production fields, and/or attempting work stoppages;
- Serious impacts on the lives of citizens, with the coupon-based sales regime, though reduced to minimum levels, unable to ensure sufficient supplies; and
- Proliferating black markets and reselling subsidized goods at premium prices.

Statistics show that the economy grew only in 1976, declining in 1977 and 1978, before taking a serious plunge in 1979 and 1980. In addition, Vietnam was simultaneously engaged in two additional wars: one along the southwestern border against the Khmer Rouge to halt the genocide underway in Cambodia, and the other in the northern border against the Chinese invasion. Both wars soon further ravaged a country that had just recently stepped out of a 30-year conflict. Vietnam now faced an embargo from the U.S. and its allies over the conflict in Cambodia, and all economic ties with China, including its aid, were suddenly terminated. Vietnam's economic outlook worsened. In this context, some initial efforts were made to break down the bottlenecks in the manufacture and flow of goods in an attempt to save the economy from collapse.

These efforts were supported by a Resolution by the Sixth Plenum of the Fourth Central Committee of Vietnam Communist Party held on September 20, 1979, that outlined the situation and the urgent tasks that should be undertaken. This resolution allowed for some measures to mitigate the impact of industrial and trade reforms and coerced cooperation. It also addressed certain roles of national capitalists, the need to use economic measures to manage a free market, and permission to circulate goods at prices higher than the levels set by the State. It was this resolution that introduced the term *bung ra (unbending)*, which later became more common as *phá rào (fence-breaking)* .

The overall spirit of the new circulation and distribution policies was to promote the "unbending" of manufacturing, following the directions set by the Party. It was imperative to set manufacturing development as the highest criterion against which to measure their appropriateness. Later on, the Resolution by the Sixth Plenum in 1979 was regarded as the *first breakthrough in economic thinking in Vietnam*.

Directive No. 100-CT/TW dated January 13, 1981, by the Central Party Secretariat, promoted the assignment of lump-sum output targets for laborers and groups of laborers in agricultural cooperatives. This directive was based on lessons learnt from the well-known examples of agricultural lump-sum production practices in Vinh Phuc in 1968, and in Haiphong in 1977, and from the negotiation-based trading of agricultural produce in the southern provinces of Long An and An Giang in 1977 and 1978 (Đặng Phong 2014). The directive resulted in the following policy changes:

- The roll-call check-in system for the members of agricultural cooperatives was eliminated;
- Land was assigned to farmers for use;
- Tax liabilities were imposed by field productivity; and
- The right to use product surpluses was given to farmers.

Initial Signs of Truong Chinh's Mindset Change

As Chairman of the State Council, Truong Chinh paid great attention to economic development and the protection of the country. In the early part of the 1980s, the country suffered from a serious economic slowdown. Although Vietnam's leadership had shown signs of its changing awareness of the need for economic reform originating in the fence-breaking cases, in general, the leadership as well as the people of Vietnam did not know what action to take to break away from the centrally subsidized mechanism. Some fence-breaking cases were deterred because they violated the basic principles of the socialist system's production and distribution relationship. The State Chairman's office frequently received official reports submitted by ministries and agencies as well as petition letters from Communist Party members. The economic slowdown at the time was completely contrary to the expectations of the country's leadership, including Truong Chinh. However, based on the context of the country's outlook and redevelopment, its involvement in two border wars in the North and South, and the West's blockade and embargo were always viewed as the major objective reasons behind the country's difficulties. The subjective reasons implied improper implementation or low awareness and determination of the subordinate officials and ordinary people. This situation may have reflected the persistent belief that "policies are always right, only their implementation is wrong.” The nation’s difficulties appeared as dilemmas with no ready answers. Truong Chinh himself could not find the answers for the reality confronting the nation. Thus, Truong Chinh, as well as many other leaders, understood the need for major changes in the economic management and operation of the country; they just could not find answers as to how and where these changes should occur.

Truong Chinh aired his concerns during frank talks with two close associates—one his cousin, the other his own son. Dang Quoc Bao, Truong Chinh’s cousin who served as the former head of the Central Propaganda Committee, told him:

> First of all, you should update your system of knowledge. I will help you by providing you with the world most advanced economic theories, not only the ones belonging to Socialism. Secondly, you should have practical penetration. You should dare to listen to the people who oppose and complain about us, especially the voice of the public. You should find ways to encourage them to be frank and honest (Đặng Phong. 2014).

Dang Xuan Thanh, a son of Dang Xuan Ky and grandson of Truong Chinh, elaborated on this situation:

> My father (Mr. Dang Xuan Ky who served as vice director of the Ho Chi Minh Museum then) didn’t live with him (Truong Chinh). However, usually on the weekend, on Sunday or Saturday afternoon, our family would have dinner with him. After dinner, my grandfather and my father often talked about life while drinking tea or walking in the garden. On these occasions, my father told my grandfather about the reality of life. My father even told jokes for him to better understand people’s reactions to difficult life situations. As usual, these anecdotes would always blame and hold the government officials and leaders responsible for failed economic conditions (Interview with Dang Xuan Thanh in May 2014).

It has been reported that in late 1982, Truong Chinh made important decisions that would be seen as the starting point in the process of self-reflection: he replaced his team of assistants and began to organize trips to local areas without giving advance notice. According to Tran Nham, former assistant to Truong Chinh:

> In a working session at the end of November 1982, he (Truong Chinh) affirmed that “this situation cannot be prolonged and we cannot continue

> with this way of thinking, way of working, and the old way of work, the old policy and management mechanism. However, to replace the old with the new, it is necessary to master the theory, understand the practice, and look directly at the reality to see what we have or haven't been able to do." So he decided to do two urgent things. First, he set up a research team including people who had a new way of thinking to study some theoretical and practical issues in our country (Vietnam) as the basis for the methodology in the next steps. Second, he organized field trips at the local level to find out what is good, what is bad, lessons of success and failure in order to reform our way of thinking and working (Trần Nhâm 2005).

In 1982, Truong Chinh visited and worked in the communes that had been implementing the allotment policy in accordance with Directive 100-CT/1981 on product allotments in agriculture. It is worth noting that he opposed such allotments in Vinh Phuc Province in 1968, so he did not completely believe in the rationale of Directive 100-CT/1981 on allotments. During a visit to his hometown in Xuan Hong commune, Nam Dinh Province, his relatives frankly described the reality of the former cooperatives and the initial success of allotments. Only after this visit did he change his mind and express support for the allotment policy in agriculture.

During the 2-year period from 1983 to 1984, he continuously visited provinces in the South, such as Dak Lak, Gia Lai-Kon Tum, Dong Nai, Con Dao-Vung Tau, Lam Dong, and especially Ho Chi Minh City, the economic center of the country and also where fence-breaking cases in production and distribution had taken place. Unlike the allotment mechanism in agriculture in the North which focused mostly on food production and partly on consumption of agricultural products for farmers, fence-breaking cases in the South were related more to restoring the demand-supply relationship in the production of goods.

In Lam Dong Province, Truong Chinh attended a workshop in Da Lat with the participation of hundreds of managers from state-owned enterprises. The purpose of the workshop was to exchange accounts of difficulties and solutions for such enterprises. Here he met the Vinh Hoi Tobacco factory director, who had increased factory production after a long period of production stagnation caused by State agencies failing to supply sufficient input materials as planned. This was also the very first enterprise to borrow foreign currency directly from the Bank for Foreign Trade of Vietnam, especially from the Ho Chi Minh City branch, to import input materials to produce semi-finished products so that foreign currency could be earned and capital circulated.

In 1985, Truong Chinh came to work in the province of Quang Nam-Da Nang (now the province of Quang Nam and the city of Da Nang), Nghia Binh Province (now Quang Ngai and Binh Dinh provinces), then returned again to Ho Chi Minh City. Through these visits he recognized the wide discrepancy between the reality of life and his expectations. According to the testimony of some people who talked with him during these visits, Truong Chinh was heard to utter: "Since then I have had to reconsider a few important issues (Đặng Phong 2013)." Mai Chi Tho, the former chairman of the Ho Chi Minh City People's Committee, recalled the following:

> After field trips to some provinces and Ho Chi Minh City, Truong Chinh said: "Previously I had to listen to misleading reports, which were far from reflecting reality" (Đặng Phong 2013).

This realization helped him recognize part of the truth and inspired the hard thinking process of a country's leader.

Looking for Understanding in New Knowledge

As one of the top thinkers of the Party and the State, Truong Chinh looked not only for the truth, but also paid great attention to scientific understanding of reality. Such understanding filled the gap between reality and desires or expectations, and helped him recognize the objective rules that determine the development of reality and the larger processes in society. His process of self-reflection went beyond the "fence-breaking" initiative, which mostly was intended to deal with immediate problems. He was keen to seek more solid justification for important leadership decisions on the future of the country. Within that process, members of Truong Chinh's consultant secretariat, including young scientists, optimized their capacity and devotion to the country. Tran Nham, former secretary to Truong Chinh, recalled the details:

> The consultant secretariat included Le Xuan Tung, Dao Xuan Sam from the Ho Chi Minh National Political Academy; Tran Duc Nguyen, Le Van Vien, and Nguyen Thien from the Central Economic Committee; Vo Dai Luoc and Duong Phu Hiep from the Vietnam Academy of Social

> Sciences; and Ha Nghiep and Tran Nham from Truong Chinh's own office. Over 4 years from 1982 to 1986, the research group held regular meetings, devoting themselves to studying and analyzing theoretical and practical issues for Vietnam as the basis for Truong Chinh to develop the methodology to form a new way of thinking. The series of issues studied by the research group can be listed as: reviewing the basic viewpoints of Marxism–Leninism; the basic contents of Lenin's New Economic Policy, and the application of new viewpoints to Vietnam's reality in the context of Doi Moi (renovation); the issue of divergence in the interim period; the features, contents and basic tasks of each period; and the necessary breakthroughs to escape the economic crisis… (Trần Nhâm 2005).

The requirements that Truong Chinh set for the research group included the basic theories of the New Economic Policy model initiated by Lenin, and its applicability to Vietnam's context as well as specific issues for necessary breakthroughs. In a regular meeting session, Truong Chinh set very clear requirements:

- Clarify the theory and practice of Lenin's New Economic Policy and the usefulness and efficiency of such a policy in the period 1921–1924 and the following years in the Soviet Union. After Lenin passed away, what were the problems and results of the implementation of the New Economic Policy? How can it be applied to our country in an appropriate way?
- Leverage policies: financial, monetary, price, and wage issues; how can they be applied in Vietnam in line with the rule: value is realized immediately in the initial interim period?

For Truong Chinh, Lenin's New Economic Policy was highly significant. On the one hand, it explained and gave suggestions on how to reform economic thinking, and on the other hand, it ensured that reformed economic thinking did not break with the orthodox Marxism–Leninism platform. The New Economic Policy was about to reopen, rethink, and inherit a treasure in the specific conditions of Vietnam.

The explanations of the consultant secretariat originated in their correct understanding of the market economy, the economic management mechanism that it uses, and on how an economic model based on objective market rules would work. These viewpoints were not popular at the time because they differed from and contradicted the official line, but the consultant secretariat proved lucky in that Truong Chinh maintained an open, democratic atmosphere, listening, and respecting other people's ideas:

> The democratic environment that he [Truong Chinh] mentioned is one with the freedom of being innovative and creative ensured by a democratic regime…It placed the research group into a creative competition respecting each other's results, criticizing each other and gaining from each other (Trần Nhâm 2005, 33).

A Turning Point in the Change in Economic Thinking

Speech at the CPV's Sixth Central Committee Plenum, Legislature V in 1984 and Eight Central Committee Plenum, Legislature V, in 1985

At the sixth Central Committee Plenum, after the speech by the then powerful Secretary General of the CPV, Le Duan, Truong Chinh gave a famous speech in which he outlined a series of new perspectives on economic thinking and the economic management mechanism for the interim period toward socialism in Vietnam. In this speech, he used a series of arguments based on Lenin's New Economic Policy. He affirmed the inevitability of economic rules in the interim period, and at the same time recognized the role of the market:

> So, it is necessary to change the way of thinking and looking and our policy. In economic management, we have to respect the economic rules in the interim period, and most practically in the first part of the current journey. Only by doing so we can avoid the possible collapse of the economic and financial system. From the remark that "we are just in the initial part of the journey to the interim period toward socialism," there are still many economic actors, and producing small goods is still prevalent; so like it or not, we have to recognize the objective existence of the market, that is the reality our society is living with every day: the buying, selling, exchanging activities in any form, in any place, using the market as the standard for measurement and comparison.[3]

Recognizing that the existence of the market and its economic rules would lead to urgent reform of the economic management mechanism, Truong Chinh affirmed this recognition with a decisive, noncompromising attitude. At the eighth Central Committee Plenum, 1985, Truong Chinh's innovative ideas convinced more and more people and dominated the discussions within the Central Committee. He strongly stated:

> We will replace the period of managing the economy mainly by administrative commands, which is a typical reflection of the centrally controlled economic management system with bureaucracy and subsidies, with an economic management system based on the proper application of objective rules….[4]

Under such strong leadership, the eighth Central Committee Plenum, Legislature V in 1985, was considered the second breakthrough in economic thinking. It can be said that after the period of these strong statements, Truong Chinh had passed the stage of exploring and understanding in terms of economic thinking. He now understood how he could take actions to lay the initial foundation for the Doi Moi process in Vietnam.

Truong Chinh's remarks about the new economic thinking were received with sympathy and support from ordinary people, especially those directly employed in the manufacturing and business sectors. However, many comrades and government officials expressed concerns that "this economic thinking would bring about the demise of socialism." Another interesting point at this time was the vehement opposition by the former Soviet Union's senior advisors, led by former prime minister of the Soviet Socialist Republic of Moldova, to the idea of a multi-sector economy and economic management based on market mechanisms (Dao Xuan Sam and Vu Quoc Tuan 2008).

This meant that Truong Chinh spent much time and effort fighting conservative viewpoints, gradually convincing senior Party and State officials, as well as the nation's people, of the need to enact reform. Right before the CPV's Sixth Congress in 1986 he acknowledged the continuing debate within the party:

> To oppose bureaucratic centralism and the system of state-subsidized economic management is an extremely hard struggle between the new and the old, between the progressive and the backward, between the dynamism of the demand for renewal on the one hand and conservatism and the inertia of habits on the other, between the need to establish the real right to socialist collective mastery of the working people and the individualism of certain people who, in the name of defending socialism, try to keep their

> own special rights and gains. This struggle is taking place within our Party, within our state bodies and mass organizations, within our people, within each level and each branch of activity, and within every one of us.[5]

Then an unexpected event occurred: a middle-of-the-road wage and price reform and revaluation of the national currency in September 1985 proved a complete failure, leading to hyperinflation of about 90% in 1985, and 700% in 1986 (van Arkadie and Mallon 2004). The entire economy was on the verge of collapse. Historical documents show that Truong Chinh, being Chairman of the State Council, signed the decision to revalue the national currency, although he had earlier insisted that the economy at the time, much like a patient with a serious disease, and could not withstand the heavy shock of currency revaluation. However, as a Communist Party member, he followed the decision of the CPV's Politbureau to revalue the national currency.

On the other hand, the failure of wage and price reform and currency revaluation had a positive impact; that is; there was no more room for middle-of-the-road reforms but a need for comprehensive, deep-rooted changes.

A Moment of Truth

On July 10, 1986, Party Secretary General Le Duan died and Truong Chinh was elected his successor. He now simultaneously held the nation's top two positions of Party Secretary General and Chairman of the Council of State. The Sixth Party Congress was only 6 months ahead, and, typically, such a short period before a Party Congress was the time when all political reports were basically made ready and subject only to minor revision. The political report (for the Sixth Party Congress) had been drafted with hands-on direction and input from the late Party Secretary General Le Duan. It was during this particular moment that Truong Chinh demonstrated his extraordinary strength and quality as a leader whose actions were based on the firm beliefs of his mission to lead the country to follow a new development path. Having found out that the report neither met the urgent demands of reality, nor reflected the new economic thinking that had been discussed and adopted at previous Central Committee meetings, he decided to rewrite the political report under his direct leadership. The drafting team consisted of more than ten people, including his trusted secretaries

Le Van Vien, Ha Nghiep, Tran Duc Nguyen, Le Xuan Tung, and Dao Xuan Sam. The spirit of the entire report, mirroring self-reflection by the leader, would be felt by his cadres and people throughout the country.

Before the Congress, Truong Chinh organized a series of seminars and conferences to discuss and agree on the breakthroughs and major innovative ideas to be included in the political report. Apart from economic topics, the Party's leadership was also dissected to identify its weakness and hence the corrective actions required. Assessing the important mistakes made in steering the economy and all other aspects of the country after 1975, the political report presented by Truong Chinh honestly admitted the seriousness of lingering mistakes and their root causes:

> The aforementioned mistakes are serious and lingering in terms of major directions and policies and also in terms of strategic driving and execution. These mistakes in economic and social leadership stem from defects in the mindset, organization and human resource development of the Party. This is the cause of all causes.

For Truong Chinh, these mistakes had to be fixed by renovation:

Faced with the urgent needs of reality, the Party's leadership needs some fundamental step-change renovation to ensure its revolutionary leading role and to fulfill its glorious mission. This step-change renovation must be demonstrated through:

- Renovation (Doi Moi) of paradigms, knowledge, and mindset; and from there, renovation in leading, especially in the economic field, which is the most important area and also the Party's weakest one currently;
- Renovation (Doi Moi) in working styles and manners;
- Renovation (Doi Moi) in organization and human development.[6]

To correct the errors and overcome their consequences, the political report highlighted three fundamental economic viewpoints that reflected in the most concentrated way what Truong Chinh himself had considered over the course of 4 years about the right path for the country's economic growth:

> First, in economic structuring, it is imperative that agriculture is the first and foremost battlefield; second, in socialist reforms, it is imperative that a multi-sector economic structure is unique to the transition periods; and third, while planning is central, it is imperative that monetary relationships are utilized in a proper way.

The three fundamental economic viewpoints were regarded as the *third breakthrough in economic thinking,* and were significantly important in changing the thinking and arguments about socialism. During the Sixth Party Congress in 1986, together with Pham Van Dong and Le Duc Tho, Truong Chinh withdrew his nominations for the Party's leading positions in order to transfer authority to a new generation of leaders, that is, the leaders of a Doi Moi-oriented Vietnam. Truong Chinh passed away in 1988. Three years later, in 1991, the market economy and market mechanisms were given official status in the *Strategy of Stabilization and Socio-economic Development* until 2020 and the *Platform of Nation Building in the Transition Period to Socialism*, adopted at the CPV's Seventh Congress.

Lessons to Be Learned: Self-Reflection as a Knowledge Creation Process

The process of Truong Chinh's self-reflection from 1982 to 1986 can be seen as a typical example of the process of knowledge creation, with the clear outcome being changes in the mindset of the leader and decisions to support Vietnam's Doi Moi direction. This process started from doubts about the relevance of subsidized, centralized economy theory principles, with the State playing the absolute dominant role, and ended with confidence about the appropriateness of market economy theory and the role of the State in providing orientation and regulation. Without question it can be said that universal knowledge of the market economy was unlocked and gradually recreated in the specific context of Vietnam in 1986. This recreation process is ongoing in today's world, and important responsibilities have been placed on Vietnam's current leaders.

Throughout this process, attention should be paid to two very important phenomena: the conversion between tacit knowledge and explicit knowledge, and the *Ba* concept as seen in the narrower context of a facilitating environment for knowledge conversion in an agency or organization. In broader terms, it is a society facilitating the interaction of thoughts and actions between and among different players. According to Nonaka, and following philosopher Whitehead, knowledge represents a "*process rather than a phenomenon or an event*" (Nonaka, Toyama, and Hirata 2008), and knowledge, especially practical wisdom or phronesis, is created during the process of interaction with reality.

A Relentless Search for Truth

In 1982, Truong Chinh was 75 years old, but age did not prevent him from starting his journey of self-reflection. As a revolutionary he had devoted his entire life to the independence and prosperity of the nation. That was the kind of truth he had sought relentlessly, a belief that he always kept in mind. But as leader of the Party and the State, the reality of life in the country was mostly conveyed to him through rosy reports and other such positive means. Controversial information gleaned through discussions with his family and close acquaintances gave rise to doubts about the perfect match between idealistic aspirations and actual reality. But positive doubts, as always, are an important catalyst in the self-reflection process.

One can guess that Truong Chinh decided to replace his consultant secretariat in exchange for hopefully better access to the latest information on economic thinking, and he also began to conduct field trips at the local level, not always sure where it would lead him. But the one thing he was sure about was how to know, how to understand, and how to feel reality. The process of knowledge formation as the foundational justification for Doi Moi was one of repetitive circles and spirals, not always upwards but sometimes downward, sometimes standing still. Truong Chinh was fully aware of this process, but he chose to view it as a rule of time:

> Different ideas, through candid and responsible discussions and exchanges, will lead to agreement. If agreement cannot be reached through discussion, then it's necessary to wait until awareness is raised through exposure to reality, leading to gradual changes and then final agreement (Trương Chinh 1987).

The intensive field trips he undertook enabled Truong Chinh to develop new ideas that challenged his long-standing beliefs, and commanded further explanations and answers to the questions posed (see Annex 1). By connecting the different *Ba* of different people, e.g., the *Ba* of ordinary farmers with the *Ba* of young intellectuals and the *Ba* of his own senior-level cadres, Truong Chinh was able to envision the larger picture and continuously recreate the frameworks of new economic thinking. Knowledge was thus being created not only incrementally but also through disruptions and breakthrough moments. The failure of wage and price reform and currency revaluation in 1985 served as clear evidence of the reinforced determinants supporting Truong Chinh's awareness of the need for a comprehensive, deep-rooted program of reform.

Emerging Phronetic Leadership

Among his contemporaries Truong Chinh proved an outstanding leader, thanks to his *ability to judge goodness*. His sufficient educational background, together with the personal experience of success and failure (during the land reforms of 1953–1956), enabled him to make the right decisions for himself, his organization, and the nation. The idea of changing mindsets, and first and foremost a shift in economic thinking, was imperative for the country and the times; it reflected Truong Chinh's *ability to grasp the core essence of things* as a great leader and intellectual. In addition, thanks to advice received from his secretaries he was able to use the language and metaphors of economics to convey and convince his associates, as well as those still in doubt, or with opposing conservative opinions. In fact, by empowering his secretaries to fully leverage their own strengths and contributions, Truong Chinh was able to create a democratic atmosphere, or *Ba*, where open, critical and constructive discussion and debate were encouraged. As the top leader of the Party and the State, Truong Chinh reaffirmed the need to ensure freedom of research, presentation, and protection of viewpoints and arguments in scientific platforms and before senior managers without fear of discrimination.

Once elected Secretary General and Chairman of the State Council, Truong Chinh seized the opportunity *to exercise political power* to institutionalize his reform ideas in the political report prepared for the Sixth Congress. Apart from that, he was also able to use his soft power to achieve support and buy-in from his associates, even among those who were initially resistant to his innovative ideas.

