THE INTERPLAY BETWEEN POLITICS AND BUSINESS IN
PAPUA NEW GUINEA

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In the long term it is the people of Niugini who make one confident. They possess a courtesy, imagination and pragmatic strength to provide their own solutions (Nelson 1974:230).

1. Overview

There is no shortage of opinion (from experts or laymen) when it comes to politics, business and strategy in Papua New Guinea (PNG), Australia’s closest neighbour and leading partner in development. Young and hard-working Papua New Guineans as well as the grassroots people appreciate the sincerity of Australia’s desire to see PNG succeed and beat its ‘backwater’ label. However, more often than not, recommended solutions get overtaken by the myriad problems threatening to overwhelm the country.

In this paper, I focus on relations between business and politics, and concentrate on the crucial factor of the contemporary PNG cultures of politics and of business, and the relationship between these cultures. I use a strategic management lens¹ in suggesting strategies to influence aspects of the PNG national cultural mind-set that impact on politics and business. I am aware, of course, of the utility of other historical and institutional lenses. If anything, these lenses complement each other and contribute towards a holistic framework for analysing PNG’s development problems.

There is an intricate link between the governmental environment and business in PNG, which needs to be understood if strategies are to be designed for a prosperous future for the bulk of Papua New Guineans. As pointed out by Standish (1999), cultural factors are at the centre of

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¹ Analysts and laypersons do not all perceive the same ‘reality’. Rather, different ‘conceptual lenses’ lead to different interpretations of the same situation (Allison 1971), as different parts of the same problem are emphasised and analysed according to one’s Weltanschauungen or world-view (Checkland 1999).
development and governance problems. Larmour (2000) also explores the links between institutional failure in Melanesia and cultural values. He suggests that institutional survival or muddling through is one thing, while performance is quite another. Ron May (2000) notes that PNG’s development problems derive not so much from institutions per se, but from lack of appropriate behaviour. He further makes the point that “institutional capacity building and strengthening projects, mostly funded by international donors, may be helpful in supporting good governance, but are not a substitute for systematic policy commitment by government” (May 2000:9).

Culture is usually analysed at two levels: national and organisational. Whilst it is difficult to change deep-seated national/societal cultural mind-sets, the ‘organisational cultures’ requisite for development could be harnessed by transformational political and business leaders.

At the outset, I highlight several key problems. Although it is difficult to clearly define what constitutes the PNG national cultural mind-set, the following problems stem from certain cultural aspects of PNG:

- political instability that gives rise to a volatile and unpredictable business environment
- the abuse of political power in frequent hiring and firing of departmental secretaries and state enterprise executives
- arising from an unstable business environment, an ‘uneasy nexus’ has been forged between government and business through kickbacks in multi-million Kina projects
- decision-making at Cabinet, Parliament and bureaucratic levels lacks rational components because of the dominance of intuition, resulting in frequent policy reversals
- public-policy is often based on improvisation and solely geared towards political survival

Collusion between state officials and private companies is threatening to become the norm, as part of the national cultural mind-set. This direct nexus between government and business is becoming unhealthy for a truly open market economy (Kavanamur 1998b). Business leaders should not succumb to the prevailing culture of winning tendered projects by building

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commissions or kickbacks, at the request of corrupt politicians and bureaucrats, or lobbying for Certificates of Inexpediency to avoid competitive bidding processes. Millions of Kina have been lost through self-designed contracts for the supply of goods and services (Nonggorr 2001a,b,c,d).

2. Desirable future scenario – 2020

Papua New Guinea has sufficient natural and energy resources to propel itself into a modest future, where the basic needs of its citizens are met internally. The country is near markets in Northeast and Southeast Asia, Australia and New Zealand. However, there are major leakages and wastage within the government-organisational structure through which capital is lost. Plugging these gaping holes requires national leaders to realign organisational components of the political and bureaucratic machinery, particularly:

- the application of technology, and
- the practices of communication and continuous learning

The ingredient that oils the wheels of management and therefore is bound to have a lasting positive effect is culture, both national and organisational. According to Hofstede (1997) culture is the ‘soft ware’ of the mind. Whilst it is not easy to change deep-seated cultural mind-sets, ‘organisational cultures’ can be harnessed by transformational leaders (Sarros and Elliot 2001; James 2001), both in government and business. Now, more than ever before, there is an urgency to secure a prosperous future for all Papua New Guineans, whilst resources and international goodwill last. Failure to lay the foundations within the next five-year-term of parliament from 2002 will dissipate any hopes of achieving modest prosperity. The following are critical to attaining a desirable future for all:

- mature public sector management
- a predictable governmental environment
- security of life and property
- the ending of official corruption, and
- private sector expansion to generate jobs
Attainment of these prerequisites is contingent on changes in the mind-set of political and business leaders, and the extent to which a positive organisational culture can be nurtured.

