Understanding Institutional Capacity

of Local Government Agencies in Indonesia

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Statement of Originality

This thesis is my original work except where cited

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May God bless us all
Abstract

This thesis is about the capacity of local government agencies in Makassar (Indonesia) to provide services to the public. Besides aiming to understand the institutional capacity of local government agencies, the research also examines the role internal and external factors play in determining the service delivery capacity of public organisations. Internal factors refer to the organisational structure, managerial practices and the management of human resources in public organisations. External factors refer to the degree of bureaucratic and political accountability as well as the level of competition experienced by government agencies.

This research will enrich the existing development literature by strengthening our understanding of the ways in which internal and external factors strengthen or weaken the capacity of public sector institutions.

Institutional capacity is measured by the quality of services provided by the local government agencies as assessed by their clients through both questionnaires and interviews, whereas the data regarding the role internal and external factors play in determining the institutional capacity of local government agencies were collected by in-depth interviews and focus group discussions. In-depth interviews and focus group discussions were conducted with the management and staff in a number of agencies, with high-level bureaucrats, with non-government organisations and business associations, and members of the Makassar parliament.

This study concludes that the institutional capacity of local government agencies in the case studies varies, although overall institutional capacity is relatively low or unsatisfactory. Of the four agencies in the case studies, only one agency was able to deliver quality services higher than the level expected by its clients.
In general, this research reveals that the degree of accountability of the local government agencies in the case studies is relatively weak. The study infers that the degree of accountability does not have a significant impact on the agencies' performance.

It was found that the competitive or monopolistic environment in which the local government agencies operate does affect the capacity of the agencies to serve their clients. This capacity is also affected by a number of aspects within the organisation and human resource dimensions of the agencies.

This study shows that, in the case of Indonesia, attempts to improve the capacity of government agencies to deliver quality public services by improving the capacity of parliament to politically oversee the executive, as recommended by a number of international agencies and commentators, may not be the best and most effective alternative. Rather than focusing the resources to improve the degree of political accountability, the study suggests that a more effective strategy to develop the capacity of government agencies is to enhance the organisational structure, managerial practices and the management of human resources in the public organizations, and to introduce competition into the delivery of public services.
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Introduction

This thesis is about public institutions and their capacity to provide services to the public. In comparing the institutional capacity of different local government agencies to deliver services to the public, the research examines the institutional capacity of local government agencies in Indonesia and the role internal and external factors play in determining the service delivery capacity of public organisations. Internal factors refer to the organisational structure, managerial practices and the management of human resources in public organisations. External factors refer to the degree of bureaucratic and political accountability as well as the level of competition experienced by government agencies. This research enriches the existing development literature by developing our understanding of the ways in which internal and external factors strengthen or weaken the capacity of public sector institutions.

This chapter begins with a brief discussion of the importance of institutions in the development literature, followed by a description of how the problem of capacity of public institutions in the development literature has been approached. This chapter also defines terms of ‘institution’ and ‘institutional capacity’ before outlining the study area and the scope of the research, followed by the research questions, a brief overview of the research methodology, and the structure of the thesis.
1.1 Institutions and development

Do institutions matter? In development, public institutions do matter. Public institutions and their capacity matter because governments in any country must work through institutions to perform their functions. In other words, to perform government functions, individual government officials must be organised into coherent groups; that is, institutions. The important role played by public institutions in development has been recognised by international aid agencies. For example, the United Nations (UN) suggests that governments in developing countries believe that institutions are effective instruments for social change and development, and therefore accept institution-building as ‘a major effort for promoting consistent accelerated economic, social, and political progress’ (United Nations 1982:3). A study by the World Bank before the Asian economic crisis found that over the 30 years to 1994, countries with sound policies and capable and effective government institutions grew at three per cent per capita each year, while those with sound policies but weak institutions grew at only 1.4 per cent per year (World Bank 1998:89). In a recent publication, the World Bank remained convinced that unsatisfactorily functioning public sector institutions and weak governance are major constraints to growth and equitable development in many developing countries (World Bank 2000:xi).

The United Nations Development Program (UNDP) regards weak government institutions as the old development problem for which new
solutions are urgently needed (Fukuda-Parr et al. 2002). Similarly, an Asian Development Bank (ADB) report argues that political as well as administrative institutions play a very significant role in the implementation of development programs in many developing countries in Asia (Deolalikar et al. 2002). This report argues that any efforts to eradicate poverty in Asia are very much dependent on how institutions are designed, developed and reformed, and how administrative capacities are built and strengthened (Deolalikar et al. 2002:36).