Epilogue

Doi Moi reform in 1986 provided a strong impetus to development in Vietnam. A market economy with a socialist orientation has been recognized and implemented in Vietnam since that date. After 30 years of Doi Moi, Vietnam has left poverty behind and transformed itself into a low-to-middle income developing country.[7] But the debate on socialist orientation combined with the market economy remains ongoing. The debate becomes more heated when growth declines with the weakening momentum of Doi Moi reform. The debate revolves around critical issues such as perfecting the market economy's institutions, the role of the state sector, the role and functions of the government, and the catch-up and comprehensive integration into the global and regional systems. Therefore, the leadership lessons learned from Truong Chinh being a key proponent and architect of Doi Moi will retain their meaning and value, to help us better understand and predict the difficult path of Vietnam at the present time.

Notes

1. Communist Party of Vietnam website www.cpv.org.vn: *Truong Chinh's Profile*.
2. Thông báo của Hội nghị Hiệp thương Chinh trị thống nhất Tổ quốc (Press announcement of the Political Consultation for Fatherland Reunification), September 21, 1975.
3. Trường Chinh. Bài phát biểu tại Hội nghị Trung ương lần thứ 6, khóa V, năm, 1984 (speech at the sixth Central Committee Plenum, Legislature V, July 1984).
4. Trường Chinh. Bài phát biểu tại Hội nghị Trung ương lần thứ 8, khóa V, năm, 1985 (speech at the eighth Central Committee Plenum, Legislature V, June 1985).
5. Trường Chinh's speech on the CPV's economic thinking, September 1986.
6. Báo cáo Chính trị tại Đại hội lần thứ VI (CPV's Central Committee Political report to the Sixth Congress, Dec. 1986).
7. http://www.worldbank.org/en/country/vietnam/overview, accessed 6 May 2015.

Annex 1: Truong Chinh's Journey of Self-Reflection

Attribute	Later 1982	1983	1984	1985	1986
Socialization. Sharing and creating tacit knowledge through direct experience (Empathizing)	Talks with Dang Quoc Bao and Dang Xuan Ky. Decision to set up a new expert team and visit local areas without advance notice	Visit to provinces and locations of fence-breaking cases	Visit to provinces and locations of fence-breaking cases	Visit to provinces and locations of fence-breaking cases	
Externalization. Articulating tacit knowledge through dialogue and reflection (Conceptualizing)		Continuing dialogue with the expert team on the theoretical foundation of new economic management institutions	Continuing dialogue with the expert team on the theoretical foundation of new economic management institutions	Continuing dialogue with the expert team on the theoretical foundation of new economic management institutions	Speech to various audiences to garner support
Combination. Systemizing and applying explicit knowledge and information (Modeling)			CPVPlenum No 6, 1984, where Truong Chinh unveiled 10 items on economic management	CPVPlenum No 8, 1985, decision on price, wage and currency reforms	CPVPolitbureau meeting on Truong Chinh's key points of economic management
Internalization. Learning and acquiring new tacit knowledge in practice (Practicing)				Implementation and failure of price, wage and currency reforms Reinforced the urgent need for Doi Moi	Appointed CPVSecretary General Rewriting the political report to the CPVSixth Congress Resigned from the position of CPV Secretary General

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CHAPTER 10

Knowledge-Based Public Sector Reform: The Philippine Experience

Alex B. Brillantes Jr., Bootes Esden Lopos and Lizan E. Perante-Calina

Introduction

This chapter discusses the state of governance in the Philippines in the most general terms. It also discusses the imperatives of knowledge-based

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A.B. Brillantes Jr. (✉) · B.E. Lopos · L.E. Perante-Calina
National College of Public Administration and Governance University of the Philippines (UP-NCPAG), Quezon City, Philippines
e-mail: abbrillantes@gmail.com; alex.brillantes2014@gmail.com

B.E. Lopos
e-mail: bootes.esden@gmail.com

L.E. Perante-Calina
e-mail: lizanpcalina@gmail.com; lpcalina@yahoo.com.ph

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public sector reform in relation to the ultimate goal of making governance and public administration institutions more responsive to the needs of the people, and restoring trust in government. More specifically, at the outset, we discuss two major public sector reform (PSR) strategies: reorganization and decentralization. Drawing upon these reform strategies, the section uses a framework for PSR that the authors developed earlier (Brillantes and Fernandez 2008; Brillantes and Perante-Calina 2013), based on the unique Philippine experience. This framework argues that for PSR to be effective and responsive, reforms should target two major areas: (1) institutions including processes and procedures; and (2) mindsets, paradigms, and behavior. These reforms should be reinforced by leadership (the duty bearers), and by the active participation of the citizens and the people (the claimholders). A key feature of this framework is the centrality of the shared vision that underpins institutional and behavioral reforms, and is jointly held by the leadership and the people. A final feature of the PSR framework is communication; it is imperative that reforms initiated should be communicated to the rest of the community and stakeholders not only to promote ownership, but also to sustain the implementation of said reforms.

While participating in a research project organized by the Graduate Institute for Policy Studies, with Professor Ikujiro Nonaka's concept of wise leadership for a knowledge-based society serving as the framework, the authors concluded that the Governance Reform Framework (GRF) used in the Philippines could be enhanced, and would certainly be enriched, by the work of Professor Nonaka. It is within this context that we argue that for PSR to be sustainable, reform initiatives should be dynamic and driven by the continuous pursuit, creation and advancement of knowledge, with leadership—characterized by Nonaka as "phronetic" and "wise"—playing a key role in the advancement of the process.

The chapter is divided into three parts. The first discusses the context of the study, providing an overview of the public sector reform efforts in the Philippines by focusing on two major broad PSR strategies, reorganization, and decentralization. It discusses a general framework for PSR that the authors have developed over the years based on the Philippine PSR. The second part discusses the highlights of the two case studies prepared for the project, analyzed from the perspective of the knowledge creation and phronetic leadership framework of Professor Nonaka. The case studies are focused on the experience of selected leaders of the Philippines from the national government, local government, and civil society, whose efforts, initiatives, and innovations have led to the significant transformation—and reforms—of their respective institutions. Finally, the third part discusses the composite enhanced framework for the analysis of public sector reform developed on the basis of the original PSR framework, and enriched by the Nonaka framework.

Part I: Public Sector Reform in the Philippines: Continuous Reorganization and Decentralization

Reforming the public sector has always been a continuing and universal challenge for most political and administrative systems throughout the world. Much has been written about the imperatives to reform governance, as is reflected in the many movements within the discourse of public administration. Modern public administration itself—as articulated in the New Public Administration (NPA) theories of the seventies and the New Public Management (NPM) approaches of the nineties[1]—has underscored the imperatives of drawing from, among other things, the experience of the private sector, and the need to design and implement appropriate approaches to enhance stakeholder involvement through consultation and decentralized management. Thus, reorganization and decentralization have become notable features to the PSR approaches in the Philippines for decades (Table 10.1).

Reorganization

Philippine politico-administrative history, at least since the mid-40s after World War II, has shown that reorganization has always been adopted as a strategy to restore the 3Es (efficiency, economy, and effectiveness) into government. It is within this context that reorganization of government has become a major tool for public sector reform. All Philippine presidents since 1946, upon assuming office, have placed high on their agenda the reorganization of the bureaucracy.

Attempts to restructure the Philippine bureaucracy have been initiated in accordance to the principle that economy, efficiency, and effectiveness should be behind every reorganization strategy. Over the years, in accordance with the principles of new public administration, *equity* was included as the fourth "E". Among the more dramatic and visible reorganizations implemented were those by Elpidio Quirino in the 1950s, Ferdinand Marcos in the early 1970s upon his proclamation of

Table 10.1 Reorganization and public sector reform initiatives in the Philippines (1898–2013)

Types of government reorganization	*Period*	*President*	*Reorganizational law*	*Philosophy*
Pre-Government Survey Reorganizational Commission (Pre-GSRC)*	1898–1953 1941 1947 1950	Manuel Quezon Manuel Roxas Elpidio Quirino	Government Survey Board Reorganization Committee Reorganization Commission	Less Spoils, Filipinization Economy and Efficiency
Government Survey Reorganizational Commission (GSRC)	1954–1956	Ramon Magsaysay	Republic Act No. 997	Economy &Efficiency
Presidential Commission on Reorganization (PCR)**	1969–1986 1970 1972	Ferdinand Marcos	Executive Order No. 281 Presidential Decree No. 71 Integrated Reorganization Plan (IRP)	Economy and Efficiency, Economic and Social Development
Presidential Commission on Government Reorganization (PCGR)	1986–1992	Corazon Aquino	Executive Order No. 5	DeMarcosification Decentralization Economic Rationality and Social Justice
Streamlining of the Office of the President	1992–1998	Fidel V. Ramos	Executive Order 149	Economic Growth, Social Equity and National Solidarity and Unity
Re-Engineering the Bureaucracy for Better Governance Program	1998–2001	Joseph Estrada	Executive Order No. 165	Efficiency, Innovation, Effective Governance and Sustainable Socio-Economic Growth

(continued)

Table 10.1 (continued)

Types of government reorganization	*Period*	*President*	*Reorganizational law*	*Philosophy*
Rationalization Plan	2001–2010	Gloria Macapagal Arroyo	Executive Order No. 6	Efficiency and Effectiveness
Rationalizing the Office of the President	2010–present	Benigno Aquino III	Executive Order No. 18	Economy, Efficiency Effectiveness and Transparency

Source Basic data from the official gazette, republic of the Philippines, updated by Brillantes and Perante-Calina (2014) martial law, and Corazon Aquino in the mid-1980s. Fidel Ramos introduced reengineering in the early 1990s, and Estrada, Arroyo, and Aquino implemented what has been described as rationalization of the bureaucracy after 2000. Table 10.1 reflects the history of reorganization movements in the Philippines within the context of public sector reform.

Indeed, public sector reform in the Philippines continues to be a dynamic and live process, or at least a continuous work in progress. It is not far-fetched to say that high on the agenda of every incoming administration is reform of the public sector using reorganization as a tool. It becomes a *janus-faced* instrument, designed not only to "renew" the bureaucracy and instill a variation of "new beginnings", but also to act as a politico-administrative tool of the incoming administration for their purge of the bureaucracy not only of nonperformers, but also of the political opposition. Equally though, reorganization can also be a powerful tool to bring about equity in the politico-administrative system, specifically in terms of redistributing resources between and among the various levels of government, including national and local governments. This is the concern of the next concept to be discussed, decentralization.

Decentralization

In general terms, decentralization is the process through which authority, powers, and resources are dispersed and redistributed between and among various levels of governments, mostly from the national and central government to sub-national and local governments. Decentralization has been identified as both a strategy and a public sector reform tool to address inequities in the politico-administrative system.

Philippine history has shown that sub-national institutions—beginning with the villages (barrios, barangays) and moving upwards—have always been an integral part of the country's politico-administrative system. However, there has also always been debate about the degree of autonomy of said sub-national institutions. The sub-text here pertains to the extent of power and authority of sub-national institutions, and the type and degree of implementation of decentralization. Decentralization therefore becomes a tool for reforming public sector institutions to make them more responsive with the following objectives and goals: administratively the decongestion of central government institutions; and politically, the transfer of powers and authority—including financial powers—to sub-national governments within the context of devolution.

The Philippines has had a rich experience in decentralization as a public sector reform strategy. The discourse on decentralization has always been linked to the efforts to strengthen sub-national governments (local governments). A review of Philippine political and administrative history shows that there has always been recognition of the role of local governments, and decentralization has been a strategy to strengthen them within the context of public sector reforms. Former President Jose P. Laurel wrote in 1926 that the idea of local autonomy was existent even before the arrival of the Spaniards. The local villages or barangays were at that time considered as autonomous territorial and political units headed by a *datu, panginoo* or *pangulo*.

The Spanish colonizers enacted the "Maura Law" in 1893 that included the establishment of *tribunals, municipals,* and *juntas provincials*. Decentralization under the Malolos Constitution of 1899 provided relative ample scope for local governments with popular and direct election of local officials. However, the trend during the time of the later American occupation was toward centralization, wherein all local governments were placed under military control primarily for control and security purposes, despite the rhetoric in favor of local autonomy.

The first local autonomy act after independence was Republic Act No. 2264, entitled "An Act Amending the Laws Governing Local Governments by Increasing their Autonomy and Reorganizing Provincial Governments." Another landmark piece of legislation with regard to local autonomy in the Philippines was Republic Act No. 2370, passed in 1959, entitled "An Act Granting Autonomy to the Barrios of the Philippines" or otherwise known as the Barrio Charter Act. The declaration of martial law in 1972 saw a massive set-back for autonomy. The national and local elections were suspended, and Marcos placed unto himself the power to appoint local officials who exercised functions under the President's authoritative control.

In 1983, with the country still under Marcos' authoritarian rule, a Local Government Code was promulgated stating the policy of the State in the 1973 Constitution, to "guarantee and promote the local government units to ensure their fullest development as self-reliant communities, and make them effective partners in the pursuit of national development and progress." Notwithstanding the enactment of the Code, the measures to decentralize government remained merely as administrative formalism.

With the ousting of Marcos in 1986, a constitution was enacted that ultimately served as the country's long-standing robust framework, and has become the source of other laws. In accordance with Article II, Section 25 of the 1987 Constitution, which provided that "The State shall ensure the autonomy of local governments," the Local Government Code of 1991 was promulgated. The Code transferred the responsibility for the delivery of basic services to the local government units, including appropriate personnel, assets, equipment, programs, and projects. "Local autonomy" would now mean less reliance on the national government, including "allotments" made by the national government, and increased reliance on internally generated resources, or resources jointly generated with other institutions, irrespective of whether they are other local government units, or private institutions.

If we were to highlight the major milestones in the evolution of contemporary decentralization and local autonomy in the Philippines, they would be the following: the 1950s (the period of community development); the 1960s (the beginnings of decentralization policy with RA 5185 and the pilot decentralization of three sectors, i.e., agriculture, health, and engineering); the 1970s, which saw the combination of administrative decentralization under the IRP and political centralization under martial law; the 1980s, which saw the passage of the first Local Government Code BP 337, and then its interruption with the people power revolution in 1986 and the inclusion of local autonomy in the Constitution; the 1990s (the passage of Local Government Code RA 7160 and its implementation, including monitoring and evaluation through the Rapid Field Appraisals); and in 2000 and beyond (the institutionalization of decentralization and local autonomy and the implications upon such by the issuance of EO 444 calling for a strategic review of decentralization and EO 669 with the government officially advocating federalism).

One of the landmark policy reforms that took place in the Philippine politico-administrative system was the enactment of Republic Act 7160, or the Local Government Code of the Philippines, in 1991. The Code provided local autonomy to local governments through a massive decentralization process. More specifically, the Code had four major features: it devolved the responsibility for the delivery of basic services (including agriculture, health, and social services) to the local governments. It also transferred to local governments the authority for the enforcement of certain regulatory functions. The Code also provided various modalities for local governments to enter to public–private partnerships, such as build-operate-transfer, privatization, outsourcing, and floating of bonds. Finally, the Code provided the space of direct people participation in the process of local governance. These last two features can be understood today as public sector reforms designed and implemented within the context of new public management. Table 10.2 summarizes the evolution of local autonomy and decentralization in the Philippines from pre-Hispanic societies up to the present time.

Table 10.2 Evolution of local autonomy in the Philippines

Historical period	*Significant historical development affecting decentralization and local governance*
Pre-Hispanic Societies	• Monarchial chieftains called the *datu, panginoo or pangolo* exercised executive, judicial and legislative powers in autonomous territorial and political units, assisted by a Council of Elders
Spanish Colonial Period (1521–1902)	• Colonial governments consolidated autonomous villages into *pueblos* (towns), *cabildos* (cities), and *provincias* (provinces) • In 1893, the Spanish colonizers enacted the Maura Law
1st Philippine Republic under Malolos Constitution	• In 1898, the Malolos Constitution introduced "decentralization" and "administrative autonomy" by instituting localized law-making bodies through municipal and provincial assemblies. Local officials were then elected on a popular basis
American occupation of the Philippines (1902–1935)	• There was promulgation of a number of policies promoting local autonomy • Largely because of security considerations, local affairs had to be under the control of the Americans
Commonwealth period (1935–1946)	• Local governments in the Philippines were placed under the general supervision of the President following the provision embedded in Article VII Section II of the 1945 Constitution • The President, by statute, could alter the jurisdictions of local governments and in effect, create or abolish them • President Quezon preferred to appoint the chief officials of cities

(continued)

Table 10.2 (continued)

Historical period	*Significant historical development affecting decentralization and local governance*
Post-war Era (1946–1972)	• In 1959, the first Local Autonomy Act (RA 2264), entitled "An Act Amending the Laws Governing Local Governments by Increasing their Autonomy and Reorganizing Provincial Governments," was enacted. This act gave city and municipal governments greater fiscal, planning, and regulatory powers. It broadened the taxing powers of the cities and municipalities within the framework of national taxing laws • In 1959, The Barrio Charter Act (RA 2370) sought to transform the barrios, the smallest political unit of the local government system into quasi-municipal corporations by vesting them some taxing powers. Barrios were to be governed by an elected council • The "Decentralization Act of 1967" (RA 5185) further increased the financial resources of local governments and broadened their decision-making powers over administrative (mostly fiscal and personnel) matters
Marcos Regime (1972–1986)	• The imposition of martial law in 1972, which abolished local elections and vested in the dictator the powers to appoint local officials who were beholden to him, was a great setback for the local autonomy movement • The 1973 Constitution rhetorically committed itself to a policy of "local autonomy" • The Local Government Code of 1983 (Batas Pambansa Bilang 337) reiterated the policy of the State towards local autonomy
Post-Marcos Era (1986–Present)	• The 1987 Constitution was promulgated and included specific provisions guaranteeing autonomy to local governments • The Local Government Code (Local Autonomy Act) was enacted in 1991

Source Brillantes and Moscare (2002)

A Public Sector Reform Framework

It was within the context of the above, drawing from the authors' earlier work on public sector reform, specifically from the experience of the Philippines on reorganization and decentralization, that a framework for PSR was developed as early as 2008. This was later enhanced to include a fifth dimension, to underscore the imperative of *communication* as a major component to the success and sustainability of PSR. From the perspective of the Governance Reform Framework (Brillantes and Perante-Calina 2014), the process of PSR involves various areas of reform as reflected in Fig. 10.1.

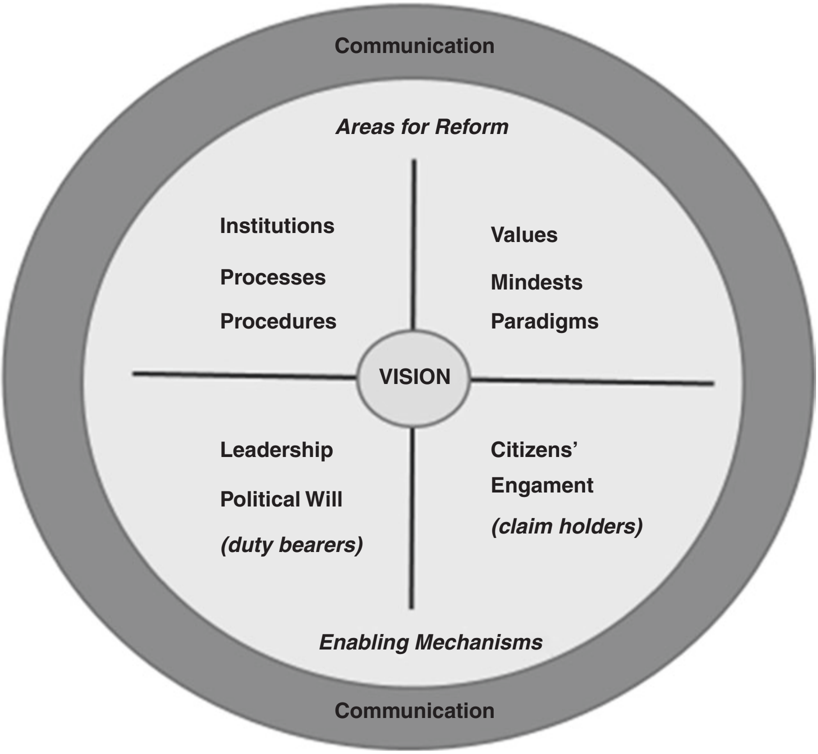

Fig. 10.1 Governance reform framework (GRF). *Source* Brillantes and Perante-Calina (2014)

Reforming Institutions, Structures, Processes, and Procedures

The increasing distrust and other bureaucratic maladies that can often weaken the bureaucracy have promoted the call for reforms in governance, particularly in reforming institutions, structures, processes, and procedures. Bureaucratic corruption and political corruption are often referred to as "trust deficits" in politico-administrative jargon, and creates negative consequences—weak institutions, unprofessionalism, poor quality of programs, projects and services, and ineffective and unaccountable administrations. Accordingly, Fukuyama (2004) explains that state building is one of the most important issues for the world community because weak or failed states are the world's most serious problems. He notes that "Nation building" is the creation of new government institutions and the strengthening of existing ones. It is a response to promote governance of weak states, improve their democratic legitimacy, and strengthen self-sustaining institutions; thus, the imperative for reform in institutions. Thus, reforming institutions includes reform in processes and procedures and improvement of structures (Brillantes 2013).

Reforming Values and Behavior

Changing mindsets is one of the most challenging aspects of area for reform but at the same time it is imperative for restoring trust in the government. "Changing mindsets as well as behavior is difficult, especially in a country where there is still a strong overlap of traditional social systems with modernization efforts" (Brillantes 2013). As pointed out by Pant (2007, 82), reforming values and mindsets refers to the molding of the individual and collective perspectives or paradigms of public officials in line with the demands of the changing context.

This is also called reforming the "culture". In the case of the Philippines, reforming mindsets and behavior will surely be a long process. It involves the presence of equally important imperatives for reform such as political will, reformed institutions, and engaged citizenry. Unless citizens participate then we can say that there is acceptance in any reform effort (Brillantes 2013). It is in this context that it is important to build capacities by designing and implementing a network of capacity building institutions, and developing a performance mindset among national and local governments. This involves performance indicators for civil servants, performance indicators for local governments, a performance management system, and a seal of good housekeeping.

Enabling Mechanisms for Leadership

Leadership matters. As one area for reform, leadership is an important handle not only for elected officials but also for the bureaucrats. Leaders are also referred to as "duty bearers", and "Leadership is a key in terms of restoring or sustaining accountable, responsible and inclusive governance. Leaders with integrity and who are not afraid to public scrutiny are indispensable. Effective leadership is central to effective and sustainable implementation; it plays a vital role in the success or failure of the government" (Brillantes 2013). As pointed out by Kotter (1996), the key to successful organization is "leadership, leadership, and still more leadership." It is in this aspect that leadership by example may lead to restoring values, changing mindsets, and streamlining processes and procedures toward the establishment of strong institutions. "Many times, political will refers to the right political support. Innovative leadership is crucial in reforming public administration and tackling corruption" (Brillantes 2013).

Enabling Mechanisms: Citizen Engagement

Citizen participation in government activities is part of the organization of a democratic country like the Philippines. Citizens are referred to as "claim holders", in contrast to the reference to leaders as "duty bearers". As the government engages the citizens in the policy-making processes, their participation is imperative for reforms to be successfully implemented. Meskell (2009, 1, as cited by Brillantes 2013) suggests that they (the government) know that, for democracy to flourish, citizens must take an active part in public like, sharing their ideas and opening their minds to the opinions of others, and finally, should take ownership of the well-being of the country.