3. Understanding the environment

Managers in developing countries must be able to scan, analyse, understand and react to the environmental forces that surround the firm in order to function effectively (Kohn and Austin 1996; Etzioni 1968; Dror 1983). Developing countries’ contexts are complicated, continually in a state of flux and highly diverse. Managers in PNG contend with:

- high degrees of uncertainty in the political/governmental environment and therefore a volatile business climate
- structural constraints inherent in a dualistic economy, e.g. limited road networks and land immobility
- cultural constraints to rationality in decision-making, problem-solving and perception of the long-term
- poor work ethic
- weak bureaucracy
- a public policy-making process geared towards improvisation and survival
- terminal balance of payments disequilibrium, and
- violent crime

The business manager in PNG has to constantly scan the environment to pick out destabilising effects on the business. (S)he does not have the luxury of taking her/his cue from documented public policies (e.g. budget documents) as these are subject to frequent change. Within a five-year term of a parliament, government can change hands twice, not to mention frequent changes in government departmental heads (Standish 1999).

The business environment in PNG can be gauged by using a ‘conceptual map’ (Figure 1), which identifies the critical contextual variables and the analytical pathways and managerial implications of environmental forces (Kohn et al. 1996).
This conceptual map categorises external forces – economic, political, cultural and demographic – that affect the business environment at four levels – international, national, industry and company. Only selective portions of the map are focused on, to underscore the point that business and political leaders can generate cultural mind-sets and minimise dysfunctions such as corruption. These selected portions include the effects of cultural and political factors at the national, industry and company levels.

Cultural and political factors have implications for the national environment, within which a company operates. Government strategies and policies affect
business industry structure and dynamics, and ultimately condition companies in terms of their strategy and operations. For instance, inertia in the National Executive Council, in addressing the deteriorating condition of road networks, directly affects the size and efficiency of land transport companies, affects retailers’ ability to target salaried consumer segments who are inaccessible by road, and affects companies’ ability to take advantage of export opportunities.

Cultural and political factors are among many ‘environmental drivers of change’ that company managers try to gauge, using environmental analysis tools such as PEST analysis (political, economic, social and technological influences), and scenario planning (Johnson and Scholes 1999). Moreover, in Michael Porter’s (1990) classic text, The competitive advantage of nations, he suggests that the national home base of an organisation plays a pivotal role in shaping the extent to which it is likely to achieve advantage on a global scale. Companies can take advantage of home base factors to enhance positioning, or be impeded by these idiosyncrasies.

3.1. Factors

An overview of factors that impinge on business and politics in PNG, is given in Appendix 1. PNG’s economy is characterised by abundant natural resources that remain underdeveloped. After 25 years of independence skilled human capital remains scarce, and, despite deregulation of the labour market in 1992, skilled labour continues to attract premium wage rates, in both the public and private sectors (Levantis 2000, Curtin 2000, Kavanamur and Kinkin 2000).

Over 80 per cent of the workforce remain in the agriculture sector. At the same time, the value of the productivity of urban private sector labour is 3.6 times the value of the productivity of rural labour (Levantis 2000:80). Agriculture, forestry and fisheries make up only 26 per cent of GDP. Gross national product per capita has declined from a high of US$810 in the 1990s to a low of US$744 in 2000. Savings rates are low, reflecting the country’s limited financial market. Physical infrastructure, information networks, and technological sophistication are weak.

The political environment is characterised by high instability, reflecting weak democratic political institutions and the failure of attendant values and traditions to take root. As for cultural factors, the social structures are egalitarian in nature, but allow bigmen to emerge, who are able to redistribute wealth. Gender roles, on the other hand, are distinctly along patriarchal lines.
Demographic factors are also interesting. The population growth rate has shot up to 3.1 per cent from a previous constant rate of 2.3 per cent (Appendix 1). The age structure remains skewed towards a young dependent population, with little improvement to the overall life expectancy rate of 57 years. Only 15 per cent of the population live in urban centers, but the current urbanisation growth rate per annum is 4 per cent, reflecting higher rural-urban migration. PNG is one of the few countries in the world with low emigration to other countries. Thus, with little growth in job creation, the youth easily turn to crime, drugs and prostitution (Levantis 2000).

**Cultural factors**

While culture is a complex and hard-to-define phenomenon, there are aspects that lend themselves to analysis. The type of culture we are referring to is different from human nature on the one side, and an individual’s personality on the other, although exactly where the borders lie is debatable. Culture is defined by Hofstede (1997:5) as:

> the collective programming of the mind which distinguishes the members of one group or category of people from another...[and] is learned, not inherited. It derives from one’s social environment, not from one’s genes.

Culture provides a set of orientations for members of a society. These orientations, taken together, can provide solutions to problems, but may inhibit solutions under changing contexts, for instance, when abrupt social mobilisation of people leads to mass displacement.

