AGILE, EFFECTIVE AND EFFICIENT ORGANIZATION: HOW CAN THE PUBLIC SECTOR ACHIEVE THIS?

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ABSTRACT

Keywords: public organization; strategy; agile; effective; efficient.	In a dynamic environment, the ability to work with agility, effectiveness, and efficiency is essential to the success of organizations, including public organizations. However, few studies investigate how public organizations in Indonesia apply the strategy to be agile, effective, and efficient. This article can be seen as an attempt to contribute to the Indonesian bureaucracy improvement strategy using qualitative research methods with a phenomenology approach. Based on the research results, it can be concluded that public organizations in Indonesia have implemented strategies to change the culture, structure and work systems supported by the HR management system. All of the strategies need to be carried out simultaneously.

Introduction

Government organizations are considered less effective and efficient than private organizations (Rainey, 2014). That encourages the application of private-sector strategic management principles in the public sector. Strategic management has become prominent in the public sector since the New Public Management (NPM) paradigm emerged, pushing public sector reforms (Höglund et al., 2018). The reforms are expected to produce a more efficient government (De Vries & Nemec, 2013; Funck & Karlsson, 2019; Hood, 1991; Siltala, 2013). However, applying New Public Management is perceived as creating a super-siloed administrative system. Siloed organizations have raised issues of cost duplication and made collective action challenging (Dunleavy et al., 2006).

Though many academics have argued that the New Public Management (NPM) has lost ground (De Vries & Nemec, 2013; Dunleavy et al., 2006; Funck & Karlsson, 2019; Ishihara, 2021; Siltala, 2013), some countries are still applying NPM-kind of reforms, either by introducing performance management or by downsizing. The movement of New Public Management at the international level has been promoting the downsizing policy as a popular strategy for policymakers and public managers to reduce the size of public organizations and simplify the decision-making structure. Public managers considered downsizing reforms to be an essential strategy for increasing efficiency (Liou & Wang, 2019). Downsizing reform is not only the narrow perspective of downsizing in terms of a shrinking workforce but also a broad perspective on downsizing consisting of modification in three areas: labor reduction, system changes, and work redesign.

The influence of the New Public Management strategy has begun to take hold in Indonesia since the bureaucratic reform (Atmaji, 2016). The Bureaucratic Reform Roadmap states that efforts to improve bureaucratic governance in Indonesia use strategic management practices that generally lead to New Public Management and New Public Service (Kemenpanrb, 2020). The New Public Management paradigm is carried out through efforts to create effectiveness, efficiency and results-oriented. In contrast, the New Public Service paradigm is implemented with the involvement of stakeholders in the same position. In order to improve the efficiency and effectiveness of the bureaucracy, the Indonesian government then adopted a downsizing policy by streamlining the bureaucratic structure in 2019 (Kemenpanrb, 2020).

Meanwhile, rapidly changing environments are forcing governments worldwide to respond more quickly to the needs of citizens (Mergel, Gong, & Bertot, 2018). In response, agile approaches have gained popularity in the public sector, including Indonesia. President Joko Widodo has given direction so that the Indonesian bureaucracy becomes more agile, simple, innovative, adaptive, and able to work effectively and efficiently.

Agility is an attitude that refers to an organization's capacity to deal with changes in its environment and customer needs (Ju, Ferreira, & Wang, 2020). Over the past few years, agility has emerged as a rhetorical underpinning of a broader agenda of new working methods (Roper, Prouska, & Chatrakul Na Ayudhya, 2022). In increasingly dynamic environments, organizational agility has been recognized as a performance driver (Dib, Lodovico, Sengupta, Lamaa, & Mahadevan, 2022; Ju et al., 2020). However, agile deployments in government organizations require a shift in rigid bureaucratic cultures (Dib et al., 2022; Mergel et al., 2020; Mergel et al., 2018). The hierarchical structure of the public sector and the culture and working methods accompanying it make it harder to implement agile methods in public bodies than in private companies (Dib et al., 2022).

Nowadays, the ability to work with agility, effectiveness and efficiency is essential to the success of organizations. Currently, studies about how to be an agile, effective, and efficient public organization mainly focus on developed countries. Therefore, the authors are interested in conducting a qualitative study with a phenomenology approach to improve the implementation of strategies for agile, effective, and efficient public organizations in Indonesia.