In the Philippines, several civil society organizations are actively participating in government activities, and also taking part in empowering the ordinary citizens to become proactive members of the society. Another good example is the so-called confidence-trust surveys conducted "by the Pulse Asia and the Social Weather Stations," that reflect public involvement in the governance process. These surveys report on citizen opinion in relation to the approval and disapproval reflected the performance rating of the President. They also serve as a "yardstick for public officials to improve their performance against" (Brillantes 2013). Social media can also be a channel for citizen engagement. "Public participation has now become an intrinsic part of the governance process. There are mechanisms to engage the citizens. A wide range of channels can be envisaged to support closer citizen participation including the media, political parties, citizen watchdogs, among others. Developing measures for people participation is likewise important" (Buendia 2005).

Communication as the Fifth Dimension

Communication should be seen as a vital component of good governance. The dysfunctional state of the Filipino bureaucracy, particularly on the myriad issues, concerns, and challenges of accountability, continue to be a problem for the Filipino people. For most of the past decades, the issues of corruption and inefficiency in the delivery of government services are the focal point of reform initiatives, as there is a high demand for reform.

The World Bank demonstrates how communication can act as an important contributor to good governance, depicted in the virtuous circle of transparency based on its definition of communication as "citizen engagement underpinned by access to high-quality information". High-quality information means "creating mechanisms to broaden public access to information on reforms; strengthening clients' ability to listen to their constituencies and negotiate with stakeholders; empowering grass roots organizations to achieve a more participatory process; and undertaking communications activities that are grounded in public opinion research" (World Bank 2006).

Communication plays a vital role in the PSR, but it should be emphasized that for communication to be effective, it must be a two-way approach having a feedback mechanism between the government and the citizens. Having this approach will make PSR more open and responsive. Furthermore, the role of communication in governance (Coffey International 2007) is to: (1) improve community ability to identify and articulate their needs so that they can measure government performance; (2) improve government responsiveness by improving citizens understanding of their rights and building their capacity to engage in public dialogue and public affairs; (3) improve government performance by providing citizens with direct information on the performance of government and equipping them with the information required to hold government to account; and to (4) build social capital by encouraging networks and social movements around particular issues.

The PSR framework depicted in Fig. 10.1 was derived from the Philippine experience of efforts to reform the public sector largely through the processes of decentralization and reorganization. It was within this context that we participated in the research project organized by the Graduate Institute for Policy, with Professor Ikujiro Nonaka's wise leadership concept for a knowledge-based society serving as the framework for our analysis of the leadership styles and approaches of selected paragons of leadership in the Philippines from national and local government, and also from civil society. Our participation in the Project affirmed that, as emphasized in our framework, leadership matters, and plays a key role in successful and sustainable PSR. More important, though, was the fact that this should be underpinned by a continuous search for knowledge, building upon intrinsic and tacit knowledge that is externalized as explicit knowledge, and then is re-internalized as tacit knowledge. A process that is continuous and dynamic, and approximates a spiral movement, and is a key character of the phronetic leader as discussed in the next section.

Part II: The Phronetic Leader: Selected Cases in the Philippines

Leadership matters a great deal. Good leaders can accelerate the Socialization, Externalization, Combination and Internalization (SECI) process and make it more productive. A phronetic leader in the context of a knowledge-creating organization has the following six abilities: (i) the ability to make a judgment about "goodness"; (ii) the ability to share context with others to create the shared space of knowledge we call ba; (iii) the ability to grasp the essence of particular situations/things; (iv) the ability to reconstruct particulars into universals and vice versa using language/concepts/narrative; (v) the ability to use well any necessary political means to realize concepts for the common good; and (vi) the ability to foster phronesis in others to build a resilient organization (Nonaka 2014).

The Knowledge-Based Framework for Public Sector Reform

Over the past decades, the study of leadership has been a concern and growing desire of many scholars and institutions[2] in the Philippines, and in the region as well, to come up with Asian models or Asian studies for Asian peoples. One reason for this is the recognition of the different contexts of the East and the West. In the Philippines, serious leadership studies date back to 1953 (Alfiler and Nicolas 1997). In a research work profiling political leaders at the local government level, Legaspi (2007) shows that leader traits, style, specialization, and background have influenced the introduction of changes and reforms in local government units, and have affected the implementation of programs and projects in the community. The role of leadership as an innovation driver was also explored (Capuno 2010), while the book *Innovations and Excellence: Understanding Local Governments in the Philippines* Brilliantes (2003) analyzed the reasons behind the emergence of innovative leadership at the local level in the Philippines.

It is in this context that leadership really matters, and is a key to responsive, meaningful, and sustainable knowledge creation and innovation in public organizations. "Leadership is an important issue both for the academia and practitioners, and is even more important in public administration, as tremendous complexity and diverse issues are continually arising in the public sector" (Brillantes 2013).

In the most general terms, Professor Nonaka's theory of the Phronetic Leader emphasizes the centrality of knowledge creation. In other words, leadership is about the creation and advancement of knowledge. Leaders are endowed with intrinsic knowledge that Nonaka refers to as tacit knowledge. However, leaders also go through a continuous process of dealing with their stakeholders. This can be summarized as a four stage process known by the acronym SECI: Socialization, Externalization, Combination, and Internalization, which is then repeated. In the process, tacit knowledge evolves into explicit knowledge, which becomes tacit knowledge, and then again explicit knowledge. Thus the SECI process, together with the continuous conversion—and creation—of knowledge from tacit to explicit, to tacit, to explicit—is a not only cyclical, but upwardly spiraling as well, suggesting a continuous advancement and improvement in the process. This is the essence of phronetic leadership. Hence knowledge creation through phronetic leadership is dynamic, live, and continuous, and it is this aspect of the theory of Professor Nonaka that has enhanced and enriched our own PSR framework.

It is within the context of the above that the next section applies the leadership framework of Professor Nonaka in analyzing the leadership styles of selected Filipino transformative leaders from government and civil society. The case studies in the Philippines focus on organizational knowledge creation and leadership and management, and feature leaders with personal integrity who are not afraid of public scrutiny, and have worked toward accountable, responsible, and inclusive governance. He noted six abilities that a wise leader possesses, and which were unknowingly exhibited by the three leaders in the two case studies from the Philippines described in the previous chapters.

Cocreating the Census Serbilis: A Case Study of the National Statistics Office (NSO)[3]

This case study[4] illustrates the dramatic improvement of the national agency's services under the leadership of its administrators, Tomas Africa (1989–2001) and his successor Carmencita Ericta (2001–2014), who was administrator from the time Mr. Africa retired in 2001 until her retirement in February 2014. Africa and Ericta are the focus of the study; it was their leadership and management style that made such a remarkable contribution to the success of the agency's reform initiatives. The NSO is the primary statistical arm of the Philippine government mandated to collect, compile, classify, produce, publish, and disseminate general-purpose statistics and to carry out and administer the provisions of the Civil Registry Law.

When Administrator Africa was appointed in 1989, the service delivery of the NSO was described as inefficient. There were long queues of clients wanting to obtain authenticated civil registry documents. It often took weeks before they could get the requested documents. They had to line up for many hours just to file the request, and afterwards, line up again for long hours to get it, or sometimes only to be told to come back at another time. NSO employees were overworked, embarrassed, and wanted to improve their surroundings and services.

Africa and Ericta, by using their "oido" in management, placed considerable importance on NSO human resources. As leaders they see the potential of others and foster goodness in them. "They led and encouraged NSO people to think of doable solutions to their problems."

Together, they worked with them in drawing up plans that they could implement on their own. More importantly, they "always attribute success to NSO people, emphasizing that *we are all in it together*" (Mendoza et al. 2014).

The leadership and management style of the two administrators introduced gradual changes in the way services are delivered to the clients. As a result, the NSO received the Philippine Quality Award for Performance Excellence Level 1 in 1991. By June 2002, civil registry copies were released within the day or the next day. Today, it only takes a few minutes to transact with the NSO compared with hours or days before.

Belmonte and Quezon City: Nonaka's SECI Framework Applied in Local Governance[5]

This case study looked at the leadership and management practices and philosophy of House Speaker Feliciano "Sonny" Belmonte; focusing on 2001–2010, when he was Mayor of Quezon City. This is an interesting case, as former Mayor Belmonte was the head of other national government agencies before he became a mayor, and he has now moved on to be the Speaker of the House of Representatives of the Philippines.

Quezon City (QC) is one of the cities in Metro Manila. It has the largest population (3.18 million in 2012), and the largest area in that region (161.13 km^2). When Mayor Belmonte took the helm in 2001, the city was deeply buried in debt. The city government had a bank debt of PhP 1.25 billion, and suppliers and contractors were claiming PhP 1.96 billion. The state of the City's poor population was bad, with high incidence of drug abuse, juvenile delinquency, child labor, unemployment, and illiteracy.

The case of Belmonte as mayor of QC describes of the dramatic turnaround of the city government under his watch. The city's 2001 income of PhP 3.64 billion became PhP 9.16 billion in 2009. After 9 years in office, he left a financially robust city government that was not only debt-free, but also had savings of more than 1 billion pesos. He put in place programs for poverty alleviation, livelihood, education, and sustainable development, among others, that helped a lot in improving the lives of the city's residents. Mayor Belmonte received various awards including the *Local Government Leadership Award for Most Outstanding City Mayor (2003)*.[6] He also received for the City the *Galing Pook Award for Effective Fiscal Management (2003)*, *Galing Pook Award for Outstanding Government Program for the Molave Youth Home Program (2005)*, and

Galing Pook Award for the Payatas Dumpsite Transformation Project (2008). As a leader, he was unconventional and not afraid to experiment and try new approaches. He was very instrumental in the increase in the city's tax rates, despite the probable backlash due to the move's unpopularity. But Belmonte immediately put the money to good use, i.e., improving infrastructure and services, actions which were easily seen and felt, and changed people's minds.

The work of these three people gives us exemplary cases of effective leadership and management, which can be emulated by all executive officials of public organizations. By synthesizing the results of the analysis of each case, effective leadership is shown to be fundamental because it matters in sustaining innovations. "The key to sustaining innovations as the most important facet of stability is understanding the fact that, when the leader is out of the picture, the reforms and innovations introduced by this leader remain" (Brillantes 2015). Nevertheless, using the two frameworks as handles in analyzing these cases shows that leadership is only one aspect. There are other factors that also contribute to the improvement of public organizations' vitality and agility.

Part III: The Composite Framework: Public Sector Reform Framework Informed by the Phronetic Leader

As we emphasized earlier, our Public Sector Reform Framework has been enriched by Nonaka's SECI Framework of Phronetic Leadership. The case studies illustrate the SECI Process and how the three leaders converted their tacit knowledge in leadership and management into explicit knowledge that allowed them to lead their organizations and achieve a lot. The spiral effect of the SECI process of knowledge creation is manifested in the way that the three leaders and the people they work with continuously learn from their experiences, apply this knowledge, and come up with ideas of how to improve their services, strategies, or work better, and hence come up with the achievements they have had so far.

A person's background and past experiences have a lot to do with their success as a leader. All three leaders have had a wide range of experiences (tacit knowledge), which they used to succeed as leaders of their organizations (explicit knowledge or knowledge in action). Mayor Belmonte's experiences in the private sector and national government were very helpful in knowing what to do to improve the city government. Administrators Africa and Ericta's university activism and values, shaped from childhood, as well as their past work experiences, contributed to the manner in which they turned the NSO around (Lopos 2014).

It goes without saying that the Nonaka leadership framework provided us with new perspectives in analyzing leadership, not only as a component of public sector reform (as we pointed out in our own PSR framework in Fig. 10.1) but more importantly, as an overarching framework for PSR. It was within this context that the authors developed a composite framework, as shown in Fig. 10.2. Informed by the composite framework, the next section essentially argues that public sector reform—to be responsive, meaningful, and sustainable—*must be multidimensional, dynamic, and continuous,* with leadership as a key factor. It is multidimensional in the sense that it focuses on several aspects: institutions, values, leadership, and community engagement. However, the focus does not—and should not end there. As mentioned earlier, it is live and dynamic as it has to continuously go through the SECI—Socialization, Externalization, Combination, and Internalization—process. Also, the importance of continued feedback is essential if an organization is to move to a higher level, and build upon gains and lessons learned as operationalized through the SECI model (see Fig. 10.2).

Concluding Remarks

These case studies have shown that phronetic leadership is indeed a very important component of successful organizations. Leaders who can judge goodness, grasp reality as it is, create common platforms, communicate the essence, exercise political power well, and foster practical wisdom in others can be likened to a sharp sword forged in fire, able to accomplish its purpose. The cases of Mayor Belmonte, and administrators Africa and Ericta underline the importance of putting the right leaders into an organization to effect positive, even dramatic, changes.

Phronetic leadership is therefore crucial in solving societal problems and coming up with and implementing doable solutions. The cases of Mayor Belmonte and the NSO Administrators illustrate this, though in a different manner. Local government services as well as civil registry services, which come under the NSO, are very, very essential to society and the lack of or inefficient and ineffective delivery of the services they

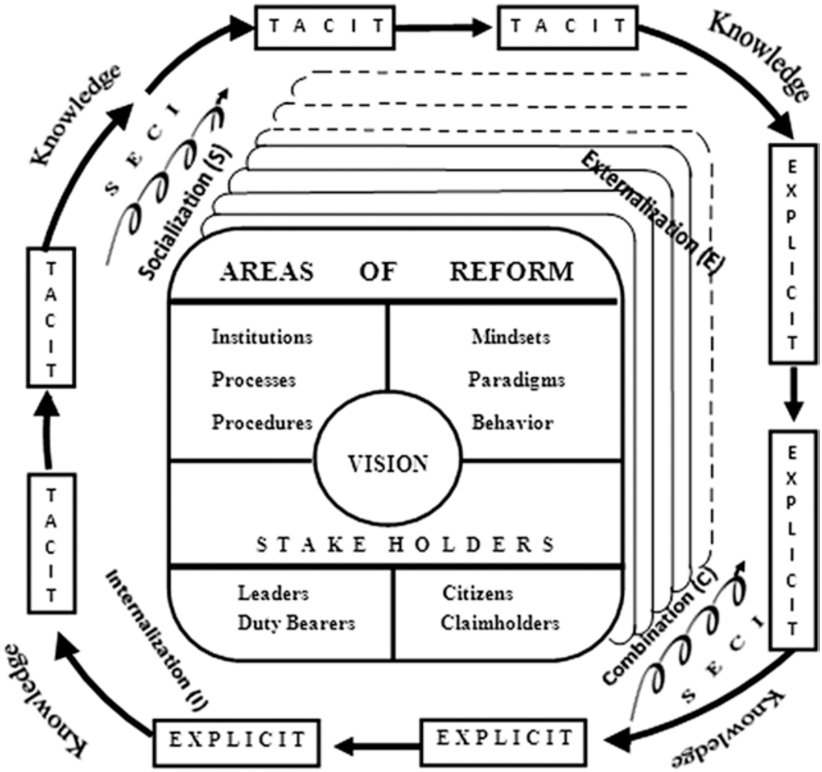

Fig. 10.2 Public sector reform framework informed by the SECI process and phronetic leadership: a composite framework. *Source* Developed by Brillantes and Perante-Calina (2016)

render would result in a lot of societal problems. Well-led, well-managed, service-delivering local and national government agencies are in themselves solutions to problems. Also, phronetic leadership must deal with the sustainability of, or improvements on, the positive changes instilled or achieved by a phronetic leader. Mayor Belmonte's successor, who was his former vice mayor, continued with his programs, and the department leaders and office heads remaining after Belmonte had moved on have continued, and are improving the initiatives made. It is the same with Administrator Africa, who passed the torch to Administrator Ericta, who has since retired. But the middle managers they mentored are now occupying posts that allow them to influence and continue the good initiatives.

But leadership is just one factor, albeit a very crucial factor, of a successful governance and reform. Hence the framework we propose is that a leader cannot be successful alone. The other factors like institutions/processes/procedures, values/mindsets/paradigms, and citizens' engagement toward a common vision are important as well, as this is the context in which the leader is in. It is his/her reality. For instance, he or she must not only be able to judge goodness or have a noble vision, but must also be able to communicate this goodness to all stakeholders, and get them and the institution's processes and procedures to support it. In this continuous and dynamic process of communicating and reforms and working on the job toward a vision, knowledge creation within the leaders, and among the people they deal with will continue to spiral upwards as suggested by Nonaka's framework. The two case studies show that a phronetic leader is able to create a platform in order to make good use of relevant knowledge creation phenomena, and in the process, cultivate wisdom, or phronesis in others. In the end, it is the whole society that benefits.

As pointed out repeatedly in this section, public sector reform is a continuous process, and a live process. It must respond to the demands of rapid environmental change emanating from many sources—ranging from global warming, to security and terrorism, to exponential advances in information communication technology, and to modes of doing international business and trade. Public sector institutions must confront these changes, and there is no choice but to adopt reforms. As suggested at the outset, the Philippine experience in confronting changes shows resort to continuous reorganization and decentralization of the system. These entailed changes in structures, institutions, mindsets, and behavior are underpinned by leadership and citizen engagement, all moving toward a common vision, with communication playing a continuous role. It is a living and dynamic process. Nonaka points out the imperative of dynamism and the continuous search and improvement of knowledge (hence the spiral movement: from tacit to explicit, then from explicit to tacit, and again from tacit to explicit, and so on and so forth), owing to the demands of the rapidly changing environment. Thus, as with the SECI process and phronesis, knowledge-based public sector reform is continuous. This has been the Philippine experience; and for so long as there are changes, it will never end. Knowledge-based public sector reform is therefore a continuing imperative for public management.

Notes

1. In the evolution of the theories of modern public administration, features of NPA and NPM have found themselves in the "reinventing government" and "good governance" movements that have become popular and acceptable in the 90s for the former, and the turn of the century for the latter. It must be emphasized that "good governance" continues to inform the theory and practice of contemporary public administration/public management and public sector reform.
2. These include universities and institutions of higher learning in the Philippines such as Ateneo de Manila University, the Asian Institute of Management, the Development Academy of the Philippines, the Mindanao State University System, the Local Government Academy of the Department of Interior and Local Government, among others, that have developed, designed and implemented programs that emphasize and recognize the key role of leadership in the success of an organization, or were involved in the successful implementation of programs and projects at the local, national and international level.
3. The National Statistics Office (NSO) retained its name as one of the major statistical agencies under the Philippine Statistics Authority (PSA). *"The Philippine Statistical Act of 2013, An Act Reorganizing the Philippine Statistical System, Repealing for the Purpose Executive Order Number One Hundred Twenty-One, entitled" "Reorganizing and Strengthening the Philippine Statistical System and for Other Purposes"* creates the Philippine Statistics Authority (PSA) comprised of the PSA Board and offices on sectoral statistics, censuses and technical coordination, civil registration and central support and field statistical services. The PSA is constituted from among the existing personnel of the major statistical agencies engaged in primary data collection and the compilation of secondary data, for example, the National Statistics Office, the Technical Staff of the National Statistical Coordination Board, the Bureau of Agriculture Statistics, and the Bureau of Labor and Employment Statistics (http://www.psa/gov.ph/content/philippine-statistical-act-2013).
4. This was carried out by Ms. Magdalena Mendoza, Vice President of the Development Academy of the Philippines (DAP), together with Ms. Ma. Cristina Valte and Ms. Krichelle Ching, also of the DAP.
5. This study was carried out by Dr. Eduardo Gonzales, Dean of the Asian Center of the University of the Philippines (UP), together with Ms. Zita Calugay of the National College of Public Administration and Governance, UP.
6. The award was conferred jointly by the University of the Philippines, Local Government Academy of the Department of Interior and Local

Government, Ateneo School of Government, De La Salle University, and the Senate of the Philippines.

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CHAPTER 11

Leadership and Management Development: The Indonesian Experience

Eko Prasojo and Defny Holidin

Introduction

As an emerging country with resilient economic growth and consolidating democracy, Indonesia has continued to strive for successful reform of the bureaucracy. Nevertheless, while a 15-year reform following a regime shift in 1998 has brought progress to the country, it has also revealed a series of problems. This section addresses the features of this reform in brief, and the critical factors that affect government reform implementation in Indonesia. This is followed by comments on the leadership that matters in policy process and organizational reform in a local context, especially in relation to society. The focus and locus of this section is the content and contexts of administrative reform by the Indonesian government at national and local levels; specifically the efforts of the government to strengthen organizational and individual capacity, to encourage innovation

E. Prasojo (✉) · D. Holidin
Faculty of Social and Political Sciences, University of Indonesia, Depok, Indonesia
e-mail: prasojo1@ui.ac.id

D. Holidin
e-mail: defny@ui.ac.id

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in public service, to improve the quality of process and content of public policy development, and to improve the quality of leadership in making bureaucracy reform work. All these efforts have been analyzed using the concept of knowledge management and phronetic leaders as developed by Professor Ikujiro Nonaka of Hitotsubashi University, Japan.

Features and Factors that Affect Government Reform Implementation at National and Local Levels

As an emerging country seeking sustained political and economic transformation (Bertelsmann Stiftung 2014), Indonesia has been involved in ongoing democratization toward consolidation, and has benefitted from almost two decades of experimentation in public sector reform. It has taken as benchmarks the US, Dutch, and German politico-administrative systems. Distinguished from other Southeast Asian countries by regime transition (Hill 2014), since the regime shifted from its former authoritarian character (Dwiyanto 2004; Ashshiddiqie 2003; Rohdewold 2003) there have been major changes in governance practice in Indonesia, started by the big leap toward procedural democracy practices in the form of free and fair elections in 1999. These changes are shifting the balance of power heavily from the executive branch to the legislative branch through equalizing state bodies under a new form of power distribution, including empowered state-auxiliary bodies, devolution of power followed by central-local fiscal balance, the strengthening of law enforcement; and liberating the press.

Along with political transformations, economic transformation at an aggregate national level was not only significantly achieved in the first 15 years of reform (1998–2014) following economic recovery from the impact of the Asian Financial Crisis (AFC) in 1997, but the economy also has become resilient enough to cope with the international financial crisis of 2008 (Basri 2013). In light of this economic transformation, the government has implemented a set of strategies which also imply additional governance changes. These are rearrangement of the regulatory framework for public finance; imposing fiscal balance between national and subnational governments; privatization and public–private partnerships for public service delivery and the operation of state-owned enterprises (SOEs); and the reduction of subsidies within budget allocations. Indonesia has successfully managed its economic development at a macro-level, with an average growth rate of 5.5% year on year. As a result of this development, Indonesia has become a more competitive country, marked by an increased international competitiveness ranking, from 55th in 2008–2009 to 38th in 2013–2014, according to the World Economic Forum (WEF 2014).

To sustain its transformation and become successfully competitive in facing global and regional challenges however, Indonesia needs more than initial breakthroughs in the political, legal, and economic arenas. Impediments to further national development come from both the public and private sectors; the Bertelsmann Stiftung (2012, 15) points out the difficulties experienced by citizens in getting better public services. There remain corrupt bureaucracies as well as heavy administrative fees resulting from a high-cost economy, continued weaknesses in government institutions and regulations, and inadequate infrastructure, and these are obstacles to private business operations and expansion (Prasojo, Kurniawan, and Holidin 2007a). Although the level of inefficiency in the bureaucracy is decreasing, problems remain given recent increases in levels of corruption (WEF 2014), and a persistent low score in the corruption perception index (TI 2014). This means the continuity of public sector reform in Indonesia is still in question (Holidin et al. 2014).