According to Buttery and Buttery (forthcoming) “[e]ducation and social systems, material culture, our attitudes also impact on perceptions of time, achievement, work, risk, decision-making, quality and change”.

A comparison of the dimensions of organisations in developed and developing countries is shown in Appendix 2. Characterisations of the developing country category reflect the modernisation theories of the 1960s, but, except for the trait of low masculinity values (which is higher in PNG), do broadly apply to PNG (e.g. low abstract thinking, past-present oriented time perspective, passive/reactive task orientation):

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3 Care, must be taken in applying to PNG Hofstede’s (1997) Value Survey Model (VSM), based on a questionnaire of IBM employees, as aggregated data may not be entirely representative of all cultures within the countries studied. For example, Leith (2000) quotes Singh (1990) to argue that Hofstede’s research lacks conceptual validity. Hess (2001) also points out that a major difficulty with Hofstede’s approach is its sweeping generalisations, based on the dominant culture within a nation. There is an obvious need to conduct an in-depth study in PNG on cultural values in business and government.
1. Low individualism (high collectivism): Public sector jobs are dished out without regard to organisation objectives or performance; as the individual performs tasks primarily to generate relationships with superiors, friends, and family and clan networks. In PNG this process is referred to as *wantokism*, because *wantoks* are related through kinship, language, friendship or geographical location.

2. High uncertainty avoidance: Individuals are unwilling to show personal initiatives on the job, as these are not encouraged or rewarded; so individuals are dependent on the authority structures and develop an external orientation (de Renzio and Kavanamur 1999).

3. Low abstract thinking (high on associative thinking): explanations of events or policy decisions are derived from unrelated events, rather than cause-effect relationships. Reversals of Cabinet decisions indicate a lack of rational decision-making processes and limited problem-solving capabilities.

4. Past-present oriented time perspective (short-term): little future-oriented perspective (i.e. long-term thinking) due to the unpredictable and difficult environment.

5. Passive/reactive task orientation: this is inimical to being proactive and to long-term planning for development, investment or savings.

Business managers need to understand these variables and tailor human resource management policies, managerial practices, and interpersonal communications to generate new organisational cultures necessary for the attainment of a prosperous future. Managers need to understand the society’s attitude towards human nature and towards work, time and space.

**Political factors**

The statement that ‘politics is a human activity that knows no boundary’ certainly holds true for PNG. Papua New Guineans are fascinated with the exercise of power by political leaders, but are beginning to bemoan the encroachment of politics into the decision-making processes of government and its business arms (Baloiloi 2001; Nonggorr 2001d). Baloiloi (2001) argues that the illegitimate exercise of power by political and bureaucratic leaders has left the decision-making processes devoid of a strong professional and rational culture. Therefore, it can be argued that the fascination with political power has its roots in PNG’s national cultural mindset.
A key feature of the PNG business environment is political instability. Uncertainty increases direct costs, interferes with planning activities, and often leads to bureaucratic bottlenecks. Drastic political changes result in economic upheavals that disrupt a company’s ability to operate normally. It is not so much the polarisation of views (ideological or religious) that usher in increased security risks for personnel, especially expatriates (business and volunteers), but the sheer frustration of the populace with the inability of government to bring about improvements in community livelihoods. Crime rates continue to increase and there is growing resentment, not only among expatriate workers and overseas-owned business houses, but also among well-to-do citizens.

Salient political factors that shape politics, and therefore business, can be linked to PNG’s current system of parliamentary elections. Under the first-past-the-post (or simple plurality) voting system, candidates only need to get the most votes to be elected. The more candidates who stand, the smaller the winning margin, which also means that politicians’ chances of re-election are slim, because they can easily be defeated in subsequent elections. This factor in turn affects the MPs political behaviour while in office, and contributes to their pursuit of short term individual advantage. It leads to frequent changes in party membership, government coalitions, government policy and resource allocation.4

First, the degree of competitiveness in each of the 109 electorates, measured by the ‘margin of victory’ that separates the winner from the runner-up, increased in the period 1977-1997. This a major factor behind the political insecurity of elected politicians. Most provinces of the country have medium-risk and high-risk seats. From 1977 to 1997 the number of seats with winning margins of 2 per cent or less almost doubled, from 23 to 44 out of a total of 109 seats (Okole 2001). In 1997, 80 out of 109 MPs (73.4 per cent) won their seats by less than 6 per cent, again nearly double the number from 1977. The only time two candidates won seats by a 60 per cent margin was in 1977, and none gained over 50 per cent in 1997. Table 1 shows these trends.

Table 1. Margin of victory, all seats 1977-1997.