Apart from recent studies undertaken by the international agencies, the importance of institutional capacity has long attracted development theorists and practitioners, and different arguments regarding the importance of institutions have been well documented in the development debates (see, for example, Cohen and Wheeler 1997a, 1997b; McGill 1996; Cohen 1995, 1993; Goldsmith 1993, 1992; Salmen 1992, 1991; Adamolekun 1990; Israel 1987; Cheema 1980b). International development donors and agencies, including the World Bank, have regarded the development of institutional capacity as an important development strategy since the 1950s (Israel 1987:1). However, despite the significant attention paid to developing institutional capacity of public sector agencies in developing countries over the last five decades, there is increasing evidence that institutional investments have not led to improved and sustained policy formulation and implementation performance (Cohen
In the early 1980s, development theorists argued that the success and failure of development in any country is affected by a number of interrelated factors such as the skills, values, attitudes, and beliefs of the people in the country, the sociopolitical structure within which people perform their roles, the availability of resources, and institutional machinery through which development planning and implementation takes place (see, for example, Cheema 1980a; Korten 1980; Rondinelli and Ingle 1980). However, among these factors, Cheema (1980a:4) argues that the ‘institution serves as the most critical intervening factor through which economic resources and human skills are utilised for promoting development’. Institutions are crucial because through various institutions citizen concerns, demands and needs are articulated and prioritised, short, middle and long-term plans are formulated, various development projects are implemented, and development objectives are finally accomplished (Cheema 1980a:4). Similarly, after examining five case studies in India, Sri Lanka, Bangladesh, Thailand, and the Philippines, Korten (1980:496) concludes that all development projects studied were successful because, among other things, each of them ‘had built a strong organisation capable of making the programs work’.

In the 1990s, the role of institutions in country development came to be seen as even more significant. For example, Goldsmith (1993:195) portrayed
institutions as ‘imperative for socioeconomic development’ whereas Adamolekun (1990:5) and McGill (1996:3) identified institutional weaknesses as a roadblock to development in many developing countries. Similar to the 1980s’ arguments noted earlier, it is observed that institutions are central to sustainable and beneficial economic growth because it is the institutions that create policies, mobilise and manage resources, and deliver services which stimulate and sustain development. Therefore, it is unlikely that any country will be able to sustain and maintain growth and prosperity if the institutions, which guide them, are dysfunctional (Salmen 1992:11).

Changes in the international social, political, and economic environment since the 1990s are another reason why the role of public sector institutions in country development has become more important. For instance, Cohen (1993:4) argues that public sector institutions increasingly require more managerial, professional, and technical capacity to enable them to provide more limited but complex public services resulting from the growth of market economies. Public institutions must also have the capacity to respond to the impact of global and regional economic trends and to deal with the rapid expansion of complex information systems. In short, it is clear that institutions play a pivotal role in the development process and therefore focusing on institutional capacity remains relevant in today’s development studies.

1.2 The evolutionary perspective of institutional development
While the pivotal role of institutions has been widely acknowledged by development and public administration theorists and practitioners for many years, international donors and agencies have spent significant amounts of money to build, develop, strengthen, or sustain the capacity of government institutions in many developing countries. The following paragraphs discuss briefly different approaches and practices to the problem of institutions evolving within the development literature.

In the modern era, according to Morgan (1999:Chapter 2), activities or interventions by an organisation or group in one country to assist institutions in another country to improve their ability to carry out certain functions or achieve certain objectives may be traced back to the beginning of the 1950s when the international agencies of developed countries offered development assistance to governments in the less developed countries, many of which were newly independent. In the 1950s, interventions designed to strengthen the capacity of public sector agencies were known as ‘institutional building’ because the dominant activity was to build or complete basic institutional infrastructure in the target countries, such as universities or planning bureaux. These newly built institutions were in many cases imported or transplanted models from developed countries. Many institutions were also established merely to deliver projects funded by donor agencies. During this period there was a tendency to assume that, with a few adjustments, organisational techniques could be exported to developing country
organisations to generate improvements in their capacity (Morgan and Qualman 1996:3).

During the 1960s and 1970s development theorists and practitioners talked about ‘institutional strengthening’ rather than institutional building. As the term implies, the objective of development assistance during this period was to strengthen the newly established or completed institutions. However, the focus during the institutional building and institutional strengthening periods was similar; that is, activities focused on the individual organisation and not on a broader environment or sector. Although in many cases the organisations formed only to implement development projects (sometimes referred to as ‘project management units’) demonstrated good management practices, these practices usually did not spread outside the individual organisation to strengthen overall public management of the country. These project management units were seen as exclusive, not interacting much with other organisations. As a result, the institutional strengthening approach was not able to strengthen the government agencies in the long-term because the new organisations were established on a temporary basis to accomplish specific projects (Shields 1989:84).