This does not mean that Indonesia has not carried out a bureaucracy reform agenda. As we have seen, Indonesia does so in tandem with political and economic transformations. But all reform agendas are continuations of previous ones, the history of which can be traced back to the early modern Indonesia after state formation. The Old Order Regime struggled to combat corruption at the highest level since the beginning of the formation of the cabinet, and the New Order Regime faced threats after the coup d'état movement in 1965. The latter developed the bureaucracy to cope with the challenge of the oil boom in the 1970s, but then let it deteriorate. This waste of time over more than three decades under the New Order Regime has caused the building of expertise of state apparatus at national and local levels to be left behind (Effendi 2011).

After dismantling the authoritarian regime in the 1998 bureaucracy reform, political agendas in Indonesia have been carried out to date in various patterns (Prasojo and Holidin 2013). A period of reactionary reform occurred between 1998 and 2003, with sporadic changes in the administrative system due less to mature strategic planning or a long-term road map, than to the strong orientation of merely satisfying external pressures. Nevertheless, the period from 2003 to 2010 was characterized by trial reform processes, manifested in more systematic and institutionalized ways with the establishment of state bodies following a mature legal-formal framework for reform. And this process has continued.

During these periods, bureaucracy reform agendas were pioneered by a few local governments through a variety of innovative reform programs that opened more opportunities to regain civic rights for basic social needs, as well as repositioning citizens not merely as stakeholders, but also strategic partners in governance and policymaking. Yogyakarta, Sragen, Surakarta, Solok, Jembrana, Tarakan, Tanah Datar, and Surabaya are a few cases that show much evidence of pioneering reform arising from the local level (Widianingsih 2005; Prasojo et al. 2007b, Prasojo, Maksum and Kurniawan 2006; Hamudy 2010; World Bank 2006a, b; Eko 2008; Triwibowo, Muhajir, and Mutasya 2010; Yunairi 2011; Muslim et al. 2012). These phenomena have been noticed since the significant changes in the vertical balance of authority among different levels of governments that have taken effect under liberal devolutionary local autonomy policy (Prasojo, Maksum and Kurniawan 2006; Rohdewold 2003; Aspinal and Fealy 2003).

It is true that, as with many other patterns of democratization in Asian countries, decentralization and bureaucratic reforms have been the major planks of governance reform at the local level in Indonesia (Kersting et al. 2009). However, democratization at the local level has not necessarily run parallel with the overall aims of government reform. Strengthening local politics has to some extent raised the tendency of politicians to influence bureaucrats and co-opt them under specific political interests. Politicians acting as the heads of local government now have stronger powers to make decisions regarding personnel placement. The politicized bureaucracy is not a new issue since this also occurred during the previous New Order Regimes.

Policy development processes are characterized by the conflicting interests of different actors, and a democratic polity is one that can manage these conflicts. Indonesian governments at every level in previous regimes have left inadequate public services behind to fulfill public needs. As in many other countries across the world, the inevitable conflicts of interest in local politics derive from the relationships between elected officials, who should be responsible for realizing the mandates of their supporting political parties and targeted constituents, controlling their own vested interests, and satisfying public demand. If bureaucrats participate in policy analysis and design, they will surely bring their own interests, such as maximizing the use of resources for their own benefit. Even when this is not the case, the bureaucracy is often trapped within a utilitarian perspective; that is, to design policy using the very best knowledge and experience to gain the optimum advantage or the smallest disadvantage in terms of the so-called well-being of the public, *as perceived by the bureaucracy.* Problems occur when a local government's objectives do not represent the expectations and interest of the public. This can be traced through the existing local regulations that substantially conflict with the needs and demands of the people.

From an organizational management perspective, higher authority obtained by local governments during the implementation of local autonomy policy in Indonesia is translated as broader in scope and bigger, but without increasing the number of functions performed, leading to a bigger but less functional bureaucracy structure. Fulfilling public demand is one reason. But this is insufficient to explain the gap between the big structure and the functional performance of local governments in meeting those demands. Increasing bureaucratic structure is the way bureaucrats maximize their opportunities to get higher recruitment levels, accommodating family members, relatives, and anyone who commits to paying extra money to individuals in bureaucracies who will abuse their position and authority. Moreover, a larger bureaucratic structure means more projects that will create more opportunities to get extra income from marked-up budgets. For politicians, opportunities go the same way, as they need the bureaucracy as a funding machine to finance their political and personal agendas.

The concern of organization management practice in Indonesian local government goes to problems of human resource capacity. It is closely related to the quantity trap and a low level of competency in the performance of their functions. The dilemma with quantity appears when, on one side, there are not enough civil servants to achieve the desired development goals, but, on the other side, their numbers become a burden, with local governments being overwhelmed by employee-related costs that often take up more than 60% of budget allocations. This capacity issue becomes harder when distribution of assignments and differentiation of task forces are taken into account; the more developed the region, the greater the number of civil servants. This unbalanced distribution of assignments is evidence of the imbalance in development that has resulted since the New Order Regime held political power.

The Indonesian Central Agency for Statistics (Badan Pusat Statistik/BPS) notes that the number of civil servants taking up administrative positions responsible for making administrative decisions on purely deskbound administrative tasks was 2,304,575 in 2013, or 52% of the total, including structural staff and officials at various levels. The rest are those whose function is to deliver public services in the various areas of responsibility, such as education, health, and so on, and who are needed to improve the achievement of development goals in these fields. The problem of unqualified civil servants is also a main concern.

Unqualified civil servants lack competency in terms of expertise, skills, and the attitude needed to perform local government functions (Prasojo 2009; Effendi 2011). The lack of expertise and knowledge can be easily traced through the educational qualifications obtained by civil servants as a whole. Not all of them have the necessary expertise and knowledge to analyze and design policies, even though they might receive some kind of intensive training. The Government of Indonesia has indeed increased training, even sending a number of civil servants to study abroad. But the number is very limited, and insignificant in comparison to the total number of civil servants. When it comes to local government, the condition is worse, with few leaders capable of turning tacit knowledge into explicit information for further initiatives in the reform of policy processes and organizations. This explains why local regulations overlap one another, why local regulations contradict national policies, and why policy design and other processes can be substantially at odds with the desires of communities at the grassroots level, and so fail to meet the needs of people and the local context (Prasojo 2009; Holidin, Hariyati and Sunarti 2015).

Besides problems with the quantity and quality of civil servants, local governments suffer from corruption, driven by the moral hazard of individuals, especially those taking advantage of institutional weaknesses. Out of 283 corruption cases investigated by the Corruption Eradication Commission (KPK) in 2012, 98 concerned officials in the governments of provinces and municipalities, and predominantly occurred as abuse of authority in procurement activities and bribery in general. The local government apparatus is in fact most frequently reported for moral hazard and underperformance in public service delivery (Kurniawan 2011; Rinaldi, Purnomo and Damayanti 2007).

To speed up the implementation of bureaucracy reform, since 2010 the central government under the Susilo Bambang Yudhoyono (SBY)

Administration introduced a more coordinated reform program as the top development priority under Presidential Decree No. 81/2010, and gave it added legitimacy through its link to the Long-term National Development Plan (RPJP) 2010–2025. This was to be achieved primarily through the formalization of a grand design and a national road map for implementing reform.

The new orientation of the reform design can be acknowledged as the mainstream part of implementing reform in systematic and institutionalized ways to achieve strategic changes in the administrative system. Bureaucratic reform is typically presented as the answer to driving improvements in public service delivery and other public sector reforms, which are constrained by a lack of professionalism, weak management, and inadequate incentives. Changes are intended to achieve significant improvement in a number of areas, for example, synchronizing administrative regulations, improving business processes and e-government practices, reengineering public service delivery, performance-based civil servant administration, empowering internal auditing and oversight, as well as enhancing the accountability system. To implement this more systematically, under the last period of SBY leadership, nine specific accelerated programs were introduced within the Ministry of Administrative Reform, and several other key initiatives are in various stages of implementation.

With the very strategic, institutionalized and engaging approaches undertaken to succeed in recent bureaucracy reform, problems remain. Several key factors seem to determine progress: 1), at the national level, no consensus among key actors on a common reform agenda was created; 2), authority was fragmented among a number of ministries, and thus it was unclear who was responsible for coordinating the program; 3), due to this lack of coordination, reform initiatives were heavily decentralized, in that reform was dependent on the initiative of the leadership of individual institutions, and each institution tended to design and implement its own reform program; 4), also due to the decentralized nature of reform, the design of programs was often inappropriate or incomplete in that they did not directly address the root problems; 5), even where well designed, reform initiatives were inconsistently implemented, and 6), there were few systematic efforts to effectively document, monitor, evaluate, or learn from the implementation of reform.

Bureaucracy reform policy as a whole has substantially fragmented as a result, in that it is more accommodating to bureaucratic interests, than to what people perceive as the real problem with bureaucracy.

In practice, many government agencies and local governments are more interested in manufacturing services than in delivering them. This applies to and reciprocally also comes from, the kind of initial policy-making that values political interest over public needs. The implementation of bureaucratic reform is also trapped in the programmatic ways of the bureaucracy, without adequate room left for breaking out of what is regulated by the Ministry of Administrative Reform (Holidin et al. 2014). This explains why it is merely adoption rather than adaptation that is undertaken by government agencies and local governments when they are called upon to implement a "Bureaucratic Reform" policy. Uniformity of application at the local level is the outcome of the lack of leadership that uses public value and knowledge management to replicate reform initiatives in accordance with local context. Moreover, Holidin, Hariyati, and Sunarti (2015) recently suggested that innovative reform programs have implied particular benefits for the people they served, though their compliance with evolving administrative law seems to be problematic. Stringent regulation on one side gives certainty to law enforcement, but becomes an obstacle to innovative programs. The problem is that going against Indonesia's legal framework would have in turn led to disincentives for further initiatives and the implementation of innovative programs. Holidin et al. (2014), note that bureaucracy has remained, and simply becomes the executive's instrument for merely implementing policy that has poor professional autonomy.

Practicing Leadership that Matters in the Policy Process and in Organizational Reforms

The case from Indonesia teaches us a very good lesson: that strategic, institutionalized, and engaging approach used in recent bureaucracy reform agendas are not yet enough. Looking at the variations in reform achievements among periods, between national, subnational, and local levels in Indonesia, one might note that what is missing in the reform efforts of the Indonesian government is improvement of the quality of leadership as the main critical factor in making bureaucracy reform work, as well as in the design of processes, and the overall content of public policy development.

It is acknowledged that a number of local governments and ministries are committed to reform as their mainstream policy. What makes these notable differences in the performance of reforming public organizations? A complicated, uncertain, even turbulent situation of democratization, an unreconciled legal system, and economic recovery have been translated as an opportunity to be more agile, flexible, inclusive, and resilient, which are not generally common features of public organizations. The implementation of reforms by particular local governments, for instance, in Surabaya, Surakarta, Sragen, Jembrana, Tanah Datar, Solok, and Yogyakarta, as well as in a number of National Government Ministries, has marked a distinguished position in comparison to others. These entities have taken a problematic situation as an opportunity. This cannot be understood as conventional management, as it essentially covers only the process from planning to evaluation. Institutional and leadership capacities to implement these reform initiatives and knowledge management in regard to learning orientation are important for effective policy process, but are often missing.

Leadership undoubtedly determines how effective policy and public management reforms will be in the case of changing Indonesia. Manifesting personal mastery, the leader who transfers knowledge and persuades subordinates and constituents to follow a change in direction has proved to be the type of leader that matters for reform. However, as a matter of fact, reform of the politico-administrative system at the macro-level is nevertheless beyond a leader's capability. As governments also manage resources, and there are a number of organizational capabilities in this area that constrain policy implementation, leadership is obviously not enough. Nevertheless, strengthening leadership roles in reform should absolutely be done through further institutional arrangements that lead to successful and sustainable reform. On the other hand, if leaders' ideals do not have sufficient institutional capability, this can make all reform efforts difficult—if not outright failures. This is well understood by reformist leaders in Indonesia, as they see how far behind them their subordinates are. That also explains why building operational capacity is considered the first item on the agenda.

Although acquiring policy recommendations from consulting and advisory partners continues to be used in policy process and organizational reform, intensified training for civil servants is a commonly employed method to increase operational capacity. Penetrating reform ideas through training has its original background in this purpose. In the case of Indonesia, there are expectations on the part of some leaders that new recruitment can help speed up reform processes, and advance the agenda of a more corruption-free, capable, service oriented, and accountable, State (Effendi 2011). Rather than merely increasing professional skills though, there is a need to pursue a mindset as well as a culture-set at an intuitive level. The experience of local governments in Indonesia affirms that having civil servants with higher skill levels do not necessarily lead to stronger support for reform. Changing attitudes becomes extremely important and a method of transforming the mental model of civil servants to the intuition level is clearly required.

The problem, however, is not only what is being undertaken, but also how to carry it out. Most reforms and innovations undertaken in Indonesian cases set out from the problems faced, and turning threats into opportunities also takes place when the external environment is reinterpreted from a more positive perspective of seeking solutions for advancing the policy process and organizational reform. The leadership style driving reform in Indonesia varies along with the contextual progress of public sector reform, especially at local levels when the scope of interaction between the elected officials (heads of local governments) and administrations are so close to one another. By practicing transformational leadership, uncertainty and threat-like situations are taken and turned into new opportunities, especially in dealing with internal support from bureaucracies. Both the current mayor of Surabaya and the former mayor of Surakarta use this type of leadership. Nevertheless, reforms could not always be favored with the voluntary support of many people, either inside or outside the organization. “Give and take” therefore became a keyword for how a transactional type of leadership, and management of reform, would increase the feasibility of achieving the goals.

Thus, pioneers of innovation in local government have used patronage to identify and get support from their subordinates, who are firmly entrenched in this practice. The basic assumption of these leaders in using this method is the affirmation of their own cadres and/or constituencies to give high support to reform policy. While this could lead to spoiling bureaucracies with a politicized apparatus, there is a stronger chance of making reform happen with assured support. A former regent of Sragen Untung Wiyono could be the best example of this. Such cases have shown that the more institutionalized the reform efforts are, the more likely they are to be conducted using a transformational approach, while the less institutionalized they are, the more likely a transactional approach between leaders and their subordinates/constituents is inevitable.

The variety of leadership style and management approaches to the reform policy process and organization is shown in Indonesian cases, as are the impacts, respectively. A number of critical factors affect the commitment and quality of leadership in local contexts. First, as a manifestation of democracy, Indonesia has implemented direct elections not only for legislative and council members but also for president, vice-president, governors, and mayors/regents. The election system has provided the executive with a greater legitimacy and more important role in determining the reform process. It is not merely political support for reform, but more an inherited mandate within which leaders take the responsibility of meeting constituents' demands. Commitment for reform is derived from this moral value, and is not intended to undermine political support from political parties in the coalition. Leaders attempt to find meeting points between political parties' vested interests and people's demands, and then compromise. Direct elections give political justification, through which the bargaining position of the reformist leaders is enhanced against supporting political parties.

Second, experiences earned by leaders in a certain period become a background that determines how they approach and undertake reform initiatives. A leader whose field-operation military career implies top-down arrangement of development policy and management, such as General Soeharto from the New Order, will give credit to this style of leadership. The background and experience of most reformist leaders are different from that of tenured bureaucrats. Those leaders brought their leadership style from the private sector and academia into the bureaucracy to carry out their duties—especially those leaders with a business background who introduced and internalized business values, the state-of-the-art in the private sector, so that the bureaucrats had to perform better daily to accomplish measurable objectives and goals. This is escaping from the "due process" trap, for improved results.

Third, for leaders to proceed with policies, political parties are the concrete and measurable political element of support and balancing power. Nevertheless, reformist leaders in Yogyakarta, Surabaya, Surakarta, Sragen and Jembrana, for instance, are neither determined by political parties nor produced by systematic political career development within supporting political parties. These figures have been selected from potential individuals based on their popularity among the public. Their quality of leadership is developed along with their previous professional background, such as business, investing, academia, or tenured bureaucracy. Nevertheless, when these leaders put their initiatives into action, their ability to negotiate, to make political transactions, to engage people within policymaking processes are essential types of political management that level up their bargaining position with respect to political parties, both from supporters and opposition. Political parties in councils in turn take the role of determining leadership performance through political support in the budgeting process, and the affirmation of policy options that are proposed by the leader.

Fourth, Indonesian leaders at both national and local levels prevent their administrations from becoming bigger—which in turn would overwhelm leaders in their management and control of resources, but they are also not about to make it lower than before. In turn, as shown in cases of coordinating ministries, leaders sometimes have difficulties in achieving their desired policy impacts due to the size and scope of tasks in the organization. Experience in local government has also shown that many styles and approaches of leadership performed by local leaders to make reforms based on knowledge management, meet limitations when they face the existing problems of institutional and organizational capacity.

Policy reforms in Indonesia are developed on the basis of the renowned but controversial New Public Management (NPM) concept, which was initially generated from the values, paradigms, and ideological basis of democracy. Embracing NPM for reforms in Indonesia is directed to obtaining positive benefit from the policy process, and to the achievement of organizational reform through the optimized use of discretion, trust-based cooperation between the regulation implementer, and the party that is the object of the regulation. A great deal of concern is therefore also given to balancing the state's role, especially with the private sector, in accordance with the rearrangement of democratic governance. The existing typical traditional bureaucracy, well known for its red tape, large size, procedural heaviness, and orientation to efficiency, has also been challenged by the introduction of state-of-the-art private sector practices, along with legal reconciliation among sectors and levels of government to resolve overlapping regulations.

While governments have shown a marked tendency to simply imitate others that are perceived as exemplars of successful reform (Pollitt 2003), the Indonesian experience has shown that using the sense of local wisdom and values as a source for knowledge creation and management, means undertaking reform close to and relevant with their societal context. Knowledge of "what works" and "what does not" therefore tends to be context dependent. Innovative organizational reforms are initially generated by the ideas of leaders at any level of organization that is strengthened through various researches by bureaucrats and external consultants. But the leaders examined in Indonesian cases are also able to exploit local wisdom and translate this into practice as manifestations of wise "phronetic" leadership, as suggested by Nonaka and Takeuchi (2011). This is done to establish their role model, to embed values into practices, and to transform their tacit knowledge into explicit knowledge, so that phronesis is fostered in their subordinates. It is imperative for leaders to be quite clear themselves about the beliefs and values that they are trying to propagate. While they may undermine or not consider the existing theoretical basis in policy process and organizational reform, these leaders act and behave on the basis of their own experiences, and have a close interaction with local wisdom and values. Indonesia's experience, derived from certain reformist local governments, has shown that knowledge—either created through academic policy research or acquired from a shared context from people involved—is always beneficial in the development of credible evidence-based policy.

The importance of increasing the bargaining positions of leaders is found in Indonesian contexts; however the preference is not to place it in diametrical relation with resisting groups, but to seek opportunities to establish coalitions and support for reform. No one expects resistance against an ongoing policy process and organizational reforms, but this occurs when any change begins to take effect. Since an inclusive approach of government is required for transparency and accountability, its existence and role in supporting the policy process and managing organizational reform are also indispensable. Without transparency, accountability, and participation, for example, through opportunities for stakeholders to take part in hearings and collaboration in policymaking, threats to reform are likely unavoidable (Dwiyanto 2011). A few leaders are eager to work beyond bureaucracy boundaries, engaging broader governance actors, i.e., the private sector, civil society organizations, and personal voluntary entities. Cases from Yogyakarta, Sragen, Jembrana, Tanah Datar, and Surakarta provide a lot of evidence for this, as do cases from a number of reforming ministries.

With regard to the participatory reform process, since socioeconomic aspects also determine whether citizens are about to commit to political participation with certain opportunities, it is reaffirmed that innovation works to deal with the problem of providing basic socioeconomic services. Indonesia's big leap of political and economic transformation post-Asian Financial Crisis 1997 matches this proposition. This is also confirmed when factors driving local government reform in Jembrana, Surakarta, Sragen, Surabaya, and Yogyakarta municipalities are taken into consideration. Instead of governments conducting reform by themselves, they would rather open more opportunities for other parties to carry out economic activities that lead to generating certain externalities in line with desired policy goals. This means that transformation toward democratic governance can be understood as a set of intended changes of relationships among which various governance reforms are carried out in democratic ways. Not only does this complexity lead to a hybrid structure within a network mode of governance in facing widespread growth of public duties, but changes also become inevitable, since reform cannot be so easily managed in a constant way while facing uncertain situations within a changing environment.

When reform is examined in the Indonesian context at both national and local levels of government, it is found that innovative reforms are implemented through the direct experience that enables sharing and creating tacit knowledge. It is natural for leaders to be eager to change toward something perceived as conforming to their own ideals and the wisdom of reform. If they want bureaucracy to suit their values, they will inevitably introduce a "phronetic" approach to manage knowledge for bureaucracy reform.

When reform initiatives came from certain local governments in the early phase of reform after 1998, they coincided with the cultural realm of using particular local wisdom by the so-called phronetic leaders of reform to embed values into practices, as well as to transform their tacit knowledge into explicit knowledge, so that their subordinates are also fostered to be phronetic. One piece of popular indigenous local wisdom in Indonesia is "*Ing ngarso sung tulodo, ing madya bangun karso, tut wuri handayani,*" simply understood as leadership by concrete example. In order for leaders to win the respect of followers, they need to model the way for others to achieve their vision. Some local authorities in Java, such as the municipalities of Yogyakarta, Surakarta, and Surabaya, like to engage society as a manifestation of paying attention to societal issues.

One of the Indonesian values borrowed from indigenous Javanese local wisdom is "togetherness" or "involving others" to solve problems. *Turba*—the acronym of *turun ke bawah* (English: being down-to-earth) or the same meaning with the currently well-known term *blusukan*—was usually carried out to meet people and open opportunities for listening, and getting at the real problems experienced by people, and finding out what they expect. Without a conventional formal procedure like *musrenbangda* (a local meeting for development planning), mayors/regents had successfully got rid of barriers in two-way communication between local government and society. In turn, leaders took this sort of direct engagement as an opportunity to raise the awareness of their subordinates by directly listening to the voice of society. For example, the former regent of Tanah Datar also arranged such meetings, not only with subordinates at the office but also the heads of Nagari, a traditional village entity based on the West Sumatran indigenous culture, since those heads of Nagari were partners of local governments who worked hand-in-hand with local agencies to deliver public goods.

The creation and transfer of knowledge in implementing reform in practice consequently apply to policymaking as well. Knowledge is one of the resources necessary to build institutional capacity within deliberative policy analysis under network governance, by which the range of tacit and explicit as well as systematized and experiential knowledge is accessible to stakeholders, including the capacity to absorb new ideas and learn from them. This applies to the repositioning between policymakers and citizens throughout the democratic governance scheme. A popular strategy undertaken by pioneers of reform in Indonesia, at both national and local levels, is "co-creation" or "co-reform" in policy process and organizational learning, put in place to facilitate a cascade of reformist ideas by learning directly from citizens at the grassroots level. This method is also commonly used for gaining stronger legitimacy and support by shortening the distance between local government and people. Along with mobilizing citizens and civil society to change government–society relations, co-created leadership is the mark of a leader who wants to pay attention to the people to gain a higher degree of trust. For leaders who agree on the virtue of co-designing policy, showing the right attitude in governing people is more powerful than dictating formal procedures. This change, including a paradigm shift in values, is deemed an extremely important prerequisite as well as the primary way of gaining public trust for effective, more fundamental public administration reform, and innovative public services.