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<tbody>
<tr>
<td>0-2</td>
<td>23</td>
<td>28</td>
<td>36</td>
<td>41</td>
<td>44</td>
</tr>
<tr>
<td>3-4</td>
<td>11</td>
<td>15</td>
<td>12</td>
<td>16</td>
<td>22</td>
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4 Dr Bill Standish, provided helpful clarification of the PNG election system.
The high rate of incumbency turnover is further evidence of the unpredictability of the PNG political environment. Table 2 shows the percentage of incumbents re-elected. The most treacherous region for an incumbent is the Highlands, where over 60 per cent lose their seats each election. On the other hand, the New Guinea Islands region has the highest re-election rate of nearly 60 per cent. A high degree of political education, conservatism, and disillusion with the country’s overall progress, reflected in low voter turnout and minimal fanfare at elections, are responsible for the region’s relative political stability.

Table 2. Incumbents re-elected, 1982-1997.

<table>
<thead>
<tr>
<th>Year</th>
<th>Highlands</th>
<th>NG Coastal</th>
<th>Papua</th>
<th>NG Islands</th>
<th>National</th>
</tr>
</thead>
<tbody>
<tr>
<td>1982</td>
<td>30.8</td>
<td>51.7</td>
<td>35.5</td>
<td>58.8</td>
<td>42</td>
</tr>
<tr>
<td>1987</td>
<td>35.9</td>
<td>41.4</td>
<td>45.8</td>
<td>58.8</td>
<td>43</td>
</tr>
<tr>
<td>1992</td>
<td>30.8</td>
<td>34.5</td>
<td>29.2</td>
<td>47.1</td>
<td>34</td>
</tr>
<tr>
<td>1997</td>
<td>38.5</td>
<td>44.8</td>
<td>45.8</td>
<td>58.8</td>
<td>45</td>
</tr>
</tbody>
</table>

faced leadership tribunal charges of corruption, have been from medium-risk and high-risk seats.

The large number of Independent candidates in the past five elections also contributed to PNG’s unstable political and business environment. In the 1997 election 61 per cent of votes and 33 per cent of seats were gained by Independents. They are known for changing their party membership (yo-yo politics) and have been largely responsible for shifting coalitions in the term of a parliament. However, the new *Organic Law on the Integrity of Political Parties and Candidates* (2000) may eliminate the dominance of Independents in parliament, and allow for a limited number of parties. This would provide much needed stability. Table 3 compares trends in the proportion of votes and the number of seats won by Independents from 1977 to 1997.

Table 3: Percentage of Votes and seats won by Independents

<table>
<thead>
<tr>
<th>Year</th>
<th>% Votes</th>
<th>% Seats</th>
</tr>
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<tbody>
<tr>
<td>1977</td>
<td>30</td>
<td>11.93</td>
</tr>
<tr>
<td>1982</td>
<td>21</td>
<td>3.67</td>
</tr>
<tr>
<td>1987</td>
<td>40.9</td>
<td>20.18</td>
</tr>
<tr>
<td>1992</td>
<td>63.1</td>
<td>35.78</td>
</tr>
<tr>
<td>1997</td>
<td>61.4</td>
<td>33.03</td>
</tr>
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</table>


Second, the high turnover rate of managers in the public sector (i.e. both state-enterprises and the public service) does not bode well for continuity in public policy formulation and execution. Since mid-1995 the Department of Treasury and Planning has had six different secretaries. Constant restructuring contributes little towards improving the current dismal quality of public sector management and governance (World Bank 1999). The Planning Office has been frequently reorganised, without plausible organisational design or change management rationales. Institutional capacity to formulate and implement policy reforms has been on the decline since 1987, when the Wingti-regime came into power. Filer (2000) has documented recent forest policy-making processes, where conceptions of ‘public interest’ have become clouded by ‘politics of personality’.

Third, executive government decision-making through the Cabinet lacks rational components, with implications for the business environment. Decisions are often made without debate or analysis by (and sometimes...)

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3 However, that there are limits to political engineering, particularly if the attendant cultures and tradition associated with democratic institutions do not take root (see May 2000; Standish 2001).
without the knowledge of) important parties to the transactions, e.g. Central Bank and Department of Treasury and Planning. This leads to numerous reversals of Cabinet decisions, causing considerable confusion and inertia. Clearly, the Cabinet secretariat needs to be staffed by experienced professionals.

Fourth, the government’s experience with state-enterprise management took a nose-dive after the 1992 elections. Almost all state-enterprises are now technically insolvent, including the Electricity Commission, Post & Telecommunications Corporation, Air Niugini, PNG Harbours Board, PNG Banking Corporation, Motor Vehicle Insurance Limited, Investment Corporation, and Agriculture Bank. Accounting and financial management, and the control environment, appear to have collapsed. The collapse in state enterprise management quality is largely attributable to political intervention and wantokism, which followed a decision in the early 1990s to corporatise such entities. The time lag between corporatisation and privatisation allowed incompetent board members, with little or no experience in corporate governance, to preside over important service providers.