The Nature of Public Organizations

Rainey (2014) has summarized the uniqueness of public sectors. Public agencies have no economic markets for outputs and depend on government funding for financial resources. Thus, there is a less stimulant to achieve efficiency and effectiveness. Due to legal and formal constraints, public agencies are subject to greater external government oversight of procedures, scope and strategic objectives. In addition, government organizations are more closely scrutinized by the public and have unique expectations for fairness, transparency, responsibility, and honesty.

Rainey (2014) also stated that the goals and performance criteria of the public sector are more diverse, intangible, and more challenging to measure. The government's external controls and public agencies' obscure and multifaceted goals lead to more extensive internal rules and report systems. They lead to stricter hierarchical arrangements, for instance, centralized rules for workforce management systems, budgeting and procurement. Broader constraints and diffuse goals give public managers less autonomy and decision-making flexibility than private sector managers.

Strategic Management

Strategic management is the domain of integrative management that combines analysis, formulation and implementation in the pursuit of competitive advantage (Rothaermel, 2021). Rothaermel (2021) described the strategic management process as the interdependent relationship between analysis, formulation, and implementation in the AFI Strategy Framework. An effective strategy must begin with a clear and critical analysis of the competitive challenge. The organization must formulate an effective policy direction to address the competitive challenge. Then, an organization has to make a set of coherent actions to implement the policy.

Policy implementation requires a strategic leader to design and shape the structure, culture, control and reward systems (Rothaermel, 2021). The organization structure will determine how to orchestrate efforts and allocate resources. The organizational culture is the foundation for competitive advantage. Employees learn about organizational culture through internalization in day-to-day operations. Then, the control and reward systems are governance tools to align the interests of managers and employees.

Galbraith (1960) has designed The Star Model framework as a foundation for organizational design. The framework includes five categories of policies that are manageable and can influence employee behavior. The first category is the strategy that identifies the criteria for choosing organizational forms. The second is the structure that determines the organization's distribution of power and authority. The third is process, which focuses on information and decision-making processes throughout the organization's structure. The fourth is the reward system, which incentivizes employees to align their goals with the organization's. Fifth, HR policies affect and define employee mindsets and competencies.

Downsizing

Downsizing has been promoted in the movement of NPM as a strategy used by lots of countries to lower the size of government and streamline the decision-making arrangement (Liou & Wang, 2019). Downsizing reforms have been regarded as a significant reform strategy to boost the efficiency of public agency agencies (Kazho & Atan, 2022; Liou & Wang, 2019). Strategies for downsizing encompass not only the narrow perspective regarding workforce reduction activities but also behavior, structure, and culture changes. Liou and Wang (2019) summarize some types of downsizing strategies in terms of work redesign, such as merging units, combining functions, redesigning jobs, and eliminating layers in the organization structure. They also

summarize specific strategies for systemic change, such as simplifying business processes, introducing bottom-up changes, and involving everyone. According to Datta, Guthrie, Basuil, and Pandey (2009), "Restructuring, rightsizing, streamlining, making redundant, retrenching, reduction in force, selective shrinkage, delayering, reengineering, rebalancing, outplacing - these are just a few of the phrases used to describe downsizing, a phenomenon that has become a ubiquitous fact of modern-day organizational life" (p. 343).

Agile, Effective, and Efficient

Roper et al. (2022) have identified various agile streams in the literature. The first agile stream is agile manufacturing, the ability to produce a wide range of low-cost, high-quality products built to individual client specifications. A second stream of agile, agile as project management, focuses on multi-disciplinary team-based project management. A third stream is agile as workplace ergonomics, focusing on workplace ergonomics. A fourth stream is organizational agility, which means the ability of an organization to adapt to external change. A fifth agile stream is workforce agility, which requires employees to be willing and capable to be resilient, adaptable and proactive in the face of change. The last stream of agile is agile working, which focuses on the managerial agenda to carry out specific interventions around the reorganization of work.

Government agencies adopt agile approaches to adjust for changes within their internal and external environments. (Mergel et al., 2018). Stated that agile government means addressing the changing needs of the public efficiently. The agile approach redefines traditional decision-making procedures by including internal and external users from the first day (Mergel et al., 2020). Agile government practice transforms organizational culture and collaborative methods. Most public agencies are organized around functional silos, but public agencies cannot achieve their complete objectives without collaboration (Dib et al., 2022). Therefore, agile approaches initiate a culture shift within bureaucratic command and control organizations (Dib et al., 2022; Mergel et al., 2020). The agile approach will enhance the organization's effectiveness and efficiency (Mergel et al., 2020; Mergel et al., 2018).