In the early 1980s the term ‘institutional development’ began to replace the term ‘institutional strengthening’. Differing from the earlier approaches, the institutional development approach emphasised working with the already
established organisations in a broader environment to include not only public organisations but also private and non-governmental organisations. The approach also emphasised not only developing the capacity of government agencies but also developing the ability of these agencies to sustain their capacity. Proponents of the institutional development approach believed that working with the already existing agencies is more realistic than trying to bypass such agencies by establishing new organisations that would only last as long as the project (Shields 1989:81-7).

In the late 1980s and early 1990s the term ‘capacity building’ or ‘capacity development’ came to prominence. Besides recognising the importance of working with private and non-government organisations, the capacity building/development approach recognises the importance of the systemic environment within which public institutions operate. Therefore, capacity building/development is seen as a synthesis of managerial, social, political, and economic approaches. For example, determinants of effective institutional capacity are contextually determined, not only by political conditions but also by other things such as civic culture, social structure, social capital, and economic growth (Morgan and Qualman 1996:7-8).

To summarise, the issue of institution and institutional capacity in the development literature has experienced significant changes over time. The institutional building approach in the 1950s focused on establishing basic
public agencies by transplanting models from developed countries and to deliver projects funded by donors. The institutional strengthening approach in the 1960s and 1970s was aimed at strengthening the individual public institutions which were newly developed. The institutional development approach in the 1980s and the capacity building/development approach in the 1990s had a broader focus on developing the capacity of both private and public institutions. These significant changes show that institution and institutional capacity continued to be regarded as an important issue and play a pivotal role in the development process.

1.3 Defining institutional capacity

Despite being considered a basic idea in social science, the term ‘institution’ is a fuzzy concept, probably because economists, sociologists, anthropologists, political scientists, and others from different disciplines define the concept in relation to their own discipline (Goldsmith 1993:196). Consequently, a widely accepted definition of the term ‘institution’ does not exist and the term has been used in many ways to refer to a range of different things (see, for example, Connor and Dovers 2002; Alaerts et al. 1997; Goldsmith 1992; North 1991; Blase 1986; Lipjhart 1984; Rawls 1971; Parsons 1951). For example, in economics and sociology, any formal or informal agreement between people such as ‘cultural habits’ (Alaerts et al. 1997:2), or ‘complexes of status relationships’ (Parsons 1951:39) or ‘rules and conventions’ (Goldsmith
are regarded as institutions. Whereas in political science, institutions are usually defined as the ‘formal and informal rules and practices that are used to translate citizen preferences into public policies’ (Lipjhart 1984:3) or ‘public systems of offices and positions, rights and duties, powers and immunities’ (Rawls 1971:55).

North (1991:97) proposes a more general and multi-disciplinary definition of institutions as ‘the humanly devised constraints that structure political, economic and social interaction’. In other words, to create order and reduce uncertainty in social, political, and economical relationships, people have constantly created both formal and informal constraints which North has called institutions (see, for example, Connor and Dovers 2002; Deolalikar et al. 2002). Informal constraints include sanctions, taboos, customs, traditions, and codes of conduct, whereas formal rules cover, among other things, constitutions, laws, and property rights (North 1991:97).

The term ‘institution’ is also defined by contrasting it with the term ‘organisation’ (see, for example, World Bank 2000; McGill 1996; Goldsmith 1992; Uphoff 1992, 1986). For example, the World Bank believes that institutions overlap with organisations but institutions and organisations are not synonymous because, although both institutions and organisations are affected by policy design, institutions are broader in context and less subject to frequent change (World Bank 2000:xii).
Many development theorists go further than the World Bank and use the term institution and organisation interchangeably. For example, Uphoff (1986:8-9) suggests that the two terms are used interchangeably despite defining an institution as ‘a complex of norms and behaviours that persist over time by serving some socially valued purposes’ and an organisation as ‘a structure of recognised and accepted roles’. Institutions can be organisations and vice versa although not all institutions are also organisations. For example, institutions, such as taxation, money, and law, are not organisations. However, other institutions, such as the post office, courts, or local government agencies, are also organisations. In fact, Goldsmith (1992:582) argues that the principal meaning of institution in management and organisation theory usually refers to a role or organisation. Similarly, Brinkerhoff (1986:12) suggests that donor countries, in the context of international development assistance, usually define institutions operationally as organisations. Therefore, it is not surprising if writing in the public administration and development literature uses these two terms interchangeably (see, for example, Lusthaus, Anderson and Murphy 2000; Davies 1997; Horwitz 1994; Kiggundu 1994; Israel 1987; Brinkerhoff 1986). In this study the terms ‘institution’ and ‘organisation’ are used interchangeably.