However, there is some hope that, before the 2002 elections, the Morauta Government can stem the slide in public sector management and set the platform for privatisation. A number of ‘organisation structure reforms’ and ‘process reorientations’ (e.g. new laws on political parties and candidates, planned electoral laws, the law guaranteeing the Central Bank’s independence from the executive, and laws regulating the insurance and superannuation sectors) have already been undertaken or set in train, but more needs to be done.

4. Strategies

A number of the interrelated strategies noted here have the potential to trigger a change at the organisational level. However, hopes for a better future hinge on interventions at the government and business organisational levels, and a change in the cultural mind-set partly responsible for PNG’s development failures.

**Governmental level**

In the interest of the country, political and bureaucratic leaders should commit themselves to a number of reforms, regardless of whether they are in government or not.
1. Politicians at all levels need to commit themselves to electoral reforms in order to address the low ‘margin of victory’ and reduce the high ‘electoral vulnerability’ in the Highlands, New Guinea Coastal and South Coastal (Papuan) regions, and the National Capital District. These factors have had negative flow-on effects reducing the ‘long term time perspective’ of politicians, and their capacity for institutional memory.

2. The high turnover rate of CEOs in the public sector has to be addressed to ensure continuity in public policy formulation and execution. This will improve executives’ time orientation.

3. Decision-making avenues within Cabinet, parliament, departments, and intergovernmental committees need to be reinforced by experienced professionals, research and technology, so as to increase the chances of rational policy outcomes and reduce the dominance of intuition. This process is bound to improve the government’s level of abstract and analytical thinking and problem-solving capabilities.

4. Governments need to institute comprehensive public sector reforms to address the current situation, of 64,000 employees costing over K600 million, plus consultancy fees of over K100 million per year, and office/accommodation rentals of between K25-50 million per year (Kavanamur and Kinkin 1998, 2000). This should be done after stakeholders are sensitised, and a professional Public Service census and thorough job and functional audit are undertaken to match tasks and organisational objectives.

5. It is necessary to tighten up and standardise entry qualifications for the public service and recruit on a ‘scrap and build’ strategy. The public service needs to institute entry tests and productivity appraisals to reduce the practice of recruiting personnel without concern for performance objectives.

6. There is a need to enhance institutions offering management training in-country to help forge a strong management culture, cognisant of local and global conditions.

7. A privatisation strategy to free up government from business should be pursued, so that resources can be diverted to maintaining and building new infrastructure. The aim should be to facilitate an ‘export oriented economy’ and increase government contribution to social services. The transfer of public enterprises to the private sector would
reduce opportunities for ‘rent seeking’ by corrupt management practices (Hughes 2000).

8. The National Parliament should expedite the establishment of an independent regulator to ensure services provided by privatised state enterprises and the private sector are efficient, and better and more reasonably priced. Legislation for the establishment of an Independent Competition and Consumer Commission is in the pipeline (*Post Courier [Online] 12 September 2001*).

9. Government needs to review the public tendering practice of ‘selective tendering and ‘special favours’ or ‘sweet-heart deals’ with business. Numerous reports by the Ombudsman Commission and the Auditor General suggest that this practice is rampant (Kavanamur 1998b; Mawuli et al. 1997).

10. Government must try to stabilise the business environment, by addressing the following major impediments (Manning 1999):

- crime and theft
- corruption
- poor infrastructure
- policy instability
- inflation
- tax levels and regulations
- uncertainty on cost regulation

Security is such a huge concern that business spends big amounts just to secure property and life. The proliferation of guns, serious violence and drug related crime adds to the already complex problem. Levantis (2000:17) estimates that in 1995, the average weekly cash earnings of criminals in Port Moresby was K37.70. The estimated number of *raskols* was 32,243, most were part-time or short term, but it is still an extraordinarily high figure. The average income of criminals is far above the official minimum wage of K22.96 per week, applied in urban centres after 1992. Within society at large, existing retributive state responses are failing to deter and control crime and violence, despite consuming large amounts of scarce resources (Dinnen 1998:5). At
worst, these responses are counterproductive and only reinforce the cycle of violence between criminals and police.

11. A new approach to labour relations will have to be adopted to address the high unemployment rate. Aggregate unemployment for the country stands at 30 percent, but Port Moresby alone has 60 per cent unemployment rate (McGavin 1997; Post Courier [Online] 12 September 2001). Strategies will have to be developed to provide ‘part-time’ and ‘shift work’ for those not represented by organised unions. Project construction must factor in the need for ‘seasonal jobs’.

12. In Port Moresby, land must be made available and basic infrastructure built as a pilot project for the incubation and encouragement of micro- and small-enterprises. This would be along the lines of the Italian industrial district model, or industrial clusters in Brazil, Mexico, Ghana, Pakistan and India (see Schmitz 1990, 1992; Sengenberger and Pyke 1992; Baza and Schmitz 1997; Brown 1996).