Innovative reformist government agencies and local governments are limited in number in the first place. Transferability of knowledge and practices in this case is one issue that bridges reform between government at the national, subnational, and local levels. Nevertheless, to replicate innovation from a reformist public organization is not easy, because it does not necessarily occur in most of the remaining other local governments across provinces and municipalities, neither do individual local authorities take the same initiatives to achieve a similar result. It is thus imperative for the national/central government to intervene in the replication process of policy and organizational reforms. Establishment of guidance and technical assistance, facilitating knowledge shared through executive training for leadership and policy forums, and encouraging implementation of strong adaptive innovation by respective public organizations in a competitive manner, are concrete actions by the national government to intervene in the process.

Salient programs in this context include the Reform Leaders Academy (RLA) held by the Ministry of Administrative Reform to improve understanding and sharpen analysis of public issues/policy agendas, and to reduce an ego-sectorial attitude in policy coordination among agencies. The academy is attended by mid- or senior mid-level officials from different home agencies to build up cross-agency collaboration, and includes practical reform-oriented Improved Leadership Training held by the National Institute of Public Administration to raise the awareness as well as policy analysis skills of public officials, an Executive Education for Indonesia Transformation Forum held by the Ministry of Home Affairs in collaboration with the Rajawali Foundation and Harvard Kennedy School of Government to consolidate reformist leaders in knowledge exchange and mutual cooperation for further bureaucracy reform and innovation, that is attended by selected mayors and regents. Other offerings include the “One Agency, One Innovation” forum held by the Ministry of Administrative Reform to generate a competitive climate among ministries and local governments in the development of reform-oriented innovative programs, which are then contested to achieve the United Nation Public Service Award (UNPSA), and the open promotion and selection for Higher and Highest Level Positions in Bureaucracy, promoted by the Ministry of Administrative Reform to increase the opportunities for potential credible and capable candidates to fill various positions within the bureaucracy on a merit basis.

While leaders commit to reform with phronesis and knowledge creation, people gain fulfillment of their interests by the accomplishment of their desired benefits. Innovations that lead to solutions that enhance impact are more likely to be interpreted as a way for governments to demonstrate their credibility and competence, and show how much integrity they have. Although innovations in Indonesia are undertaken based on political initiatives and support, they increase in a way that is favored by reformist leaders. Since innovation is competitive in nature, it is important for reformist leaders to reorient their phronesis to create knowledge in a sense of self-restrained competition. Assuring adequate room for every government agency and local government to attempt iterative adaptation and competitive initiatives is the key to guaranteeing increased innovation in the future.

Conclusion

Institutional and leadership capacity to implement reform initiatives and knowledge management in regard of learning orientation are important for effective policy processes. The Indonesian case shows that innovative policy process and management developments in public sector at national and local levels have been implemented through direct experience that enable sharing and creating tacit knowledge. The actors perceive the reality as it is in the sense of empathizing with others regarding what works and what does not. In fact, the relation between actors and the environments does not necessarily transform knowledge from tacit to explicit, but rather maintains tacit knowledge as it is. With the reference to the framework introduced by Nonaka and Takeuchi (1995), the SECI (Socialization, Externalization, Combination, and Internalization) Model of Knowledge Conversion Process), what has been practiced in Indonesia is the remaining "socialization". Based on the experience of reform initiatives in Indonesia, more efforts are needed to raise awareness of the need to innovate by potential reformist leaders, so that it is condensed into a conceptual understanding. Much more efforts in the agenda are needed to relate conceptual understanding to systematic and sustainable actions, and to further the internalization of value created to embody the knowledge in policy process and organizational reform."

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CHAPTER 12

A Knowledge-Based Paradigm of Public Sector Reforms in Asia

Masaei Matsunaga

Introduction

The counties of Southeast Asia have reached a critical stage in their socioeconomic development. As their economies have continued to expand, policy issues have become more complicated, especially in relation to the increasingly globalized economy that has made their policy environment more disruptive and uncertain. As a result, many countries in the region have come to find themselves in or on the verge of the so-called "middle-income trap," from which only a handful of countries have historically managed to advance to become a high-income country. Although Japan is a developed nation and a high-income country, it is also in a similar situation in that its economy has entered a prolonged stationary state after achieving dynamic growth for decades, compounded further by unprecedented event of a simultaneously rapidly aging and decreasing population.

Nevertheless, every government in the region is expected to be not only more efficient and transparent in managing pubic resources, but

M. Matsunaga (✉)
Japan International Cooperation Agency, Tokyo, Japan
e-mail: Matsunaga.Masaei@jica.go.jp

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also more innovative and agile in creating effective solutions to pressing societal issues that contain mutually conflicting factors. Against this background, initiatives for public sector reform have been activated throughout the region. How those reform programs can be more effective in transforming governments to be more innovative and agile is a major question posed in every country in the region.

Outcome-Focused Reform Initiatives in the Public Sector of Asian Countries

Many of the recent initiatives in public sector reform in the region are observed to have a common feature; they focus on the concept of outcome. Thus, various "scientific" approaches are employed to measure the outcome of government activities as a part of the adaptation of managerial practices developed in the private sector, an approach that is collectively termed "New Public Management" or "NPM" in short. This is essentially designed to enhance the objectification of the outcome of organizational activities in the public sector, and to vitalize incentive systems for those who work in that sector. Internationally practiced standardized measures have been adapted in each country to promote such practices.[1] Those measures are essentially devised to transform public organizations into more outcome-oriented bodies by generating a managerial framework similar to those practiced in the market system.

A major assumption behind these reform initiatives seems to be that the evasiveness of outcomes in the public sector inherently keeps public organizations less efficient than private organizations, leaving them process focused and deficient in innovativeness and agility to generate outcomes required by the society. If, therefore, it embraces an outcome-focused managerial framework, each public organization is assumed to be able to perform its function more effectively and efficiently by unleashing its "hidden potential."

The recent surge in outcome-focused reform initiatives has been accelerated by the progress of democratization and decentralization in the region. Political leaders who were elected to lead the state and local governments feel obliged to meet the expectation of the people by a bold reform of the bureaucracy that is generally perceived as inefficient and incompetent. The outcome-based managerial schemes have been enthusiastically adapted as authentic solutions that proved their effectiveness in developed countries. On their part, international development assistance organizations have been encouraging this trend by offering both technical and financial support. A reform program in the field of governance is regarded as a priority target in their operation, because the cost-performance of an aid project is considered to be higher in this field than in other specific sectors.[2] The preference of aid organizations is also assumed to accelerate the adaptation of the outcome-based managerial schemes in the region.

A Necessity for Localized Models

It is expected that the resulting bold reform initiatives in each country will mean an enhanced capacity in public organizations. As reviewed in this chapter, successful case studies are emerging in each country that can act as benchmarks for others to follow. Those cases show how a difference in the capacity of a public organization may result in an amplified difference in the outcome of policies in a dynamic stage of socioeconomic development of a country. However, the chosen cases do not necessarily prove the validity of outcome-focused managerial models, but do allow us to examine the significance of local factors in the reform process.

It is assumed that the effectiveness of reform initiatives based on outcome-focused managerial models is negatively affected by local contextual constraints that undermine the validity of the major presumptions associated with the models. First, a basic concept of managerial models is presumed to be applicable to any organization. However, it is generally observed that the models developed based on practices in the private sector of Anglophone countries are not functioning as envisaged when they are transplanted to the public sector of Asian countries. One reason could be that each country has unique societal systems: culture, custom, value systems, codes of conduct, legal systems, incentive systems, and other intervening factors. Different societal systems affect the capacity of public organizations in different ways. This argument leads to the assumption that a managerial scheme developed in a society might lose its relevancy in a foreign society by the degree to which the societies are different each other. This assumption seems to be more valid in the public sector than in the private sector because societal factors function more strongly in the former than in the latter.[3]

Second, it is generally presumed that the outcome of organizational activities can be objectively measured, and a clearly pre-defined outcome is a prerequisite for the function of an incentive system. However, the essential outcome of the work of a public organization seems to be not generally measurable. Furthermore, as many attempts of social-engineering show, it is also hardly as pre-definable as an exact target as the quarterly targets of a firm. Whereas it seems plausible that a managerial framework modeled after those in the private sector may function effectively for public services that can be outsourced to private entities,[4] it is not certain that the same managerial framework can generally work as a panacea for any type of outcome and organizations within the public sector. The inherent evasiveness of outcomes in the public sector in the region may require a managerial framework that focuses not only on outcomes but also on the processes that generate them.

Third, the outcome-focused managerial models developed in Anglophone countries are focused more on the factors of efficiency and accountability than on those of innovativeness and agility, because of their historical and societal context, in which the latter are basically associated with political leadership. However, the focus of public sector reform in Southeast Asian countries is assumed to be the bureaucracy's organizational innovativeness and agility. Although the recent political trend in the region has shown the empowerment of political or politically assigned leaders in public organizations, bureaucrats still in practice retain larger roles in agenda setting and policy formulation than their counterparts do in Anglophone countries. While it is generally assumed that governments in this era are required to have more innovative capacity than their predecessors because of the increasing complexity of policy issues, bureaucrats in the governments of Southeast Asian countries and Japan are required to have particularly high levels of innovative capacity because of the challenging outcomes tasked for them. The difference between the context of reform in Anglophone countries and in Asian countries is substantial. Sustaining a high level of inclusive growth to become a high-income country within a few decades by transforming myriad systems in the society is an incomparably challenging outcome tasked for any government in the world. So is reversing a vicious societal spiral caused by aging-cum-decreasing populations.

The capacity for policy innovations will define the course of Southeast Asian countries and Japan in coming decades, and this will in turn require them to try unconventional approaches in their initiatives of public sector reform. Whereas a standardized model of outcome-focused managerial framework may prove to be instrumental to some extent in transforming their public organizations, it is also deemed necessary that a truly localized managerial framework be developed based on contextual factors of the respective Asian countries, so that a government's innovative capacity to solve societal problems may be substantially enhanced. In case a standardized managerial scheme is adapted, it needs to decontextualized to suit to the local context. Thus, to develop truly localized solutions, outcomes currently tasked for governments in Southeast Asian countries and Japan need to be carefully examined so that critical contextual factors are grasped.

Outcomes in Public Sector Capacity Development and Knowledge Creation

Capacity Development as the Outcome in the Public Sector

In clarifying the peculiar features of outcomes tasked for public organizations in Southeast Asian countries and Japan, an indispensable step to create an effective localized reform model, the concept of "capacity development" (Fukuda-Parr et al. 2002) is assumed to be highly instrumental. This is a framework to grasp the true state of a country as the amalgamation of various segments of "capacity to solve problems." This capacity is categorized into three levels: the capacity of individuals, of organizations, and of the society in general. In this context, a society can be regarded as a country or a local area in a country. Naturally, individuals constitute an organization, and organizations and individuals constitute a society. Therefore, the capacity of a society is defined by the capacity of individuals and organizations within its boundary. On the other hand, the society's own element of capacity consists of the various factors that define the performance of its individuals and organizations. These include physical infrastructures and laws among others.

There is a similar concept called "capacity building (UNDP, 1993)." While this normally denotes the state of human capability (knowledge, skills, and attitude), the concept of "capacity development" extends its realm to that of organizations and societies. Under this concept, each society or each segment of a society is assumed to have the unique capacity to solve problems. As countries show a diversified state of development, policy domains or sectors and regions within the same country also may exhibit such diversity. This is because the composition of three levels of capacity is peculiar to respective policy domains and regions, which can result in difference in their capacity to solve problems.[5] In the paradigm of capacity development, all the outcomes in the public sector can be reduced to changes in the three levels of capacity in a policy domain or region. The outcome tasked for a government or any particular public organization is an enhanced state of the capacity of the society in a certain policy domain or a region.[6] By applying this conceptual framework, the assessment of factors that affect the capacity of a government in respective policy domains can be more systematically conducted.[7]

In the paradigm of capacity development, a societal problem is defined as a state of societal capacity that needs to be enhanced or retained. While the societal capacity in a policy domain is segmented to the three levels of capacity; each level of the capacity comprises several factors that are broadly categorized into physical factors and knowledge factors. The former is concerned with the condition of the quality and quantity of natural endowment and man-made facilities represented by various economic infrastructures, while the latter is about the condition of human capacity and various knowledge assets in the society, which includes laws, decrees, plans, designs, and intellectual properties, and shared tacit codes of conduct, among others. It follows that a societal problem is conceptualized as the state of deficiency in those physical and/or knowledge factors in their societal capacity. A major function of a government is to facilitate the transformation of those factors in the society. Outcomes tasked for a government and its respective public organizations are defined as positive changes in the factors that constitute the capacity.

Societal Institutions

The single most significant outcome tasked for any public organization is to solve a societal problem or enhance societal capacity in its assigned policy domain. While most societal problems contain both physical and knowledge factors within them,[8] it is the latter that is more critical for the capacity of a society. This is because the outcomes of knowledge factors are assumed to be more time-consuming and unpredictable to generate than those of physical factors. The acquisition of knowledge and skills as well as the transformation of mental-models occur endogenously within individuals. Although this process can be facilitated by external stimuli, it is generally beyond the reach of "social engineering." This is the reason why a societal problem that does not require a large amount of investment but contains a substantial volume of knowledge factors will turn out to be a more challenging task for the government.

A major category of the knowledge factors that shape the capacity of a society is "societal institutions." In the context of the current inquiry, a societal institution is defined as a state where the members of a society, who are termed as "stakeholders," share the same set of recognitions and behaviors, coupled with accompanying knowledge and skills. They are the tacit segments of societal capacity that define the performance of individual societal members and organizations that operate in the society, which are conceptualized as "societal institutions." A significant part of the societal capacity of a country consists of societal institutions in various policy domains, which defines the overall capacity of a country that reveals itself in various outcome data.

A law or an ordinance itself does not denote a societal institution, but a "policy solution" that plays a catalytic role in the evolutionary process of a societal institution. When a problem is identified regarding a societal institution, a policy solution is applied to facilitate the evolution of the institution to a desirable state. The difficulty in this process is caused by the fact that an outcome of institutional evolution cannot be prefigured with the same levels of exactness as required for the engineering activities around a physical factor such as the construction of facilities. The structural factors that lie at the heart of this difficulty can be summarized as follows:

- The evolution of a societal institution is essentially an incremental and endogenous process among stakeholders.[9] While a government can directly intervene in the transformation of physical factors by constructing public facilities, its role in the transformation of a knowledge factor is limited to that of a facilitator, which occurs endogenously within each individual stakeholder;
- The outcome of the evolutionary process of a societal institution is difficult to measure. The reliability of indicators is generally limited to grasp incremental changes in the cognitive dimension of stakeholders;
- Each societal institution takes a specific mode based on the context of the policy domain in which it exists, which reduces the effectiveness of standardized interventional measures or policy solutions. For instance, interventional measures that worked in the policy domains of irrigation development might lose their validity in the domain of primary education development; and

- A policy domain is divided into many interrelated sub-domains that have their respective sub-institutions, which is conceptualized holistically as a “policy system.” For instance, the policy domain of primary education development can be divided into sub-domains of teacher training, facility development, curriculum development, community participation, and other fields. Piecemeal attempts of interventions would not work as a policy system; a systematic approach is required to solve a societal problem.

The evolution of a societal institution in a policy domain is thus an endogenous process of simultaneous evolution of sub-institutions in respective sub-domains, a process that requires a government to devise contextually localized interventional measures, and to take a meticulously systematic approach in facilitating the process without objective data. This explains why an outcome to be achieved in the public sector is assumed to be generally more challenging than one in the private sector. The evolution of a societal institution is arguably the most challenging outcome tasked for any government.[10]

Organizational Institutions

Institutions also constitute a critical part of capacity of any public organization, as they do with respect to the capacity of a society. The capacity of a public organization is primarily defined by the quality of its internal organizational institutions as well as that of members’ capacity.[11] While physical facilities and equipment may constitute a significant part of the organizational capacity in public service delivery organizations,[12] their outcome performance is defined by the quality of their organizational institutions and their members’ capacity. Some organizations are continuously more innovative in solving their problems than others, just as some countries are more consistent in expanding their economy than others. Such a difference in outcomes is assumed to be caused by the difference in the respective organizations’ routinized processes to solve their myriad problems, which are conceptualized as “creative routines.” These are critical organizational institutions that define the quality of organizational learning and solution creation, which in turn affects how organizational members can be continuously motivated to create innovative solutions by learning from their own practices as well as adapting from others. The innovativeness and agility of a public organization can be assessed by clarifying its creative routines.

As in the case of societal institutions, the evolution of an organizational institution takes an endogenous process that is generally beyond the reach of quick-fix manipulation. As many futile attempts to reform a public organization have shown, at the heart of any lingering problem lies the issue of the stakeholders' mindset, a tacit form of the organizational institution. To perform their functions more effectively, public organizations are expected to transform their organizational institutions so that they can be more innovative and agile in coping with societal problems.

In this context, it can be argued that the outcomes of institutional evolution in a society or in a public organization are essentially different from the outcomes envisaged in the managerial frameworks of firms. Whereas it is witnessed that firms have become increasingly concerned with the generation of a societal institution to solve societal problems,[13] their managerial frameworks have been developed predominantly for outcomes in terms of profit or customer satisfaction as a result of the sales of their goods and services. Hence, in pursing outcome-focused reform programs, a government is required to facilitate its public organizations to create a set of organizational institutions that can address the peculiar nature of their intended societal institutions, instead of simply emulating standardized models practiced by firms. The success or the failure of an outcome-focused reform initiative in the public sector is affected by the extent to which reform measures have been localized to conform to institutional evolution processes in respective policy domains.

Knowledge-Based Views of Institutional Evolution

A cardinal question for any government is how it can effectively facilitate the evolution of existing institutions both in the society and in each public organization. To answer this question, it is imperative to clarify the dynamics of the evolutionary processes. As examined, the evolution of an institution is assumed to occur in the cognitive dimension of stakeholders.[14]

A public organization facilitates the process by creating and implementing solutions: a regulatory framework or a package of public services to a societal institution, and organizational guidelines to an organizational institution. The diversity found in the "performance" of institutions implies that an institutional evolution or devolution is accelerated or retarded by various conducive and impeding factors that affect the cognitive and endogenous process of stakeholders. In clarifying those factors, the dynamics between an institutional process and a solution needs to be examined. For the purpose, the theoretical framework of knowledge-based management is assumed to enable the deeper analysis of that dynamic because of its focus on the factors of knowledge.

A solution is an explicit mode of knowledge that takes the form of a law, a set of guidelines, a plan, a program, a manual, and others. While institutional evolution is essentially an endogenous process that takes place within the realm of stakeholders' tacit knowledge, typically belief, judgment, and attitude, it can be effectively facilitated by the explicit mode of knowledge. Because of its explicitness, a solution is efficiently communicable to a large number of stakeholders. Nonetheless, many of solutions turn out to be helpless to facilitate their targeted processes, as the fact that many laws and organizational guidelines fail to substantiate intended outcomes indicates. In the framework of knowledge-based management, the process of institutional evolution is grasped as a dynamic interactive process of the tacit knowledge of stakeholders, and the explicit knowledge created as solutions (Nonaka et al. 2008). Expediting and impeding factors that affect the effectiveness of a solution are assumed to be located in this two-way dynamics. If this assumption is sufficiently valid, it is expected to potentially open up alternative ways to enhance the effectiveness of reform measures to be designed for public organizations in the region.

Those factors that affect the effectiveness of a solution designed for an institution are categorized into "content-factors" and "process-factors." The content-factors are literally about the content of a solution. Any solution is created based on certain hypotheses. How closely the hypotheses are relevant to the reality of stakeholders is assumed to affect the effectiveness of the solution.[15] On the other hand, the process-factors are about how a solution is created and implemented. An institutional evolution is assumed to be not only facilitated by the solution itself but also by its process.[16] A solution is something that cannot be enforced upon stakeholders; it needs to be embraced by them. It also needs to allow stakeholders to exert their capacity of serendipity in the process of its implementation. The effective implementation of a solution requires the concurrent generation of tacit knowledge among stakeholders in the process, which may result in a better and unintended outcome.

In practice, it is observed that both factors are mutually intertwined. While it is widely accepted that a solution targeted at the behaviors of stakeholders needs to be localized, based on specific features of the locality, the quality of the localized content is primarily defined by the localization process, in which the tacit knowledge of stakeholders needs to be sufficiently incorporated into the solution.

A major hypothesis in the current inquiry is that the effectiveness of a policy solution is more seriously affected by process-factors than by content-factors. This assumption is partly based on the general observation that a reform program often fails to bring about its expected outcome despite detailed studies and analyses conducted by external parties. Such a situation may imply that process-factors have negatively functioned to reduce the effectiveness of such a solution. While a team of professional consultants who work independently of other stakeholders can efficiently create an effective solution to a societal problem that is concerned with physical factors, a solution created in a similar way is assumed to hold far less validity for a problem in an institution. On the other hand, cases of successful outcomes show that stakeholder tacit knowledge is mobilized in the process of the creation and implementation of solutions. As the function of a solution is to facilitate the endogenous process of institutional evolution, its effectiveness is assumed to be affected by the degree to which the tacit modes of expediting knowledge have been generated among stakeholders. While the movement of outcome-focused administrative reforms has substantially activated scientific approaches to find the appropriate content of policy solutions, similar efforts to clarify the process-factors have not yet been deepened. In creating reform measures to strengthen the capacity of public organization to innovate more effective solutions, the process-factors that define the effectiveness of the solutions need to be clarified in the respective country contexts.

Grasping Process-Factors in the Capacity to Innovate Solutions

The capacity of a country to cope with an increasingly challenging policy environment is assumed to be largely defined by its public organizations' capacity to innovate and implement policy solutions. Public organizations are expected to enhance their own capacity by facilitating the evolution of their organizational institutions, and effectively facilitate the evolution of targeted institutions in the society, which will solve perceived societal problems. To strengthen the capacity to do this, the following aspects of the processes designed to create and implement solutions need to be examined:

- The process-factors that affect the effectiveness of a solution to a societal or an organizational problem;
- The relative significance of various process-factors in terms of their effect on the effectiveness of a solution; and
- The effect of local context on the relative significance of these process-factors.

In inquiring into the factors that define the effectiveness of solutions and facilitate institutional evolution, the causality between the process-factors of a solution and its effectiveness as to the targeted outcome needs to be clarified.[17] In such an exercise, the definition of the process-factors needs to be operationalized so that they can be objectively measured. In particular, reasonably effective measures to grasp the state of tacit modes of knowledge of stakeholders, including those within a public organization, are required. In the next sections, a preliminary inquiry into these questions about the process-factors is attempted, with a view to clarifying the focus of empirical studies required for designing an effective public sector program, in the following areas:

1. Organizational Development. Implications for further studies on the issues of organizational development are explored through a preliminary examination of process-factors in two stages: (1), the formulation stage of a solution, in which the tacit knowledge of stakeholders is mobilized to identify the critical issue of a problem and create the key concepts of a solution to the issue; and (2), the implementation stage of a solution, in which the generation of tacit knowledge is activated among stakeholders in the process where a concrete solution is compiled based on the concept and implemented; and
2. Leadership Development: The implications for further studies on the issues of leadership development are explored through a preliminary examination of catalyzing roles performed by key actors in transformative processes and factors that define their capacity.