Effectiveness is a measure of the achievement of outcomes, whereas efficiency is the optimum ratio of inputs to outputs (Røge & Lennon, 2018). The more output units you get from a given input, the more efficient the process is. Due to limited public resources, a public manager must maximize organizational goals by effectively and efficiently using the limited resources available (Røge & Lennon, 2018). Managing resourcing and procedures can significantly improve a public organization's performance (Mergel et al., 2020; Mergel et al., 2018).

Research Methods

The qualitative research method can be used when a problem or issue needs to be explored or because the researcher requires a complex, detailed understanding of a problem (Creswell & Poth, 2018). This study uses the qualitative research method because the qualitative research paradigm will assist in answering research questions on

the strategies of public institutions in Indonesia towards agile, effective and efficient organizations. The authors use qualitative research methods with a phenomenology approach. Mergel et al. (2020) stated that a phenomenological study explains the common sense of several individuals' experiences of a concept or phenomenon. The fundamental goal of phenomenology is to reduce personal experiences to a description of the universal essence. Using a phenomenological approach, researchers can capture the essence of various experiences and perspectives about strategies for becoming an agile, effective and efficient public organization.

The authors tried to get a comprehensive picture of the strategy towards agile, effective, and efficient public organization using semi-structured interviews with three groups of participants. The groups of participants consist of (1) two participants who are policymakers in the area of organization and human resources within the Ministry in Indonesia; (2) two participants who are national policymakers in the area of public sector organization and human resources in Indonesia; and (3) two public administration experts. Participants were selected using a purposeful sampling technique based on the participant profile and pre-determined criteria.

Data analysis follows a methodology developed by Miles and Huberman (1994) in Miles, Huberman, and Saldaña (2014). Qualitative data analysis involves three simultaneous activity streams: (1) data condensation, (2) data display, and (3) drawing/verification of conclusions. As the data was collected, we condensed the data by writing transcription, coding, developing themes, generating categories and writing analytical notes. Then, we display qualitative data in matrices and a network that systematically presents the information to conclude. Triangulation is conducted to test data credibility by comparing responses from the three groups of participants. Table 1 illustrates an example of the coding process.

Table 1
Example of the coding process

Excerpt	Code	Theme	Sub-theme	Category
"At my Ministry and other institutions, the primary mindset is silos. The silo makes it impossible to do work across units." (K1)	Silo	Barriers	Cultural barriers	Silo culture

Results and Discussion

Indonesian public organizations implement a culture, structure and work systems change strategy to build an agile, effective and efficient organization. Also, public organizations implement HR management strategies through talent sharing, mobility, and increased HR capacity to support changes in the organization's culture, structure, and work systems.

Collaborative Culture

Cultural factors are essential in creating agile, effective and efficient public organizations. This study revealed that public organizations in Indonesia tend to be silos. Silo culture makes each unit have a high sector ego, which makes it challenging to work together. Public organizations in Indonesia tend to adhere to roles based on the tasks and functions of the organization. At the same time, public organizations must collaborate to achieve their objectives best. Furthermore, government organizations in Indonesia are also highly bureaucratic. All decision-making processes should be hierarchical. This, in turn, slows down the decision-making process within the organization.

The findings above align with the views of Mergel et al. (2020) and Dib et al. (2022), which state that public sector culture hampers the application of agile concepts. Mergel et al. (2020) stated that applying agility in public organizations requires a shift in rigid bureaucratic culture. Civil servants have been trained to comply with the command and control structure and stay within their assigned roles. Therefore, implementing the agile concept requires cultural change to help enhance the effectiveness and efficiency of public administration.

To overcome these barriers, Indonesian government organizations are implementing a culture change strategy by transforming the silo culture into a collaborative culture. This strategy aligns with the view of Dib et al. (2022). Most public institutions are built on specific functional or sectoral expertise. However, organizations cannot fully achieve their objectives without collaboration. Mergel et al. (2018) stated that collaboration among institutions and jurisdictions (local, regional, and national) will increase efficiency.