13. Increase funding for the Small Business Development Corporation (SBDC)’s business courses and the PNG Grassroots University’s personal viability courses to change the cultural mind-set of ‘high uncertainty avoidance’ that inhibits individuals from taking ‘entrepreneurial initiatives’ and erase their belief that the external environment controls them.

14. Free handouts (such as MPs’ electorate and ‘slush’ funds of K1.5 million each) should be reduced, in preference for building infrastructure and community-wide services. Incentives should be built into social funds, similar to the AusAID Incentive Fund, to reduce the current pervasive ‘hand-out mentality’.

**Business level**

A number of strategies are also suggested for reform-minded business leaders in order to help create a predictable business environment.

1. The need to steer business away from corruption when interfacing with government requires corporate leaders to train their middle managers in ‘political skills’ (i.e. in recognising and forming coalitions, using power and influence, and in processes of negotiation and compromise) to effectively handle the government environment (see Limerick et al. 1993; Limerick et al. 1998).
2. Business leaders through their varying professional bodies such as the PNG Institute of Directors, PNG Institute of Banking and Business and the Australian Institute of Management (AIM), Transparency International and Australia’s Securities and Investment Commission (ASIC, which regulates the stock market and corporate behaviour) could co-operate in providing workshops and training to enhance the quality of corporate governance, particularly financial governance.

3. Privatisation alone is not enough. This process should operate in tandem with the training of good managers to turn the country around. Business leaders can play a key role in the area of ‘mentoring’ of their middle level managers as well as ‘on-the-job training’ through management ‘cadet-ship programs’. In addition, short-term job attachments in Australia should also be encouraged as a sure way of moulding cultural mind-sets.

5. Conclusion

This paper has touched on sensitive issues, which understandably Australians have either steered away from, or hesitantly alluded to in discussions about the development impasse in PNG. But we must take the bull by the horns, as it were, in our endeavour to deal with the problem. Resources, including money and access to appropriate technology, are not the missing link; it is the requisite cultural mind-set for organisational performance, i.e., in terms of goal achievement.

This is not to say that there is a complete absence of a requisite managerial culture. Far from it. Twenty-five years of Independence has seen the cultivation of a nascent managerial and leadership culture, but unfortunately this is still insufficient to offset the disregard for the common good, stemming from a predominant fascination with political power and wantokism or patronage. This negative social capital then leads to a low state of productivity and professionalism.

The negative implications have far reaching effects, but are not insurmountable. What is required is a clear-headed audit of the national cultural mind-set, vis-à-vis management and governance issues. How much of it is due to socialisation of customs through tradition, how much to broader environmental factors, and how much stems from institutional
factors? One then has to decide what aspects are controllable through organisational intervention, and what aspects can only be altered over time.

Here, we are assuming that the bulk of Papua New Guineans desire a doubling of living standards by year 2020, following the development path currently officially espoused. However, there is no doubt that economic development is desired by grassroots people, as evidenced in numerous studies on perceptions of development (Wilson 1975; Colebatch 1977; Turner 1980, 1986; articles in Hegarty 1983; Sillitoe 1983; Kavanamur 1994).

In this paper, we have speculated that recent deregulation and privatisation exercises, political reforms to the political party system and electoral system, and economic reforms all have the potential to contribute to stable governments and a stable business environment. In addition, the country’s natural and energy resources could enable a doubling of living standards in the next 20 years.

However, current political and business problems need to be addressed. These include:

- The current first-past-the-post voting system, which is a major factor behind the political insecurity of elected politicians and counterproductive to progress, as it forces politicians to unashamedly amass wealth through corrupt means.

- Political prerogatives, such as the power to hire and fire departmental secretaries and state enterprise CEOs, undermine continuity in policy formulation and execution.

- Lack of sensitivity by the IMF/World Bank or ADB in appearing to urge measures, such as land mobilisation, which only serves to dissipate support for broader economic reforms (Kavanamur 1998a; Filer and Kalit 1999). Land mobilisation should be last on the list, and then done strategically by more autonomous provincial governments who have to raise part of their own revenue. This will leave decisions on land reform at the local level rather than the top.

- Fatigue from a plethora of simultaneous reform programs generates resentment, especially if urban unemployment is increased.

- The flow-on effect of political instability into the business environment via the factoring in of kickbacks to tendering prices for multi-million Kina projects.
Politically-motivated crime at the local level impacts negatively on foreign-owned businesses, with some politicians aligned to criminal gangs (Standish 2001).

The causes of these well-known problems are many, but the key ones identified and highlighted in this paper are attributable to the prevailing national cultural mind-set: They include:

- Minimal understanding of and exposure to economics and business limits politicians’ understanding of the need for economic reforms.
- Low levels of abstract thinking, and high associative thinking, causes a lack of appreciation of the implications of political actions and decisions amongst politicians, especially at Cabinet level.
- Past-present time perspectives (or short term time frames), caused by institutional factors such as the FPTP voting system, as well as the effects of historical ‘subsistence affluence’ in village life, prevent planning for the future.
- Volatile and unpredictable business environment forces business to succumb to temptation, and to collude in corruption.
- Widespread hysteria, fuelled by religious beliefs and misinformation by aspiring candidates and NGOs (playing the ‘nationalist card’ and supporting nationalisation policies popularised in Africa and Latin America in the 1960s) instils fear about World Bank/IMF economic reform programs.