Dynamic organizations and societies that can solve their problems effectively and agilely are assumed to have creative routines that enrich expediting factors in their solutions. However, studies on those process-factors have remained relatively inactive compared with parallel efforts for the private sector, as the knowledge of institutional evolution processes is generally kept to a limited circle of practitioners who were directly involved in the processes. It is all the more imperative to examine such factors before tackling any problem of an organization or a society because of their assumed decisive impact on the effectiveness of solutions and their targeted outcomes.

Knowledge-Based Organizational Development

Basic Institutions as "Creative Routines"

Every public sector reform program in Southeast Asian countries focuses on the strengthening of public organizations' capacity to solve problems, along with organizational efficiency and accountability. In the region where the process of democratization and decentralization is gaining momentum, the empowerment of political leadership is observed to entail intensified public scrutiny into the capacity of the bureaucracy. Public organizations are generally regarded as incompetent to realize policy initiatives proposed by elected political leaders. Their organizational development is prioritized by governments that try to meet the swelling expectation of the people.

Countries and organizations that consistently outperform others are assumed to be endowed with effective institutions. A problem recognized in a policy domain is quickly addressed by the evolution of concerned societal institutions. The agility and flexibility of societal institutions in key policy domains define the capacity of a country to cope with environmental changes. The same assumption can be made on the capacity of public organizations. Naturally those effective institutions are not something acquired by chance. If a country or a public organization is constantly endowed with comparatively effective institutions in its various domains, it is inferred that it has a certain set of "basic institutions" that assure the agility and flexibility of all the different sectorial institutions in respect of the policy domains within its boundary.

At a societal level, the basic institutions can be national systems of civil service, fiscal management, legislature, decentralization, and devolution among others. Likewise, systems of decision-making, organizational structure, planning, evaluation, personnel management, procurement, and others can constitute the basic institutions of a public organization. The two levels of basic institutions interact with one another. While the basic societal institutions comprehensively define the function of the basic institutions within each public organization, they are also affected by the prevailing mode of basic organizational institutions.[18] Constituting a pair of wheels, both levels of basic institutions are assumed to jointly define the function of myriads of sectorial institutions in a country. Their function can be compared to "operating systems" that define the function of every program in a computer.

The reason why various reform schemes adapted from Anglophone countries often fail to work in Southeast Asian countries and Japan is found in this point. The validity of an "imported" solution, either for a societal basic institution or an organizational basic institution, is defined by the degree to which it is compatible with existing local basic institutions. As societal and organizational basic institutions constitute a system, it is not possible to replace a few parts of a malfunctioning basic institution with new ones as in the case of repairing a machine. A systemic approach is required in facilitating its evolution. As an entire system cannot be replaced even by a big-bang comprehensive reform, any public sector reform initiative needs to be incremental and flexible so that a solution developed in a foreign context can be sufficiently localized and internalized in the existing system.

The system of basic institutions designed to solve problems is assumed to constitute the creative routines of an organization, which suggests that the system is deeply embedded in the behavior of each organizational member.[19] While sectorial institutions in respective policy domains may change themselves relatively flexibly in responding to an environmental change, the creative routines of public organizations are assumed to persist for a long period of time, as they are path dependent and more deeply rooted to their unique local context. The highly contextual nature of creative routines means that each public organization has its unique set of creative routines or "way of doing business." Nonetheless, there can be common benchmark models for public organizations that share the same societal basic institutions. By identifying such models and applying meticulous methods as a public sector reform program, the incremental evolutionary process of creative routines is expected to be accelerated in respective public organizations.

Consequently, the focus of the present inquiry is on identifying the creative routines that are assumed to be qualified as a common benchmark model for public organizations in each country. As the performance of public organizations, districts and countries are varied and some of them are consistently outperform others, there should be critical factors that define the capacity of such high performers. By comparatively identifying those factors in the process of problem-solving, the critical attributes of the benchmark model of creative routines are expected to be identified. Once the benchmark models are successfully established, the major areas of deficiency in the current creative routines of less innovative organizations can be identified. This will enable reform planners at both national and organizational levels to create more focused solutions to facilitate the incremental evolution of creative routines based on the benchmark models.

The identification of local benchmark models of creative routines is an indispensable step in creating any effective reform program designed to strengthen the capacity of public organizations. Nonetheless, the effort to identify the models is observed to remain subdued compared with the comparable effort to adapt various solutions from abroad. In this chapter, a preliminary inquiry is made into potential models that are suited to the context of Southeast Asian countries and Japan, and that are derived by applying the framework of knowledge-based management theory. As examined in the preceding sections, the theoretical framework is assumed to be highly instrumental in assessing both expediting and impeding factors that affect the effectiveness of a problem-solving process, clarifying the causality between the way a solution was created and the solution's outcome. In this preliminary inquiry, the organizational process to solve a problem is divided into two generalized stages based on the knowledge-creation model: the stages of solution formulation and solution implementation.

Knowledge-Based Views of Formulation Stages

A societal or organizational problem has many facets or issues, which presents a government with many potential approaches to solve that problem. The identification of a "right issue" and the creation of a "right concept" to approach it are critically important initial steps in realizing a targeted outcome. At the same time, they can be the most difficult part of a problem-solving process, as the diversity of stakeholders in a policy domain often causes a situation in which many seemingly critical issues are competing for prioritized treatment, and even the recognition of a problem may not be shared. In the public sector, stakeholders are not limited to those who are directly affected by a solution. Many indirectly concerned parties such as other concerned public organizations, private organizations, the media, academics, and advocacy groups can be influential stakeholders. The problem is that diverse stakeholders have diverse tacit knowledge that can be mutually contradicting. Some groups of stakeholders do not perceive a major problem about an existing institution, while others harbor the necessity to transform it.[20]

The inherent difficulty of public sector reform programs is also caused by the divergence of recognition between those who initiate a reform and those who are to be "reformed." Without objective evidence or a crisis that clearly denotes a problem and is a priority issue for all the stakeholders, those who might be negatively affected stick to existing institutions. On the other hand, the recognition and the attitude of those who implement and oversee a created solution may critically affect the effectiveness of its solution. The frontline operatives and middle managers within a public organization are "internal stakeholders," with whom planners need to share the recognition of a problem and priority issues for its solution. Therefore, the process of issue identification and concept creation needs to be sufficiently dynamic and flexible in facilitating the synthesis of mutually conflicting tacit knowledge of diverse stakeholders.[21]

In most cases, the identification of a right issue and the creation of a right concept are facilitated by "awakened stakeholders" and "stakeholders with expertise," who are often political leaders, technocrats, academics, social entrepreneurs, and similar others.[22] They can play effective roles in facilitating diverse stakeholders to notice a problem, and reach a consensus on the priority issue of the problem. Nonetheless, there is a risk that the endogenous process is compromised by a group of awakened stakeholders in relation to a predetermined issue. For instance, a participatory and deliberative planning method can be applied to reinforce the preconceived ideas of those who intend to engineer the "transformation" of an institution, rather than to facilitate the co-identification of an issue among concerned stakeholders. Likewise, a method of evidence-based policy formulation is not immune from fallacy. Although evidence acquired from well-organized research can play a similar function to sales data for a firm, a stakeholder consensus on an institutional problem and its priority issue is generally assumed to require a more complex process, in which stakeholders' tacit knowledge is sufficiently synthesized. A policy or a program that is claimed to have been formulated based on the evidence of a scientific research might not work if such an endogenous process was compromised. While their effectiveness is affected by the degree to which the tacit knowledge of stakeholders is unleashed, and the synthesis of different views is deepened, the application of such methods often goes no further than collecting the superficial knowledge of stakeholders for the purpose of justifying a preconceived issue. An effective socialization process is an endogenous process of stakeholders, which often cannot be substituted by an efficient and scientific method of planning. The effectiveness of the processes and *Ba*[23] designed to facilitate the mobilization and synthesis of the tacit knowledge of various stakeholders is assumed to be affected by their relevance to the local context. A standardized method of facilitation and survey also needs to be appropriately modified in the light of its local contexts.

In the processes of issue identification and concept creation, knowledge acquired from relevant preceding cases in other organizations and countries can play a critical catalytic function. It can be a major source of innovation in facilitating the identification of a similar issue in the local context. An exposure visit to a foreign country may also enable an awakened stakeholder to find out a hidden critical issue that is hardly perceived at home. By acquiring deep tacit knowledge through this exposure, he or she can be sufficiently empowered to assume a leadership role in the evolutionary process focused on the issue.[24] Sending key actors to a foreign country can thus be an effective approach in formulation stages of a solution as long as it is strategically designed and the right persons are selected.[25]

Key Process-Factors in Formulation Stages

In summarizing the argument, it is assumed that there are three major groups of factors that critically affect the effectiveness of a solution in its upstream formulation stages:

1. The extent to which stakeholders' tacit knowledge is mobilized in the identification of an issue. A truly critical issue is collectively identified by stakeholders. The endogeny of the processes and the scope of involved stakeholders are assumed to enhance the solution's effectiveness. A decentralized and flexible framework that

enables spontaneous and trial-and-error initiatives among stakeholders is assumed to get closer to the right issues in a societal or organizational problem. A policy issue identified by a segment of stakeholders needs to be embraced by others through an endogenous process to become an authentic issue for them;
2. The extent to which stakeholder tacit knowledge is synthesized in the creation of a key concept. The key concept of a solution to a policy issue is created as a synthesis of various stakeholders' knowledge. Tacit knowledge of those who will implement the solution and those to whom the solution is designed is a critical source of an effective solution. Knowledge acquired from the observation of overseas benchmark cases can be an effective catalyzer that stimulates the synthesis. The intensity of those factors is assumed to affect the effectiveness of a solution that will be created based on the concept; and
3. The extent to which the formulation process is localized. The quality of the mobilization and synthesis of stakeholder tacit knowledge is affected by the intensity of localization applied to their processes. Various *Ba* that facilitates the processes need to be designed based on each local context including such factors as culture, and tacit codes of conduct. The openness of a process and the scope of stakeholders are also assumed to affect the innovative capacity of a public organization,[26] while the mode of openness also needs to be localized.

The mobilization and synthesis of stakeholders' tacit knowledge are critically important at the initial stages of issue identification and solution formulation in relation to problem-solving: issue identification and solution formulation. This is because a societal or organizational institution exists within the dimension of stakeholders' tacit knowledge relating to recognition, belief, commitment, and so on. However, the processes for the purpose at those stages are prone to be compromised in actual cases by "rational judgments." The vertically sectional structure of most public organizations makes it costly for policy planners to coordinate with stakeholders in other divisions and those outside the organization.

Also, a particular political situation may not allow a time-consuming endogenous process of "socialization" and "externalization." The methods of participatory and evidence-based planning are thus applied rather more as a formality than as a serious attempt to facilitate the co-identification of the issue among stakeholders. Because of those organizational constraints, a public organization that has managed to equip itself with more conducive creative routines for the mobilization and synthesis of stakeholders' tacit knowledge is assumed to have better capacity to solve societal problems as well as its own internal organizational problems.

Knowledge-Based Views of Implementation Stages

It is generally envisaged that once the key concept of a solution to an identified issue is created, the detail can be is formulated and officially finalized as the solution to the problem. Then, the created solution is implemented by frontline bodies of the government, which will result in the expected institutional evolution on condition that concerned stakeholders embrace the solution.[27] The perspectives of knowledge-based management focus on these processes of solution creation and its implementation in a way to clarify the dynamics of explicit and tacit modes of knowledge.

A solution normally takes an explicit mode of knowledge,[28] as it needs to be clearly conveyed to all stakeholders. While the concept of a solution needs to be created from the synthesis of tacit knowledge from various stakeholders, its concrete contents are usually created by synthesizing existing explicit modes of knowledge at the hand of experts. Activities to explore and combine most appropriate knowledge for the concept of a solution are conducted by a group of stakeholders who have expertise on the issue: technocrats, advisers from academic circles and advocacy groups, contracted consultants, and others generally regarded as experts. They are supposed to substantiate the most effective solution within existing physical and fiscal constraints by applying their deep scientific knowledge.

One of the salient features of the current move toward outcome-oriented public sector reform is the intensification of those activities. Facilitated partly by the orientation toward "scientific approaches," and partly by the development of information technologies that drastically reduced the cost to acquire existing explicit knowledge, activities to scan potentially adaptable existing knowledge have been generally strengthened in the Asian countries as well as in Japan. This has also resulted in expanded opportunities for the consulting-business in each sectorial policy domain that have not been traditionally opened to external business entities. This tendency is assumed to be more robust in the Asian region than in other areas of the world, due to different stages of socioeconomic development that are supposed to require knowledge-based assistance from external bodies.[29]

However, this situation is not necessarily assumed to mean the enhanced effectiveness of created solutions, or an enhanced innovative capacity of governments to solve problems. The situation where a created solution is not properly implemented, or results in an unexpected institutional evolution, is observed even in cases where analytical activities have been extensively conducted by experts. A hypothesis derived from those cases is that the tacit knowledge of stakeholders has not been sufficiently synthesized at both formulation and implementation stages.

It is generally observed that those who formulate the concept of a policy, those who create a concrete solution by combining existing cases of explicit knowledge, and those who implement the created solution, often belong to different organizations or sections. As the combination of activities requires specific expertise, it tends to be conducted by specialists on the issue. On the other hand, the people for whom a solution is created are generally regarded as passive actors: as beneficiaries, or as those to be regulated. The government's frontline operatives are generally supposed to passively receive a finalized form of explicit knowledge as the solution to an issue, and implement it based on the instruction given by those who created the solution. To strengthen the government's implementation capacity and disseminate correct information, instructional manuals, and information packages are developed, and training workshops are organized. Naturally, such a system is not assumed to be conducive to the generation of tacit knowledge of the government's frontline operatives and targeted stakeholders.

Stakeholder tacit knowledge is regarded as a critical resource that can be utilized to make a finalized solution more relevant to the reality in the field, and more implementable. Therefore, the tacit knowledge of stakeholders needs to be sufficiently synthesized to fine-tune a solution before finalizing it. A group of middle managers and frontline operatives who will implement a solution can be invited to participate in the solution creation process so that their tacit knowledge is adequately synthesized into the solution.[30]

The exactness of fit of a solution also needs to be more flexibly considered. A conventional way of problem-solving in the public sector is to develop a standardized solution in the form of laws, decrees, programs or other methods, and instruct lower echelons of the government to implement them. They are often accompanied with incentives, such as subsidies and free-services, to facilitate their implementation. However, the necessity of a flexible implementation process that activates tacit knowledge creation among stakeholders seems to be obvious. While the approaches of evidence-based policy formulation may increase the validity of a created solution, its impact on the issue cannot be fully prefigured. The frontline operatives and their managers in a public organization can play critical roles in making a solution more fine-tuned to the reality of stakeholders, and so can the targeted stakeholders of a policy solution. In this situation, they are not beneficiaries but actors who play proactive roles in the evolution of an institution. Their ingenuity as well as commitment can be unleashed by a flexible system. Hence, together with initiatives to introduce scientific methods on the formulation stages of solutions, initiatives are required to make implementation stages more flexible, generally by allowing a larger role for the serendipity of those who engage in the implementation of a solution. A decentralized and flexible implementation system would thus activate spontaneous initiatives among stakeholders to improvise small innovations to make centrally designed solution more relevant to each local context. On top of that, it would facilitate their commitment to the institutional evolution.

Process-Factors in Implementation Stages

As a summary, it is assumed that three major groups of factors critically affect the effectiveness of a solution in its implementation stages:

1. The extent to which stakeholders are convinced of the significance, feasibility, and outcome of a solution is critical. This means that belief, mindset, and other necessary expediting tacit knowledge need to be generated among stakeholders who execute the solution on the frontline. How effectively a created solution is coupled with the matching tacit knowledge of stakeholders defines its overall effectiveness. If the tacit knowledge of broader stakeholders has not been sufficiently synthesized in upstream stages, as is often the case with top-down policy initiatives, expediting tacit knowledge needs to be strategically generated at the implementation stages;
2. The extent to which stakeholders' tacit knowledge is synthesized into a solution, or the extent to which a finalized solution is localized is

important. Before finalizing, a solution needs to be put to trial implementation. Tacit knowledge generated in each trial is incorporated into the solution as applied revisions; and/or different local versions of the solution. In this sense, a decentralized and flexible framework that allows the localization of a solution seems to have a better chance to realize intended outcomes than a centralized framework does; and

3. The extent to which stakeholders can acquire expediting tacit knowledge during the implementation of a solution will affect the outcome. A solution is assumed to be sustainably implemented to facilitate the generation of targeted institutional evolution if those who implement it and those who are facilitated by it can acquire a positive experience and expediting tacit knowledge from its implementation. In this respect, a solution that is designed to give substantial room for discretion or serendipity in its implementation to stakeholders so that they can create added-values is assumed to be more effectively sustained and continuously brought into the next stage of issue identification.

A successful outcome of a societal or organizational problem invites a next round of the problem-solving cycle as the solution of the problem generates a new problem and issue. A dynamic organization or country is assumed to have active continuous spiral processes of problem-solving, which will result in a marked difference from other organizations or countries in a decade. If a solution is not effectively implemented by frontline operatives and embraced by those for whom the solution is created, the continuous spiral process is terminated, wasting hitherto created both tacit and explicit knowledge assets as well as the physical investment made to facilitate their accumulation.

Problems in implementation have been primarily associated with the insufficient capacity of those who implement the solution, which has in turn directed the focus of governments' intervention onto the dissemination of necessary knowledge and skills to stakeholders on the frontline, namely the rank-and-file officials at the lower echelons of the government, as well as to the people to be affected by the solution. The framework of knowledge creation presents an alternative view to this conventional notion. It does this by clarifying the necessity to generate organizational institutions in which those who are entrusted to implement a solution also play proactive roles in its creation.[31]

A benchmark model for the system of basic institutions or creative routines is assumed to comprise factors summarized in this section, although there should be diversity among individual models that are based on the context of localities. Their identification is an indispensable step in the process of any public sector reform initiative. In the following section another critical question in reform initiatives, how the evolution of the creative routines can be facilitated, is examined.

Phronetic Leadership Development

Leadership Development

An institutional evolution requires effective leadership. Behind any major breakthrough in dealing with a societal problem, there are always exceptionally dedicated transformative leaders who facilitate the process of institutional evolution by inspiring and energizing a broad range of stakeholders. Traditionally, they are political leaders and technocrats within government. In recent years, social entrepreneurs have also come to be recognized as major actors. These actors are assumed to have advanced capacity to effectively facilitate institutional evolution or the generation of the tacit knowledge among various segments of stakeholders: colleagues within their organizations, people for whom solutions are created, and others who are indirectly concerned with the solutions. In essence, they facilitate issue identification, concept externalization, as well as solution implementation. They also spearhead the creation of innovative solutions in the forms of concrete interventional measures by searching and adapting various cases of relevant explicit modes of knowledge.

Because of their critical roles in the process of any institutional evolution, the capacity development of social entrepreneurs is assumed to be one of the most critical issues for any country and public organization. It is all the more critical for the countries in Southeast Asia because they have been going through a period of drastic transformation of political and administrative systems, from which multilayered leadership frameworks are emerging. How the leadership is distributed among stakeholders and performed is assumed to affect the course of their socioeconomic development. Recognizing the significance of this, most governments in the region have renewed their effort to reform programs for leadership development in the public sector, reflecting on the limitations of conventionally designed existing programs. More relevant contents and innovative methods are explored to enhance their effectiveness in facilitating the capacity development of leaders. Their effectiveness is expected to be enhanced by being redesigned to facilitate participants' deeper understanding of the process-factors in institutional evolution; indispensable knowledge for any transformative leader.

On the other hand, there is a body of tacit knowledge that cannot be effectively nurtured in a formal training program. This needs to be facilitated incrementally overtime in organizational as well as societal institutions. It is assumed that the capacity of a transformative leader is enhanced through countless practice of learning-by-doing processes guided by mentors, with supplementary opportunities provided by formal learning programs. In this context, a public organization or a country equipped with a managerial framework that helps its members to nurture their quality tacit knowledge has a better chance to solve societal problems more effectively and agilely. One of the focal questions for every government is what sort of frameworks is pertinent to the nurturing of leaders' exceptionally rich tacit knowledge: visions, values, beliefs, among others.

Phronetic Leaders

The critical tacit knowledge required of leaders of an organization or a society is conceptualized as "phronesis," which is operationally redefined as a set of six abilities in the theory of knowledge-based management.[32] Those in leadership positions with a sufficiently high level of phronesis are identified as phronetic leaders. The quality of a leaders' phronetic ability is assumed to critically affect the capacity of any public organization and society.

While phronetic leaders play decisive roles in any evolutionary process of basic institutions, they themselves are the product of those institutions. Each individual nurtures their phronesis through personal experience over a long period of time. It is generally observed that the quality of this experience makes a difference to acquired phronesis. Direct and quality experiences gained from challenging tasks and emotional events make one's phronesis richer. In a society or a public organization where basic institutions are more conducive to phronesis, the average level of phronesis is assumed to be higher than in others. In a country where the practice of "lifetime employment" is common and leaders are selected from within the organization, organizational basic institutions such as practices related to members' career development, decision-making procedures, and others define the quality of members' experiences and their phronesis.[33]

There always seems to be many anonymous protagonists behind a major breakthrough on a societal issue. They usually nurture their deep tacit knowledge of the issue over a substantially long period of time through various quality experiences. Whereas some of them may become conspicuous as political leaders or social entrepreneurs, many remain anonymous bureaucrats within their public organization, and practically lead institutional evolutions behind political initiatives as virtual "champions" of their commitment to issues. As it often takes a substantial period of time to solve a major societal problem, bureaucratic phronetic leaders who can continuously engage in the problem play critical roles in securing consistency that might be lost by a change of political leadership. While anonymity is always valued in the bureaucracy, it seems also vital to generate a set of basic organizational institutions that nurture bureaucratic leaders with a high level of phronesis as well as expertise.[34]

On the other hand, it is generally observed that countries in the region share a preference for leaders with academic achievements.[35] While the academic knowledge is indispensable in creating an effective solution to a societal or organizational issue, it is assumed that the phronesis critically required of any leader who leads institutional evolution is acquired only through a series of direct practical experiences. Nevertheless, some countries in the region have developed tacit and explicit societal institutions in which prominent scholars in respective professional fields are frequently asked to participate in practical policy processes as both advisors and decision-makers. Through such quality experiences, they enhance their phronesis to be highly effective technocrats.

Leadership Institutionalization

Another major question on the issue of leadership development is its target. There seems to be a general expectation that a charismatic leader is required in any organization and society that is facing a major threat. However, as it is taking place within the realm of stakeholder tacit knowledge, any institutional evolution process requires a long time frame that might exceed the fixed term of an elected charismatic leader. Consequently, a charismatic leader under a democratic institution is required to "institutionalize" their leadership within the organization or the society, lest initiated institutional evolutions should be disrupted.