Serving Culture

Mergel et al. (2020) stated that the objective of implementing the concept of agility in the public sector is to respond to the changing needs of society efficiently. Ju et al. (2020) also stated that the essence of agile implementation is organizational flexibility in managing the client's needs. As such, an agile government must focus on meeting the community's needs.

This research has shown that public organizations in Indonesia tend to focus more on efforts to change the silo culture into a collaborative culture. However, as stated above, the objective of implementing the agile concept in government is to meet the needs of society. President Joko Widodo established a service-oriented cultural value in the core value of public servants and the tagline "Proudly serving the Nation". Thus, service culture should be a cultural basis for public servants. This research has revealed that civil servants in Indonesia tend to want to be served instead of serving. Consequently, public agencies must take concrete steps to build a culture of service. Employees learn about organizational culture through internalization in day-to-day operations (Rothaermel, 2021). Thus, leaders must lead by example in their day-to-day activities.

Organizational Structure Change Strategy

The structure of Indonesian public organizations is highly hierarchical and compartmentalized. The tall structures lead to slow decision-making in the public sector. Furthermore, the organizational structure is divided into numerous small units with a high degree of specialization. This reduces the flexibility of the distribution of resources within public organizations and creates sectoral egos. Therefore, the hierarchical and compartmentalized structure is an obstacle to the organization's agility, effectiveness, and efficiency.

Rainey (2014) states that public organizations generally have a more complicated bureaucratic structure. Public sector characteristics have led to an emerging opinion that the public sector is less effective and efficient than the private sector. This research finding is in line with Dib et al. (2022), which states that the hierarchical structure of public organizations makes applying agile concepts in the public sector difficult. The findings above align with the views of Dunleavy et al. (2006), who stated that the large number of administrative units in the public sector complicates collective action and raises the issue of duplication of costs. Implementing New Public Management, which encourages the disaggregation of the public sector, leads to excessive compartmentalization of public institutions in Indonesia. This structure then raises the issue of silos and duplicating costs, as each unit has its budget for the types of expenditures that can be used together.

Rothaermel (2021) stated that the suitability of organizational structure design and organizational strategy will determine whether the organization can maintain its competitive edge. The organizational structure will determine how the work system is established and how resources are allocated across the organization (Rothaermel, 2021). The structure of public organizations in Indonesia was initially mechanistic, with a high structure and division of duties and functions. This leads to a slow decision-making process, the formation of a siloed culture, and an inefficient allocation of resources within the organization.

To support efforts towards an agile, effective and efficient organization, public organizations in Indonesia are implementing a strategy to streamline the organizational structure by implementing delayering. Through this delayering policy, an independent unit has only two structural levels of positions. Thus, public organizations become flatter. Performance, rather than task and function, forms the foundation of the organizational structure. This shows that Indonesian public organizations are implementing a downsizing strategy by eliminating layers.

Work System Change Strategy

The simplification of the bureaucracy that has led to changes in the structure of public organizations was followed by adjustments to the work system. Public organizations in Indonesia are implementing a new work system that prioritizes teamwork through implementing The Ministry of State Apparatus Utilization and Bureaucratic Reform Regulation number 7 of 2022 concerning Work Systems in Government Organizations for Bureaucratic Simplification. The work can be accomplished by forming collaborative task forces or squad teams to achieve an

effective and efficient work process. Squad team members may originate from within one organizational unit, across organizational units, or between government agencies. The squad team system encourages employees to quit working on 'certain boxes'. In this way, the utilization of human resources in the public sector becomes more optimal since employees can be allocated flexibly. Organizational performance indicators provide the basis for organizing work across organizational units.

The organizational structure sets out how the organization organizes employee efforts and allocates resources (Rothaermel, 2021). The flatter organizational design has resulted in a more flexible allocation of resources through adjustments to work systems based on the squad model. The findings above indicate that public organizations in Indonesia interpret agile rhetoric as agile project management. Agility as project management focuses on the formation of multidisciplinary project teams formed according to the relevance of expertise and then dissolved according to the project schedule (Roper et al., 2022). The squad team system should form a division of labor based on the outcomes to be achieved by the organization. This is the view of Dib et al. (2022), who stated that agile configures teams not based on the division of functions but on the outcomes to be achieved.