Key strategies aimed at resolving many of these problems are suggested here. Many of these have to be undertaken by PNG itself, while other areas require funding and support by the Australian government, PNG’s major development partner, as well as support from Australian business leaders with operations in PNG. The following strategies are suggested for different actors and sectors.

**Reform-minded Papua New Guinean leaders**

- Political party development and electoral system reforms to minimise political instability will improve continuity in policy formulation and execution
• Strategic timing and sequencing of economic reform policies will allay widespread apprehension about a possible Bretton Woods (IMF-World Bank) ‘take-over’ of the country. It is politically prudent to implement economic reform only in the year after (rather than just before) an election, so as to minimise fear of ‘electoral backlash’ among incumbent politicians.

• Strengthening research capacity and think-tanks (e.g., the National Research Institute and Institute of National Affairs) would enhance rational decision-making.

• The role of the Public Service Commission should be restored, avenues for corrupt behaviour by political and bureaucratic leaders minimised, and incentives eliminated.6

**Business leaders**

• To help change cultural mind-sets, ethical values need to be infused into the PNG business environment at the organisational level.

• ‘Mentoring’ and ‘management cadet-ship’ programs within companies as well as attachment opportunities for PNG executives in Australian company headquarters would help infuse a new set of corporate values to ‘next generation managers’. Some companies such as BHP and Chevron are already undertaking such mentoring.

**Australian government assistance**

• An exchange program for PNG and Australian technocrats would enhance understanding and improve the rational component in PNG’s decision-making processes.

• Management training opportunities in Australia should be increased and assistance provided to raise the quality of management degrees offered at the University of Papua New Guinea and the University of Technology. (UPNG has now embarked on a new School of Business Administration.

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after 25 years of educating students on export pessimism, African socialism and Latin American dependency theory).

- Support for the establishment of basic infrastructure for industrial clusters (districts) in Port Moresby and later in other centres to ‘stimulate employment’ and ‘incubate’ micro-and small-enterprises

The overall aim, then, is to improve the mindset of people in government and business in PNG. Unless we can do that, cultural factors will continue to drag PNG down. If we can do it, PNG will be able to fulfil its potential.

References


Wilson, K.K., 1975, ‘Socio-economic indicators applied to sub-district of Papua New Guinea’, Yagl Ambu, 2(1).


Appendix 1. Summary of environmental factors in PNG.

<table>
<thead>
<tr>
<th>Development level (GNP per capita)</th>
<th>Low (PNG)</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economic factors</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Natural resources</td>
<td></td>
<td></td>
</tr>
<tr>
<td>importance to economy</td>
<td>high</td>
<td>lower</td>
</tr>
<tr>
<td>availability</td>
<td>underdeveloped</td>
<td>developed</td>
</tr>
<tr>
<td>Labour</td>
<td></td>
<td></td>
</tr>
<tr>
<td>skilled human capital</td>
<td>scarce</td>
<td>abundant</td>
</tr>
<tr>
<td>% workforce in agriculture</td>
<td>&gt;80%</td>
<td>&lt;15%</td>
</tr>
<tr>
<td>Capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GNP per capita (US$)</td>
<td>&lt;$744</td>
<td>&gt;$15,000</td>
</tr>
<tr>
<td>savings rates</td>
<td>low</td>
<td>somewhat high</td>
</tr>
<tr>
<td>income inequality</td>
<td>medium</td>
<td>low</td>
</tr>
<tr>
<td>financial institutions</td>
<td>weak</td>
<td>strong</td>
</tr>
<tr>
<td>inflation</td>
<td>moderate</td>
<td>low</td>
</tr>
<tr>
<td>capital flight</td>
<td>outflow</td>
<td>inflow</td>
</tr>
<tr>
<td>Foreign exchange</td>
<td></td>
<td></td>
</tr>
<tr>
<td>exchange-rate volatility</td>
<td>moderate</td>
<td>low</td>
</tr>
<tr>
<td>trade deficits</td>
<td>medium</td>
<td>low</td>
</tr>
<tr>
<td>range of exports</td>
<td>narrow</td>
<td>broad</td>
</tr>
<tr>
<td>debt service burden</td>
<td>high</td>
<td>low</td>
</tr>
<tr>
<td>concessional foreign aid</td>
<td>recipient</td>
<td>donor</td>
</tr>
<tr>
<td>Infrastructure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>physical infrastructure</td>
<td>weak</td>
<td>strong</td>
</tr>
<tr>
<td>information availability</td>
<td>low (unreliable)</td>
<td>high (reliable)</td>
</tr>
<tr>
<td>Technology</td>
<td></td>
<td></td>
</tr>
<tr>
<td>technology flows</td>
<td>recipient</td>
<td>supplier</td>
</tr>
<tr>
<td>sophistication</td>
<td>low</td>
<td>high</td>
</tr>
<tr>
<td>industry structure</td>
<td>dualistic</td>
<td>unitary</td>
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</tbody>
</table>
### Political factors