This issue of leadership institutionalization seems to be particularly critical in the Southeast Asian region. As a result of reform efforts for democratization and decentralization, initiatives taken by political leaders—including politically appointed leaders—have substantially increased during the past decade in ministries, local governments, and other public organizations. While those leaders are playing dynamic roles in the evolutionary processes of societal as well as organizational institutions, other issues are emerging in terms of continuity and bureaucratic leadership. A reform program propelled by a charismatic political leader is susceptible to suspension after the leader's departure from office. Moreover, a public organization managed by a charismatic political leader may become more bureaucratic, as bureaucrats become less proactive for fear of trespassing on the leadership. To avoid those unintended results, a political leader is required to strategically institutionalize their exemplary leadership within the organization, or distribute their phronesis to bureaucratic leaders.[36]

The institutionalization of leadership is assumed to be particularly important as an issue of administrative reform in Asian countries, not just because they are in a transitional period of political transformation, but because they seem to share a culture that values strong charismatic leadership. While a sense of paternalism is observed anywhere in the world, it seems to appear more markedly in the public sector in this region due to the region's historical background, where decision-making processes tend to be highly centralized. To mitigate the negative aspects of these phenomena, the issue of leadership institutionalization needs to be put into a wider discourse within the regional context.

Fractal Organization and Country

The institutionalization of charismatic leadership is effectively facilitated within an organizational system in which the next generation of potential leaders can nurture their phronesis.[37] In this context, a decentralized and coherent managerial framework is assumed to be conducive to the institutionalization of leadership. Through creating more opportunities than a centralized one for a wider circle of organizational members to think and judge autonomously, responding agilely and proactively to emerging issues, it nurtures their phronesis more effectively and efficiently. It is also a rational choice for a government that does not have sufficiently strong capacity to manage centralized holistic programs to solve societal problems. While a country faces myriads of problems, each societal problem has also many facets. There can be numerous scenarios to solve a societal problem, in which the identification of priority issues is crucially important in terms of the efficiency of use of public resources. For many governments, a decentralized and coherent managerial framework—a set of basic societal or organizational institutions—is assumed to function better in responding effectively to changing diversified situations and identifying truly critical issues than a centralized framework does.[38]

An organization that is strategically oriented by top leaders and has a decentralized and coherent managerial framework that facilitates spontaneous and endogenous initiatives among middle managers is conceptualized as a "fractal organization" in the framework of knowledge-based management theory. The concept can be applied to the level of a country, and a country that has a decentralized system with strong cohesion is conceptualized as a "fractal country." A fractal public organization is assumed to be more innovative and agile in solving its own problems as well as societal problems. It can also efficiently enhance its capacity by facilitating the nurturing of phronesis among potential leaders and securing necessary consistency in policies. Likewise, a fractal country is assumed to cope with changing situations more innovatively and foster potential societal leaders more effectively. A fractal organization or country is an effective incubator in which each anonymous innovator can nurture continuously his or her tacit knowledge on a committed societal issue, and enhance the capacity to convince stakeholders of the correctness of their vision on the issue. By identifying promising initiatives and encouraging them with necessary support, top leaders can facilitate an institutional evolutionary process more effectively and sustainably than by taking a centralized planning approach. In that sense, a critical role of top leaders is to prepare an enabling environment and give opportunities to a broader circle of middle managers to deepen their phronesis as potential leaders, from which truly innovative transformative leaders are assumed to emerge.

Middle managers have been traditionally regarded as intermediaries who convey the directions made at a higher level in the organizational hierarchy to a lower level. In this paradigm, they tend to be regarded as the object to be rationalized whenever the bureaucracy needs to be streamlined. However, in the paradigm of fractal organizations, they are strategically positioned between top leaders and the frontline in facilitating knowledge co-creation and institutional evolution and keeping organizational cohesion. Likewise, local governments and public service organizations are also strategically positioned between the national government and the people. By creating fractal institutions that enable middle managers and local governments to respond endogenously to local issues and nurture their tacit knowledge through quality experiences, a public organization or a country will be able to transform itself, or enhance its capacity over an extended period of time. It is expected that governments in the region will make best use of the current challenging situations as precious opportunities to nurture their potential leaders by transforming themselves into fractal organizations.

Contextual Factors

In examining critical process factors that affect the effectiveness of solutions for societal and organizational problems in the region, two groups of contextual factors need to be considered. These are factors related to locality and asymmetrical relationships, and the effectiveness of a solution is assumed to be reduced if these factors have not been adequately addressed in its formative process.

Local Values and Adaptation Capacity

The adaptation of existing knowledge is arguably the most common approach in the innovation of a solution to a societal or an organizational problem. Relevant experiences in other organizations and countries are explored to identify good practices with a view to adapting them to local contexts. Along with physical technology, organizational and societal institutions have been the target of emulation in human history. Historically, many countries have managed to accelerate their societal transformation by aggressively emulating relevant foreign institutions. However, what is unique in the emulation of institutions is that institutions are tacit modes of knowledge, which are assumed to emerge endogenously among stakeholders. In many cases what is emulated is not an institution itself but a "solution" designed to facilitate its evolution. A solution needs to be thoroughly adapted to the local context. This basic structure explains why the "adaptation" of an institution turns out to be a difficult challenge for any government.

For the successful adaptation of a solution, the process of its localization is critically important. In the localization process, an adapted solution needs to be "recreated" as a genuine local solution that can work in the local context. As in any process to innovate a solution, the extent to which stakeholders' tacit knowledge is generated in the process affects the effectiveness of an adapted solution. Therefore, successful adaptation also requires an incremental knowledge creation process of trial-and-error. The system of creative routines to adapt foreign knowledge is assumed to be one of the critical factors that define the capacity of public organizations and the country as a whole.

One of the policy domains where knowledge adaptation has been most intensively conducted is public sector reform. Countries in Southeast Asia and Japan have been earnestly adapting solutions developed in Anglophone countries in quest to transform their governments to more outcome-oriented ones. However, the sheer contextual difference between two groups of countries usually requires an intensive localization or "recreation" process for an adapted solution, which compels reform planners to create an almost original solution to their problem.[39] Unsatisfactory cases of reform imply weakness in their adaptive capacity. It is therefore partly assumed that the belief in Anglophone models as global standards discourages those reform planners to apply an intensive effort to the time-consuming localization process.

In this context, empirical studies on the local factors that affect the effectiveness of solutions in public sector reform initiatives need to be accelerated to improve the adaptive capacity of public organizations. The case studies presented in this volume indicate a significant co-relation between such contextual factors and successful outcomes. Protagonists who played decisive roles in the cases of major breakthrough shared their consistency in embodying local values. It is assumed that their local-value-based approaches to facilitate institutional evolution were successful because they resonated with the tacit knowledge of stakeholders within their organizations and in the wider society.

The Context of Development Assistance

The governments of emerging countries may need to consider the contextual factors of development assistance in an attempt to strengthen their capacity. Many emerging countries' initiatives to solve their societal problems are supported by foreign governments or international organizations under the framework of development assistance programs. Emerging countries welcome concerns expressed by foreign organizations because external assistance can be a major source of much needed physical as well as knowledge resources for reform initiatives.[40] A carefully designed and managed development assistance project can effectively accelerate the targeted institutional evolution process by facilitating the adaptation of relevant explicit modes of knowledge from abroad, and the generation of tacit modes of knowledge among stakeholders. An internationally supported development assistance project can be a potent catalyzer in facilitating a transformation that cannot be ignited exclusively by local self-help initiatives.[41]

However, the endogenous process of an institutional evolution can be negatively affected by factors associated with the asymmetrical relationships embedded in a development assistance program. In an evolutionary process facilitated by a development cooperation project, a group of nonregular stakeholders who are temporally concerned with the issue in question tends to play a disproportionately critical role in creating solutions, and even in identifying issues. They can be international and local consultants hired by the project, academic advisers, and officials of the aid organization, among others. A dire need to solve a problem, combined with an asymmetrical relationship between a "donor" and a "recipient," often leads to a syndrome dubbed as "quick fix." In such a situation, the process of solution creation, including the critical process of issue identification, is dominated by the "temporary stakeholders," which can undermine the solution's effectiveness in the following ways:

1. As many temporary stakeholders are financed by the donor and mobilized by specific contracts, their activities often show a lack of flexibility in terms of schedule, scope, and methods among others;
2. As temporary stakeholders will leave the scene of the issue after their assignments and cannot share the future with stakeholders, they have an inherent difficulty in facilitating the tacit knowledge of their counterparts;
3. As international consultants are basically assigned to provide locally unavailable knowledge to create a solution, they are assumed to be prone to underestimating the value of local knowledge and the adaptive process of localization; and
4. The situation in which the temporary stakeholders practically play the role of protagonists may unintentionally result in subduing the emergence of genuine local protagonists, limiting precious opportunities for them to acquire rich tacit knowledge from challenging quality experiences.

These structural factors may reduce the effectiveness of a reform program by retarding the localization of a solution, the mobilization of the tacit knowledge of various stakeholders, and the endogenous process of institutional evolution. They also have resulted often in the contents of a reform program being too ambitious, which reduces its credibility rather than encourages the commitment of "local stakeholders."[42] Observing the emergence of these phenomena in their activities, the community of "donors" has been continuously trying to reform their practices. While those efforts are producing marked improvements on some issues, the fundamental structure of development assistance has not been transformed in many of development assistance organizations.[43] Hence, these factors need to be carefully considered by the recipient community in any initiative that is supported by them.

Conclusions

A government's capacity to innovate policy solution to various societal problems is assumed to be defined by its capacity to facilitate institutional evolution. This is all the more critical for countries in the Asian region because of their particular stages of socioeconomic development, and increasingly fluid policy environments. In strengthening their capacity, each government needs to grasp salient local features in the process of institutional evolution, both in the society and in respective public organizations. Local factors that affect the effectiveness of a policy solution to the process also need to be clarified. Any national public sector reform program, or any individual organizational reform program, needs to be created based on those contextual factors.

In this context, the theoretical framework of knowledge-based management presents a new paradigm in relation to the capacity development of societies and public organizations. Because of its focus on tacit modes of knowledge in the process of problem-solving, it can clarify critical process-factors that tend to be overlooked in the prevailing outcome-oriented reform initiatives modeled after practices in Anglophone countries. This is assumed to be all the more relevant to the context of the public sector in the Asian region because the tacit modes of knowledge have been traditionally valued in each society in this region. By applying the framework, critical factors in the process of institutional evolution are expected to be clarified along with the factors that affect the efficacy of solutions designed to facilitate the evolutionary process. It will also help the emergence of effective relationship among stakeholders, particularly between newly empowered political leaders and bureaucrats, in a society where the factors of charisma and paternalism are traditionally valued.

Through these exercises, the key set of basic institutions conceptualized as creative routines will be clarified in each respective local context as local benchmark models, which will enable the development of more effective programs of public sector reform covering the requirement for organizational development and leadership development among others. For this purpose, further empirical research and pilot practices are required in operationalizing the theoretical framework for practical application. It is expected that region-wide coordinated initiatives to deepen our understanding of the contextual process factors in the process of institutional evolution will enable respective countries to enhance their governments' capacity to substantiate targeted outcomes by innovating effective policy solutions.

Notes

1. These include result-based personnel management, project and program management, ex-ante and ex-post evaluation, and key performance indicators for independently managed public organizations, the outsourcing of public services, and the privatization of public entities, among others. Osborne and Gaebler (1992) captured the enthusiasm for "a new form of governance" in the early years of the movement.
2. As a system of civil service or decentralization is generally applied to the entire state, an assistance project for its reform is considered to generate a large impact for a relatively limited input.
3. Stiglitz (2000) argued the decisive importance of localization in adapting policies of foreign origin. Even manufacturing companies that operate factories in foreign countries find it quite challenging to share their managerial practices with local employees.
4. The objectification of outcomes is judged to be relatively easy for the operation of public utilities or educational organizations.
5. For instance, the capacity of a county in a policy domain of secondary education consists of the capacity of individuals such as teachers and inspectors, that of organizations such as schools and administrative bodies, and that of the society such as national regulations and community recognition.
6. For instance, the settlement of an urban traffic problem is an enhanced capacity of the city to manage the increase of traffic volume, which consists of various segments of capacity of concerned organizations and individuals in the city.

7. Because of this advantage, its adoption has been gaining momentum for the past decade among practitioners and researchers in the domain of development cooperation in the planning and evaluation of development cooperation projects. For the concept and proposed practical approaches of capacity development, see Fukuda-Parr et al. (2002).
8. Improved facilities require concurrent improvement in the domain of knowledge, skills, and attitude of concerned stakeholders for their proper operation and maintenance. Likewise, an improved state of stakeholders' knowledge, skills, and attitude need to be matched with improved facilities and equipment.
9. For instance, the outcome of a societal problem such as the enforcement of intellectual property rights cannot be realized if stakeholders do not share the notion of intellectual property rights or willingness to observe stipulated rules.
10. Acemogul and Robinson (2012) vividly illustrated how inclusive and extractive institutions defined the historical courses of many societies, which necessitated our renewed inquiry into the question of why a society develops more inclusive institutions than others. Ferguson (2012) stimulated a similar concern by arguing that once sound and effective institutions can decay in an inclusive society.
11. Whereas some are limited to a small number of stakeholders in a section, others are shared by all the members of an organization. Organizational institutions are diverse. Many organizational institutions in a public organization are affected by the relevant laws and regulations of superior bodies, as a personnel management system of an organization is formulated based on the civil service code of the government.
12. These include public transport entities, schools, hospitals, research laboratories, and others.
13. The movements of "CSR: Corporate Social Responsibility" and "BOP: The Base of Pyramid" are the most prevailing concepts, among others.
14. Societal institutions are viewed as equilibrium of people's belief and expectation. Aoki (2001) presented a comprehensive view of the endogenous and path-dependent dynamics of institutional evolution that is caused by a change in people's shared expectation. Scott (2008) explored a dynamic model in which the creation and diffusion of societal institutions are affected by bottom-up processes originated from individual actors in organizations. Considering the nature of societal institutions, Nelson (1977) argued that effective policy analysis "requires a synthesis of the organizational and evolutionary views of things".
15. Data and information gained from an extensive field-survey might make a hypothesis more relevant to the reality in the field, which shows the significance of an evidenced-based approach for any attempt to create a policy solution.

16. It is often observed that a meticulously prepared solution by a consultant team is not embraced by stakeholders without affecting their commitment to the solution. For a comprehensive review of the effectiveness of foreign aid, see Easterly (2006).
17. While the measurement of outcomes has been intensively studied in terms of the effectiveness, impact, sustainability, efficiency, and relevance, factors that cause differences in outcomes have not been paid the same level of attention.
18. For instance, the civil service reform in Japan after the end of the Second World War was not fully implemented because the new law was far apart from existing organizational basic institutions shared by public organizations.
19. In this context, various modes of community are included in the organizations.
20. Similar situations also can prevail within public organization as a divergence of recognition about the relative importance of issues of an organizational problem.
21. Those stages are conceptualized as "Socialization" and "Externalization" in the spiral process modeled by knowledge creation theory (Nonaka and Takeuchi, 1995). First, the relevant stakeholders share their diverse tacit knowledge through various activities of socialization, in which a common issue emerges on a perceived problem of the organization or the society. Subsequently, the concept of a solution to the issue is formed as a result of activities of externalization, in which the diverse tacit knowledge of stakeholders is intensively synthesized through series of dialogue.
22. In the cases of an emerging country, officials and consultants of foreign organizations often play such roles.
23. For a definition of "Ba", see Chap. 2.
24. One of the most successful cases in history may be "the Iwakura Mission" that was sent to major western countries between 1871 and 1873 by the newly formed government of Japan. Identifying the critical issues of Japan through a series of exposure opportunities, senior members of the mission became deeply committed protagonists in Japan's modernization process.
25. A study mission consists of key actors from different organizations can facilitate them to jointly nurture rich expediting tacit knowledge through shared quality experiences of exposure to foreign knowledge, which will enable the creation of an effective solution. The perspective to see an exposure visit to a developed country as an effective opportunity for knowledge creation is not widely shared by the both sides of development cooperation. For a dominant perspective of "training", see World Bank (2008).

26. The effectiveness of a mode of "open innovation" is assumed to be defined by local context.
27. These stages of problem-solving are conceptualized in the knowledge creation theory as stages of "Combination" and "Implementation".
28. It takes the form of a law, an ordinance, a strategy, a program, a project, a plan, a design, a hypothesis, and others.
29. In a development assistance project, applied methods tend to be more academically oriented.
30. A well-designed action research programme that involves a substantial number of various stakeholders is a way to synthesize their tacit knowledge.
31. For instance, the framework of independent administrative agency that basically separates policy implementation from policy formulation is required to have a mechanism to synthesize the tacit knowledge of the frontline to policy. However, the conventional notion to see the essence of organizations in "the distribution and allocation of decision-making functions" (Simon, 1997) is so prevalent among public organizations that the role of lower echelons are generally supposed to be the execution of what was decided.
32. See Fig. 1.5.
33. For instance, the practice of secondment to local bodies might give technocrats in the central government a chance to acquire quality tacit knowledge on the frontline, which affects their capacity to create effective solutions.
34. Capacity development of political leaders both at national and local levels also has come to be a major issue in many countries in the region. Vietnam has recently introduced a unique system in which promising mid-level officials of the central ministries are systematically transferred to senior positions in provincial government so that they can acquire direct experience about local realities.
35. Academic qualifications are required for senior leadership positions of public organizations. Woodside (2006) illustrated how countries in East Asia "lost" their "modern" meritocratic civil service systems in their "westernization" processes. The Vietnamese propensity for academic qualification tells the persistence of historical context.
36. Nonaka and Takeuchi (2011) defined a leader's ability to distribute leadership as one of the key abilities of a phronetic leader.
37. A middle manager who is given the opportunity to work closely with a phronetic leader on an entrusted challenging task can effectively enhance his or her capacity, by acquiring phronesis both from executing the tasks and learning from the phronetic leader.

38. While a centralized holistic program approach is generally preferred in solving societal problems, there are many cases in which a government did not have organizational capacity to carry out such a comprehensive program.
39. For instance, a typical result-based personnel evaluation scheme may lose its effectiveness in a society where the objectification of personal performance tends to be avoided to keep a harmonious relationship among organizational members. Hood and Peters (2004) illustrated how New public Management reforms often ended up in adopting the "one-size-fits-all" approach.
40. The issue of administrative reform is one of the priority areas for organizations that are mandated with supporting emerging countries in their efforts of socioeconomic development. As the basic managerial framework of a government affects the effectiveness of its activities in every sector, administrative reform is generally regarded as one of the most efficient areas for their intervention.
41. While physical capital investment has been the focus of development assistance since its inception after the Second World War, recent years have witnessed an upsurge of interest in knowledge and learning. Easterly (2002) illustrated how giving aid on the basis of financing gap is counter-productive, arguing for necessity to focus on knowledge. Stiglitz and Greenwald (2014) presented a theoretical framework that highlighted the critical importance of policies that crate a learning economy.
42. A project to reform public administration is assumed to be regarded as one of the most difficult subject for development assistance as the difficulty is caused by the predominance of process factors, which is relatively less conspicuous in a project for a physical or technical issue in which the significance of contents factors is prevailing.
43. One of common reform practices tried by donors in recent years was the introduction of knowledge-based management. King and Mcgrath (2004) observed that the practices of "knowledge-based aid" largely remained as internal exercises to enhance knowledge sharing among staff, falling short of original aims to make aid less donor-dominated.

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CHAPTER 13

To Become the Nation and the Region for Knowledge-Creating Enterprises

Ikujiro Nonaka and Kiyotaka Yokomichi

Introduction

As emphasized in Chap. 1, the approach to management from the perspective of the theory of knowledge-based management should be subjective and practical, rather than objective and theoretical. The important point here is that subjectivity and practice are primary features of the exercise of management authority. In other words, management practice must be based on the beliefs of the leaders and members of an organization. It must blend subjectivity and objectivity, practice and theory, emotions and logic, but be based on those beliefs. This recognition is however not often found in Western management theories.

Enterprises here do not mean companies organized for commercial purpose, but a project undertaken or to be undertaken, especially one that is important or difficult, or that requires boldness or energy.

I. Nonaka (✉)
Hitotsubashi University, Chiyoda-ku, Japan
e-mail: inonaka@ics.hitu.ac.jp

K. Yokomichi
National Graduate Institute for Policy Studies, Minato, Japan

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For example, in the public sector, the New Public Management theory (NPM) that emerged in the 1980s sought to eliminate subjectivity and promote efficiency. This is not surprising, because NPM was developed by utilizing the theories and practices of the leading private sector management theorists at the time—positioning theory, transaction cost theory, and game theory, to name a few (Hood 1991). These were rationalistic approaches aimed at improving efficiency and increasing the return on investments. This point is clearly presented by the seven doctrinal components of NPM (Hood 1991, 4–5), which were: (1) hands-on professional management; (2) explicit standards and measures of performance; (3) greater emphasis on output controls; (4) disaggregation of units in the public sector; (5) greater competition in the public sector; (6) using private sector styles of management; and (7) greater discipline and parsimony in resource use. These components are closely related to the move away from the welfare state toward limited government intervention, from Keynesian economics to neoclassical economics, and from communitarianism to neoliberalism.

There are on-going critiques and debates surrounding NPM. By 1991 it had already been pointed out that NPM works mainly in the direction of cutting costs and doing more for less, which can be said therefore to be a result of better quality management and different structural designs, but that the emphasis on cost-cutting, contracting out, compartmentalizing, and top-slicing does not fit with the safety-first culture at the frontline where work needs to be tested (Hood 1991). One recent debate is whether NPM theory is dead: despite the adoption of NPM in developed countries, it is pointed out that NPM has now largely stalled or been reversed in some key "leading-edge" countries (emphasized by the original authors of the theory; Dunleavy et al. 2005). However, a counterargument states that NPM is an abstraction of the unity of ideas, but in practice there is a great variety in implementation as well as new avenues of thought. So while NPM may be in trouble, it is not really dead (Vries 2010).

We may in fact still be able to see a shift from an objective and theoretical approach to a subjective and practical approach, even in NPM. In this regard, Henry Mintzberg summarizes in simple words how we should deal with this issue. He states that management is a practice that has to blend a good deal of craft (experience) with a certain amount of art (insight), and some science (analysis) (Mintzberg 2004). His statement perfectly echoes the concept of the dynamic knowledge triad that we introduced in Chap.

1; which is about the dynamic synthesis of tacit and explicit knowledge with practical wisdom. And, from the case studies presented in Chaps. 2 and 3, we could find common key lessons for practical management, and suggest actions to be taken going forward. In this chapter, we review these points and conclude with a message on this form of management for Association of Southeast Asian Nations (ASEAN) countries.

Lessons to be Learnt From the Case Studies

We can explicitly read into, or implicitly assume from, the case studies, some common management issues in ASEAN countries. In summary, these are as follows: (1) neglect of tacit knowledge; (2) neglect of the role of front and middle managers; and (3) neglect of the processes for new value creation (e.g., innovation). These issues encompass the input and output of bureaucracy, and elitism, and paternalism in governmental organizations that have led national/regional/local governments away from the actuality, and resulted in superficial policy-making, policy execution, and policy evaluation. Accordingly, the attention paid by political or elected leaders as well as top administrative officers to the question of how to realize innovation is quite low in comparison to their great interest in the necessity for innovation. As a result, innovation often never takes place, or even if it does, it is never sustained for very long.

The application of NPM and the focus on efficiency have resulted in public management being managed by quantitative, sometimes financial, key performance indicators (KPI). To meet the KPIs, government senior officials and administrative officers avoid taking risks, while middle and frontline managers in the industry also avoid taking risks. The organization then becomes dominated by homogeneous risk aversion thinking and loses its desire to innovate. As a consequence, three major phenomena characterize such organizations in Asia and around the world: overanalysis, overplanning, and overcompliance. These three phenomena force organizations and their members to detach from the actuality of society. Middle and frontline managers become preoccupied with administrative work that does not contribute to creating new values, or to improving the quality of citizens' lives. Flexible contextual judgments are lost, and frontline actions based on the vision and mission of the organization or society at large are abandoned. All of these phenomena lead to unsustainable and exhausting public management.