Squad teams with cross-functional members are also an effort of public organizations in Indonesia to get rid of silos. Squad teams will increase the sharing of resources and capacity across the organization, which aligns with the views of Mergel et al. (2020) and Dib et al. (2022). However, forming a squad team will not make Indonesian public organizations more agile, effective and efficient if an agile work culture does not accompany them.

Government agencies have typically relied on meetings and escalations to advance projects (Dib et al., 2022). It takes much time to get things done. As a result, the effectiveness of squad team formation is not optimal if squad team members continue to work under the previous work style. Therefore, organizational leaders must encourage squad teams in government organizations to implement agile work practices, such as sprint planning and daily stand-up meetings. Visionary leaders can act as influencers for organizational and cultural change.

The squad team model developed by public organizations in Indonesia tends to focus on collaboration between organizational units or between government agencies. However, Mergel et al. (2020) stated that agile government refines traditional top-down decision-making to engage more internal and external users early in the process; therefore, it is essential to collaborate with external government users from the start of the work process so that the results of the squad team's work can genuinely meet the needs of the society.

Apart from establishing a working mechanism based on a squad model, Indonesian public organizations are also trying to simplify business processes, notably through digitization. Streamlining business processes will contribute to resource efficiency. The streamlining of the business process strategy shows that public organizations in Indonesia are implementing a downsizing strategy from the perspective

of systemic change, as presented by Liou and Wang (2019). However, this research revealed that most digitization efforts were nothing more than automation and had not streamlined the business process. Therefore, public organizations in Indonesia need to encourage simplifying business processes to increase bureaucratic efficiency.

HR Management Strategy

An HR management system must support changes in culture, structure and work systems. A more flattering organizational structure, the squad team system, and efforts to establish a culture of collaboration encourage public organizations in Indonesia to implement talent sharing and talent mobility strategies. Through the talent-sharing policy, human resources can be utilized outside their initial work unit. Meanwhile, the talent mobility policy encourages cross-unit and cross-agency transfers in order to reduce silos and increase capacity transfer.

Rothaermel (2021) stated that leaders shape organizational culture in their decisions on how to structure the organization and its operations, allocate resources, and develop its control and reward system. This research showed that Indonesian public organizations use talent sharing and talent mobility strategies to allocate HR resources to create a collaborative culture. Talent sharing and talent mobility strategies will eliminate silos as employees are no longer segregated within a work unit. The findings above are in line with the views of Mergel et al. (2020), who stated that agile is a cross-functional administrative arrangement that eliminates silos by increasing the sharing of resources and capabilities within the organization.

However, several participants said that the disparity in compensation among public organizations in Indonesia has hampered the implementation of the talent mobility strategy. Employees of more paid units tend not to want to be transferred to less paid units. This also increases the resistance of higher-paid units to maintain the system so that outside employees do not enter. Galbraith (1960) said that the reward system is one of the foundations of organizational design, as it will motivate employees to achieve their organizational goals. Research findings show that the high-income gap among units of Indonesian public organizations reduces employee motivation to support talent mobility policies. Significant income disparities may impede efforts to eliminate siloed culture within government agencies. Therefore, public organizations need to redesign the remuneration scheme.

Public organizations in Indonesia are also trying to increase the capacity of human resources to support efforts towards an agile, effective and efficient organization. Changes in the way of working and the effects of digitalization demand an increase in HR capacity. As a result, public organizations seek to improve digital capabilities and implement upskilling and reskilling strategies. The above findings indicate that Indonesian public organizations seek to reconfigure their resources and skills in response to environmental change. HR policies are fundamental to organizational design because HR policies often influence and determine employee mindsets and competencies (Galbraith, 1960). As such, strategies to increase HR capacity through

reskilling and upskilling are very important for employees to adapt to organizational changes.

Conclusion

Based on the research results, public organizations in Indonesia have implemented strategies to change the culture, structure and work systems, which are supported by human resource management strategies. All strategies need to be carried out simultaneously. Organizations need to develop a culture of collaboration and service. Efforts to create a culture of collaboration and service need to be reflected in a more horizontal and less siloed organizational structure. The work system must also reflect the culture of collaboration and service by forming squad teams to achieve organizational results. Furthermore, the HR management system must also support efforts to change culture, structure and work systems through policies on talent sharing, talent mobility and HR capacity development. However, the imbalance in pay between units is also considered an obstacle to implementing the talent mobility strategy. Therefore, Indonesian public organizations should also work to overcome this inequity of remuneration.

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