<table>
<thead>
<tr>
<th></th>
<th>Developed countries</th>
<th>Developing countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>instability</td>
<td>high</td>
<td>low</td>
</tr>
<tr>
<td>political institutions</td>
<td>weak</td>
<td>strong</td>
</tr>
<tr>
<td>international links</td>
<td>dependent</td>
<td>more autonomy</td>
</tr>
</tbody>
</table>

### Cultural factors

<table>
<thead>
<tr>
<th></th>
<th>Developed countries</th>
<th>Developing countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>social structures</td>
<td>egalitarian</td>
<td>less rigid</td>
</tr>
<tr>
<td>gender roles</td>
<td>very distinct</td>
<td>less distinct</td>
</tr>
<tr>
<td>language</td>
<td>high diversity</td>
<td>low diversity</td>
</tr>
<tr>
<td>religion</td>
<td>high</td>
<td>low</td>
</tr>
</tbody>
</table>

### Demographic factors

<table>
<thead>
<tr>
<th></th>
<th>Developed countries</th>
<th>Developing countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>annual pop. growth rate</td>
<td>3.1%</td>
<td>0.5%</td>
</tr>
<tr>
<td>age structure</td>
<td>young</td>
<td>older</td>
</tr>
<tr>
<td>life expectancy</td>
<td>57 yrs</td>
<td>77 yrs</td>
</tr>
<tr>
<td>urbanisation (% of total pop.)</td>
<td>15%</td>
<td>80%</td>
</tr>
<tr>
<td>urbanisation growth/year</td>
<td>4%</td>
<td>0.8%</td>
</tr>
<tr>
<td>migration</td>
<td>low</td>
<td>high</td>
</tr>
</tbody>
</table>


---

**Appendix 2. Dimensions on which organisations in developed and developing countries differ.**

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Developed countries</th>
<th>Developing countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Economic and political environment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Predictability of events</td>
<td>Relatively high</td>
<td>Relatively low</td>
</tr>
<tr>
<td>Difficulty of obtaining resources</td>
<td>Relatively easy</td>
<td>Relatively difficult</td>
</tr>
<tr>
<td>from environment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B. Socio-cultural environment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Uncertainty avoidance</td>
<td>Relatively low</td>
<td>Relatively high</td>
</tr>
<tr>
<td>Individualism-collectivism</td>
<td>Relatively high</td>
<td>Relatively low</td>
</tr>
<tr>
<td>individualism</td>
<td>individualism</td>
<td>individualism</td>
</tr>
<tr>
<td>Power distance</td>
<td>Relatively low</td>
<td>Relatively high</td>
</tr>
<tr>
<td>Masculinity-femininity</td>
<td>Relatively high</td>
<td>Relatively low</td>
</tr>
<tr>
<td>masculinity</td>
<td>masculinity</td>
<td>masculinity</td>
</tr>
<tr>
<td>Abstractive-associative thinking</td>
<td>Relatively high</td>
<td>Relatively low</td>
</tr>
<tr>
<td>abstractive/low</td>
<td>abstractive/low</td>
<td>abstractive/low</td>
</tr>
<tr>
<td>associative thinking</td>
<td>associative thinking</td>
<td>associative thinking</td>
</tr>
</tbody>
</table>

**C. Internal work culture (management values and climate of beliefs)**
<table>
<thead>
<tr>
<th>Causality and control of outcomes</th>
<th>Internal</th>
<th>External</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creative potential</td>
<td>Unlimited</td>
<td>Limited</td>
</tr>
<tr>
<td>Time perspective</td>
<td>Future-oriented</td>
<td>Past and present</td>
</tr>
<tr>
<td>Time units for action</td>
<td>Long term</td>
<td>Short term</td>
</tr>
<tr>
<td>Task orientation</td>
<td>Proactive</td>
<td>Passive/reactive</td>
</tr>
<tr>
<td>Success orientation</td>
<td>Pragmatism</td>
<td>Moralism</td>
</tr>
<tr>
<td>People orientation</td>
<td>Collegial/participative</td>
<td>Authoritarian/paternalistic</td>
</tr>
<tr>
<td>Environment orientation</td>
<td>Context independent</td>
<td>Context dependent</td>
</tr>
</tbody>
</table>

Source: Kanungo and Jaeger (1990); Hofstede (1997); Mendonca and Kanungo (1997).