However, the cases presented in this book challenge this outcome and the consequent issues, by identifying alternatives with the leaders and staff of national and regional governments, and citizens and other stakeholders. Using the key lessons drawn from our cases, we focused on three points: (1) vision and commitment to the goals of the leaders; (2) knowledge-creating processes in a fractal organization; and (3) distributed leadership. Each of these relates to the concepts of the theory of knowledge-based management that complements NPM theory and practices, especially in the space of policy innovation, where NPM theory does not have a suitable response.

Vision and Commitment to the Goals

From each case, it is quite obvious that the leaders and members involved possessed the vision and commitment to achieve their goals of improving the quality of life of their citizens. It was not only the vision and goals that were important, but the fact they did all they could to realize them. They involved the people around them, either within or beyond their job assignments and job responsibilities, so that they could realize their mission and achieve their goals.

In the case of the National Statistics Office (NSO) of the Philippines, Director Tomas Africa knew how powerful a vision could be, and how a clear statement of the mission could rally his people around a common goal. Mr. Africa involved his staff in setting, and later revising, the vision of that office, highlighting the organization's aspiration to be "a recognized world-class provider of statistical and civil registration products and services."

In the case of Quezon City, Mayor Belmonte clearly set the goals in building up the City's financial position, to create and sustain a viable resource base that could continuously fund its economic transformation. All of his judgments and actions were directed toward achieving this outcome. While in the case of Surabaya City in Indonesia, the first female Mayor, Ms. Risma, envisioned the creation of a modern information technology-based city, and pursued multiple innovative measures with the support of her staff as well as local people.

In the case of Vinh Phuc Province in Vietnam, General Secretary Ngoc's dream for the people was "to eat well, dress well, and receive health care free of charge. Being fed well is the foundation of doing the right thing, and as long as the people have enough food to live properly, we can defeat the American invaders." And Mr. Joko Widodo, subsequently the Mayor of Solo City and now the President of Indonesia, was an ordinary businessman before running for election. He notes that it was "a spiritual call" to revitalize his ailing hometown of Solo City that inspired him to run for office.

In the case of Dr. Sanguan Nitayarumphong, who led public healthcare reform in Thailand, the ultimate goal was to provide health and medical care to all Thai people. His strong commitment allowed him to adapt to changing circumstances that were often beyond anyone's control. Similarly, President Truong Chinh, who led Vietnam's economic transformation, strongly believed in his mission to lead the country, and was not afraid to change his mind-set on how to do this, if this would lead to better results.

We have seen that, despite the fact that all of these leaders strongly believed in *their* vision and absolute commitment to goals, they were willing to listen to their staff and/or citizens and make any necessary changes to fine tune these. This flexibility may have been possible because their vision and goals were rooted in their historical imagination, with a wide and deep time-space nexus. In other words, vision and goals are dreams with a deadline; they are not supposed to be superficial, but should stem from the accumulation of high-quality tacit knowledge gained from a variety of past experiences. Consequently, these leaders were willing to integrate and synthesize anything that would contribute to improving and/or achieving their goals or vision. We can see professionalism or artisanship in their attitude, but perhaps it is simply just the relentless pursuit of excellence.

Knowledge-Creating Processes in a Fractal Organization

We could identify the knowledge-creating processes, that is, the SECI process presented in Chap. 1, in all the case studies presented in this book. We wish to emphasize here that in each case, socialization played a central role, and it is the core of the SECI process. In a bureaucratic organization, it is often the case that officials start from planning, as in the Plan-Do-Check-Action cycle, and disseminate the plans from the top down, which is a deductive approach. However, our cases show high-quality socialization processes before and/or during the planning phase—socialization is not merely sharing time and space together but also emphasizing, synchronizing, and resonating with each other physically and mentally—where the officials and officers gained tacit knowledge from actual situations as they worked. This tacit knowledge was transformed to explicit knowledge and shared among the members in the planning phase, and plans were created by considering the vision, goals, and essence derived from the actual situation. This approach is inductive as well as abductive.[1]

This approach, when viewed organizationally, is called the "middle-up-down" approach. Middle-up-down presents a continuous iterative process by which knowledge is created. Knowledge is created by middle managers, who are often leaders of a team or task force, through a spiral conversion process involving both the top and the frontline (Nonaka and Takeuchi 1995, 127). Just as in the private sector, the role of middle managers in the public sector is often depreciated or neglected, with middle managers criticized for doing nothing but watching out for the top officials, and relaying orders from the top to the frontline. However, that does not apply to the cases we have reviewed. Middle managers in these organizations were placed at the very center of knowledge management, at the intersection of the vertical and horizontal flows of communication. They did not simply relay orders, but actively thought and acted, echoing the visions, and empathizing with the goals set by the top officials.

Once the middle-up-down management process is installed in an organization, which we call "kata" or "creative routine,"[2] the organization can become more resilient because its middle managers will be accustomed to creating knowledge regardless of the top leaders. Middle managers no longer watch out for the leaders, but work to realize the visions and achieve the goals in here-and-now situations.

Then, what facilitates the middle-up-down management processes? Where and when do they occur? It is *ba* that facilitates the process in which tacit, explicit, and practical knowledge are synthesized. *Ba* is defined as "context in-motion," which is formed in between people and the environment in a "here-and-now" relationship in a time-space nexus. *Ba* can expand by interacting and connecting to other *ba*, through the actions taken by the participants of *ba*. Then the actions in *ba* or relationships between *ba* also form the environments, and the structures and actions by actors. In other words, synthesis and convergence occur between people, and between people and the environment, based on their knowledge and the meanings they generate (Nonaka et al. 2014). Accordingly, *ba* and the environment constantly change over time, affecting each other as they adapt and react to changes. *Ba* is often created on top of the official organizational structure, beyond the organizational boundaries; it is people who create *ba*, not the organization chart per se.

Multiple configurations of *ba* create a fractal organization in which the parts represent the whole, and the whole is embedded in each part. We can see in the cases varieties of *ba* in fractal configurations, showing that in each *ba,* members shared the vision and goal, shared the reality of the actual situations, and created new knowledge, new solutions and even new directions.

The typical organization in the public sector is a bureaucracy, and the extreme opposite of this is the dynamic fractal organization. The dynamic fractal organization is the framework of a multilayered network of *ba* platforms that create knowledge, mutually converting implicit and explicit knowledge. Bureaucracy functions efficiently in a static context, but as is seen in the "dysfunctions of bureaucracy," the system can also ossify as "bureaucratism," rendering it unable to adapt to dynamic contexts, and to be extremely fragile if any part of it should collapse. The dynamic fractal system is however both resilient and flexible.

Exercising Political Power and Distributing Wise Leadership

As also discussed in detail in the cases we presented, the abilities of wise leadership are often found in particular types of leaders. The fundamental abilities of wise leaders who aim at promoting innovation are: (1) the ability to set good goals, as we discussed in Chap. 2, and (3) the ability to create *ba*, as also discussed in that chapter. We also emphasized the importance of socialization and the SECI process, which are closely related to (2) the ability to grasp the essence, and (4) the ability to narrate the essence. The remaining abilities are: (5) the ability to exercise political power to realize the story, and (6) the ability to foster phronesis in others. Let us look closely at these one by one.

The ability to exercise political power can involve six kinds of power bases: reward power, coercive power, legitimate power, referent power, expert power, and informational power (French and Raven 1959; Raven 1965).[3] How to use the best mix of hard and soft power depending on the context, that is smart power, is very critical for a leader (Nye 2011). Nye presented the two categories of hard power and soft power, which he defines as follows: hard power is physical, direct, and imperative power (e.g., military power, police power, financial power, and power over personnel), and manipulating others through material incentives based on inducements (carrot) and threats (stick). Soft power refers to the ability to gain the desired result by capturing peoples' hearts. The power to shape the preferences of others and attract their attention is often an intangible asset, for example, personality, culture, political values, appeal of a political system, legitimacy, or ethical policies. Nye then calls the ability of know when to use hard power or soft power, and how to combine the two together, as "smart power." This is close to the concept of *phronesis* (wisdom, practical wisdom, and practical reason) (Nye 2013).

The strongest among the six power bases is referent power, which is to control by love. If person A wants to be like person B, then person B will have power over person A. Person A, however, does not feel controlled by person B, because person A will do anything to be like person B. This type of power relationship is also demonstrated in the cases; many of the leaders have personal magnetism, and their followers are willing to do what they can for them. This point is sometimes neglected in bureaucratic organizations. In such a situation, leaders use only hard power, which results in extrinsic motivation, and their staff simply do what they are told; members may be motivated, but they are not inspired to act with their gut feelings.

National leaders need to acquire, maintain, and expand their political power to realize their vision. Furthermore, upon considering the continuity of national ideals, visions, and policies, the continuity of power also becomes an important theme. The essence of power is the leader's ability to exert influence on others to gain their desired results. National, regional, and community leaders flexibly coordinate and control power relations to realize their own goals and objectives, thereby unleashing the nation's potential capabilities.

As for the ability to foster phronesis in others, national leaders design organizations that enable them to flexibly practice their vision, and try to institutionalize them to sustain the interactions between people. Institutions are organizations with established values, and as Philip Selznick (1957) has argued, leaders are required to have the political skill of building institutions. Specifically, leaders in the public sector are expected to continuously repeat the dynamic changes of establishment and reform in the bureaucracy. It is important for the leaders of today to nurture the leaders of tomorrow who will succeed, sustain, and even improve and innovate on what they have begun. Because the environment and situation are constantly changing, it is not enough to maintain the same routine. As discussed, the routine has to be creative, and executed in every *ba* of the fractal organization. For that, the leader needs to nurture and distribute wise leaders throughout the organization. This point seems to be the most difficult in terms of what we saw in the cases; we could see the next generation of leaders appearing in some cases, but could also see no good signs of this in others. The reason for this may lie in the limitation of time. It takes time to generate a new generation of leaders and install creative routines throughout an organization, while the leaders as the top officials of national, regional, and community-level governments have limited terms. How to overcome this time limitation will be the key to sustain and further pursue innovation.

Conclusions

To conclude our discussion of policy innovation, we present three propositions drawn from the seven cases presented in this book, and from the theories and practices of public management and knowledge-based management related to the pursuit of policy innovation:

Proposition 1: A human-centric view is needed in promoting policy innovation. Innovation can be achieved through the synthesis of art, craft, and science, while synthesis is only possible by human beings in their interaction with other human beings and the environment around them;

Proposition 2: The concepts presented by the theory of knowledge-based management, namely, the upward spiral process captured by the SECI model, wise leadership (phronesis or practical wisdom), *ba*, fractal organization, and middle-up-down management, are the fundamental conditions for public innovation; and

Proposition 3: Historical imagination and idealistic pragmatism are the essential factors of wise leadership in policy innovation, with both characteristics crucial to solving long-term social problems and the day-to-day concerns of citizens.

Proposition 1: A Human-Centric View is Needed in Promoting Policy Innovation

As discussed in the introduction to this chapter, theorists of management in the public and private sectors have tried to create a science, but today we can say the attempt has failed. Management is the synthesis of art, craft, and science, just as Mintzberg pointed out, so it follows that synthesis is the very essence of management (Mintzberg 2004). Within their own contexts, managers must put things together in the form of coherent visions, unified organizations, integrated systems, and so forth. That is what makes management so difficult, and so interesting. It is not that managers don't need analysis; rather, it is that they need it as an input to synthesis, and that is the hard part.

The scientific approach to management tends to analyze using quantifiable measurements, such as certain categories or demographics. In public management, we often collect data and measure the quality of the lives of citizens with quantifiable indicators, for example, wealth and employment, physical and mental health, education, recreation and leisure time, and social belonging. Once measured, such data can give us diverse objective indicators across a range of disciplines and scales (Costanza 2008). The use of consulting firms in collecting and measuring data leads us to believe that the outputs they offer scientifically reflect the actuality of a situation or opinion. But in reality, quantifiable measurements make it difficult to grasp the actuality of citizens' everyday lives, especially their emotions and feelings in a given situation. Quantified data can offer only averaged and past information about citizens and their lives; it fails to provide information on the present situation of each citizen.

Even so, we have long been caught up in the prejudice of considering only objective, scientific, and explicit knowledge as knowledge. To free ourselves from this mind-set, we need to restore that perspective on knowledge that balances the body and the mind by admitting that "knowing" requires the commitment of the individual. In other words, we need to bring back a human-centric view into management theory. This synthesis of the body and the mind has been proposed by philosophers of phenomenology, such as Merleau-Ponty (intercorporeality) and Francisco Valera (embodied mind), to name a few (Merleau-Ponty 1945/1962; Varela et al. 1991).

In fact, there is a body of evidence from research in neuroscience that human beings are born to be social. With mirror neurons, for example, we can understand the intentions of others. The interdependence between self and other that mirror neurons allow shapes the social interactions between people where concrete encounters between self and other become shared existential meaning that connects deeply (Iacoboni et al. 2005; Rizzolatti 2005). As an extension of this finding, one argument points out that Maslow was wrong in his hierarchy of needs: what comes at the bottom are not physiological needs but social needs (Lieberman 2013). While all infants need from the moment of birth a caregiver committed to meeting their biological needs, without social support infants cannot survive. Thus, being socially connected is an absolute need in human beings. We thirst for love and belonging because they are linked to our most basic survival needs.

One interesting finding is that noncognitive skills are indeed more important than cognitive skills (Tough 2013; Heckman 2013). James Heckman, professor of economics at the University of Chicago, and the 2000 Nobel Laureate in Economics, found that noncognitive skills (= personal skills) are what make children succeed over time. Examples of noncognitive skills include: (1) grit and perseverance; (2) self-control; (3) zest; (4) social intelligence (the ability to recognize the dynamics of human relations and respond quickly to changes in social situations); (5) gratitude; (6) optimism; and (7) curiosity (Heckman 2013). If we look back at the leaders who appeared in our cases, each one presented these noncognitive skills. Noncognitive skills are never obtained from scientific analysis; they are only acquired through the good habit of trial and error in daily life, and/or learnt under the influence of an exemplar's mentoring and personality.

Proposition 2: Knowledge-Based Management is a Fundamental Condition for Public Innovation

In this project, we applied the theory of knowledge-based management to public management, especially to policy innovation, in the Asian context. From the results, we concluded that the theory of knowledge-based management appears to be a good fit with policy innovation, at least when compared with NPM or the other business management theories developed in the West, as it can better explain the process of organizational innovation. Moreover, as we conducted our workshops and research projects, this sense of a good fit turned into a confident belief, as in the cases studied we found much evidence of knowledge-based management in practice, without actual knowledge of the theory.

As one of the outputs of our joint research, we believe it is possible to tackle the issues of bureaucracy, elitism, and paternalism that have resulted in uncreative, unimaginative, and un-innovative organizations.

Knowledge-based management principles highly regard: (1) tacit knowledge, (2) the role of front and middle managers, and (3) the processes for new value creation, such as innovation that serve to promote public innovation. Sufficient attention has not been paid to these points in public management in the past, but their critical importance is apparent from our case analyses. The theory is therefore practical as it presents the process of knowledge creation and the abilities of wise leadership.

We believe the ultimate goal of policy innovation is about making differences in how citizens can improve the quality of their everyday life. It is about each individual citizen, with their own name, personality, determination, and dreams. We all need to socialize, to be part of other lives, and we need to feel with our five senses actual problems before generalizing the issues. In other words, we must grasp the essence of actuality, and articulate the tacit knowledge gained through our experience of this. But the essence of actuality cannot be grasped simply by analysis. Analysis is only useful as a tool to complement the socialization and externalization steps, in a combination of steps. This means socialization is the most important step in the SECI process.

Proposition 3: Historical Imagination and Idealistic Pragmatism are the Essential Factors of Wise Leadership in Policy Innovation for Solving Long- and Short-Term Problems

In each of our case studies, we have seen that the leaders of nations, regions, and communities talked about the common good they aspired to. They extracted this common good from their experiences, and from the past, present, and future outlook of the nation's image based on their own view of history. Leaders must tell a narrative or a story about achieving their mission, vision, and values, to inspire and motivate those around them. Because wise leaders possess and practice both historical imagination and idealistic pragmatism, they are able to synthesize beliefs into a vision, concept, and practical process. That is strategy. The wise leader then has to sell the derived strategy as a narrative. This is what we call the *Strategic Narrative*. The strategic narrative is the explanation of actions required to execute the strategy. It explains what the policy is, and what actions are to be taken, before, during and after the actual execution.

The wise leader develops the strategic narrative by connecting two or more events and creating a plot. But plots can have many patterns. For example, comedy is fun and optimistic, but it does not always work in in the real world. Tragedy makes people exhibit negative and risk-averse opinions and actions. The better plot is romance, a typical hero story. Here we are talking about "narrative" instead of "story." The "story" is a noun-like concept that represents a complete structure that has a beginning and an end, whereas the historical "narrative" is a verb-like concept that emphasizes the active aspect of narrating, characterized by diverse developments without converging into a single story (Noe 2007). The difference between a story and a narrative is that a story will have an ending, while a narrative is never-ending. It continues as new situations and contexts unfold. If the context changes, we quickly change the plot and script.

The strategic narrative must have *logos* (logic), *pathos* (emotion), and *ethos* (spirit). In the case of an analytical model, we cannot change the story and simply say "our model is right, the situation is wrong." But we do not deny analysis, logic, or reasoning. The strategic narrative blends rational arguments with passion, history, and vision; it sets conditions for future actions to be understood in a particular context, and their direction; and it binds people together in a team with a common objective. Typical examples are US President Abraham Lincoln's Gettysburg address, "[g]overnment of the people, by the people, for the people," and US President John F. Kennedy's inaugural address, "[a]sk not what your country can do for you, ask what you can do for your country."

Leaders of nations, regions, and communities synchronically assess the diversely intertwined relationships of the present. They generate policy narratives—how to add value to the national assets accumulated in the past, how to strike a balance between the current economic, political, and social systems, and how to develop them diachronically toward the future—and then how to use rhetoric to instill these narratives domestically and abroad. In this case, the important point is for the policies to have foresight and consistency. Foresight is achieved not only by considering domestic circumstances, but also by imagining the larger international framework. Meanwhile, consistency refers to the situation where the series of policies each have separate meaning, but their vectors must be aligned with the whole to maintain their historical integrity and system value. Wise leaders cannot present their wise leadership alone. They need collaborators, who can best be inspired and motivated through the telling of a narrative. Weaving the narratives of the individual, community, or region into a national narrative in this way produces a single collective narrative.

Leaders of nations, regions, and communities must talk about their ideals and visions for the twenty-first century, look at the reality, and engage in pragmatic practices for their achievement: what kind of era do we live in, what does the era require of us, and what kind of historical role should we play? However, to do this, wise leaders must first attain and maintain the role of leading the nation, region, or community. In other words, the democratic system requires leaders to be selected by the people, and for the people to choose their leaders. However, many people in mass democracy are indifferent to a leader's historical imagination. In practice, they are uninterested in the common good presented by a leader, and do not scrutinize their practical actions. They tend to support the politicians who talk about immediate gains and losses, promising to eliminate imaginary "enemies" and bring visible "benefits."

In our joint research project we found that Asian leaders are pragmatic, yet also idealistic. For example, Joko Widodo (Jokowi), who was recently inaugurated as President of Indonesia (October 2014), is an idealistic pragmatist. While mayor of Solo City from 2005 to 2012, he improved the economic and social situation in this urban area through direct dialogue with the local people, rather than through contemplating armchair theories in his office (Sanusi 2015). However, talking about one's view of the nation, with pride in its history, does not mean excessive nationalism. It is about faithfully carrying on the parts of that history that we can be proud of, and showing the spirit to build a new history upon this inheritance. Some politicians act as if demonizing government authority proves how liberal they are, but that does not give them the license to govern or manage the nation. Using power for the good of society, while aware of the diabolical forces that may be therein, is the premise of effective national governance. Thus, learning from history, from actual examples of good management provided by all ages and cultures, is the most effective way to learn about how to govern a nation.

Interestingly, Kishore Mahbubani, Dean of the Lee Kuan Yew School Public Policy at the National University of Singapore, points out that the current prosperity of both China and Japan was created by the pragmatic use of knowledge derived from many sources:

> "[t]hey approached the challenge of modernizing Japan with no ideological perceptions or blinkers. They were willing to consider best practices from any country and were prepared to mix and match policies in an eclectic fashion. … The greatest pragmatist in Asia's history is probably Deng

> Xiaoping. Indeed, his definition of pragmatism is probably the best definition of the term: “It does not matter whether a cat is black or white; if it catches mice, it is a good cat.” Deng used this pithy definition of pragmatism to justify the decision to move away from the ideological rigidities of communism. … Pragmatism is the best guiding spirit we can have as we venture into the new century” (Mahbubani 2010).

This approach is not only required of national, regional, and community leaders in Asia though; ordinary citizens must also cocreate a strategic narrative by collaborating with their leaders. This means listening to and understanding the ideals which emerge from the historical imagination of their leaders, and cocreating strategies to realize the ideals narrated by their leaders. In our complicated and ever-changing reality, we must observe, monitor, and support the series of actions practiced by leaders for achieving the common good. Only by doing so will leaders possessed with historical imagination and idealistic pragmatism emerge.

A Message for ASEAN Countries and the World

We would like to conclude by emphasizing once again that management reflects the “way of life” of government officials and administrative officers. In creating policies to solve societal issues, they must always answer the question: “What is it that we, as citizens of a city, want to achieve?” This is a question about our vision and values for the future. We live in a world where conflicts, crises, and uncertainties abound, but we also believe in our own potential. Knowledge is unlimited and created only by human beings. If we can unleash our knowledge potential and relentlessly pursue excellence in our daily practices, we can also reach our ultimate goals, and realize prudent and wise capitalism. Let us unleash the knowledge potential of the Asian community toward cocreating values for human society and the common good together.

Notes

1. Abductive reasoning (also called abduction, abductive inference, or retroduction) is a form of logical inference that goes from an observation to a hypothesis that accounts for the observation, ideally seeking to find the simplest and most likely explanation. In abductive reasoning, unlike in deductive reasoning, the premises do not guarantee the conclusion. One can understand

abductive reasoning as "inference to the best explanation." Source: https://en.wikipedia.org/wiki/Abductive_reasoning, accessed 27 June 2015.

2. Kata is a "way of doing things," which is the core of the ideal action. Good kata functions as an archetype that fosters creative routine but provides higher freedom. Shu 守 (learn), Ha 破 (break), and Ri 離 (create) steps are critical in continuous self-renewal processes.
3. Of the following six power bases, 1–3 are hard power, 5–6 are soft power, and 4 is smart power:
    1. Reward Power: Power based on one's ability to reward the other.
    2. Coercive Power: Power based on one's ability to punish the other.
    3. Legitimate Power: Power based on the perceptions that one has a legitimate right to determine the behavior of others.
    4. Referent Power: Power based on the identification of one with the other.
    5. Expert Power: Power based on the perceptions that one has some special knowledge or experience.
    6. Informational Power: Power based on the perceived relevance and validity of one's information.

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