After explaining institutions, capacity is another relevant concept that needs to be discussed in this section. Although Brown et al. (2001:4) believe that capacity is also an elusive concept, the term capacity is less controversial than
institution. Franks (1999:52) suggests that the concept of capacity can be easily understood by comparing it with the concept of capability. Capability refers to the individual knowledge, skills and attitudes of a person, separately or as a group, and their competence to undertake the responsibilities assigned to them. On the other hand, capacity refers to the ability of the individual or group to actually carry out their responsibilities. Thus capacity depends not only on the capabilities of the people but also on the overall size of the task, the resources which are needed to perform the task and the framework within which capacities are discharged (Franks 1999:52).

Franks' definition makes the distinction between capability, which is found at the individual or personal level, and capacity, which is found at the group or organisational level. Since capacity is also influenced by other factors, it is not unusual for an organisation to have capable staff but still not have the capacity to perform its functions because it is grossly understaffed, or because other factors do not allow the organisation to perform satisfactorily. In other words, the term capacity primarily means the ability of an organisation to perform or pursue its objectives. This definition of capacity, which has been used by others, is applied in this study (see, for example, Fukuda-Parr et al. 2002; Hilderbrand and Grindle 1994; Hilderbrand and Grindle 1997; UNDP 1998:5).

As will be argued in more detail in Chapter Three, the capacity of a public
organisation to perform or pursue its objectives has been traditionally evaluated by objective measures. Effectiveness and efficiency are the two most common objective indicators used in measuring performance of public organisations. Over the last 20 years, however, an increasing number of studies have used subjective measures such as citizen or customer satisfaction to assess the institutional capacity of government agencies. One of the arguments for the increased popularity of applying subjective measures in assessing performance of public agencies is that citizens or customers are the main beneficiaries of public organisation operations. Responding to this trend, and adopting the concept of institution as organisation and capacity as the ability of an organisation to pursue its objectives, the institutional capacity of local government agencies in this study is therefore defined as the ability of those government agencies to pursue their objectives; that is, delivering quality services as assessed by their customers.

1.4 Study area and scope

Having established how the term institutional capacity will be used and assessed in this study, it is also necessary to identify the factors that affect the capacity of local government agencies. As discussed earlier, a more comprehensive or systematic approach has characterised institutional development practices since the early 1980s. Hence, the determinants of institutional capacity in the case studies are also analysed comprehensively.
using the five-dimensional framework proposed by Hilderbrand and Grindle (see, for example, Grindle 1997a; Hilderbrand and Grindle 1997, 1994; Grindle and Hilderbrand 1995). Harrow (2001:212) criticises the framework because it ‘represents sites for actions rather than the actions themselves’. However, since this study investigates factors that affect the capacity of local government agencies (which can be regarded as ‘sites for actions’) rather than interventions to improve the capacity of the agencies, Harrow’s criticism actually supports the appropriateness of using Hilderbrand and Grindle’s framework in this study. Hilderbrand and Grindle’s framework has been used by a number of researchers to investigate and understand factors that affect the capacity of different government institutions in Romania, Bolivia, the Central African Republic, Ghana, Morocco, Sri Lanka, and the United Republic of Tanzania (see, for example, Nientied and Racoviceanu 2000; Grindle 1997a; Hilderbrand and Grindle 1997, 1994; Grindle and Hilderbrand 1995).

As presented in the next chapter, Hilderbrand and Grindle (1997, 1994) argue that the capacity of government institutions is dependent on various factors which can be grouped into five dimensions; that is, the action environment, the public sector institutional context, the task network, the organisations, and the human resources. However, within the limited resources available, it is impossible to investigate all contributing factors within all dimensions. The following paragraphs briefly discuss the five-dimensional framework used
and the area and scope investigated in this study, as well as the arguments for selecting the study area and scope.

The action environment is the first dimension of capacity. This refers to the social, political, and economic conditions of a country. Arguably, the political, social, and economic environment can either facilitate or hinder the capacity of government institutions (Hilderbrand and Grindle 1997:37). This study does not, however, investigate factors in this dimension for the following reasons. Firstly, this study assumes that the social, economic, and political environments in which the chosen local government agencies operate are similar. This assumption is based on the fact that all four agencies in the case studies are located in the same city and all agencies belong to or are under the jurisdiction of the same local government. Therefore, whatever the economic level, social development, and political climate experienced by the society in Makassar, its impacts on the institutional capacity of the local government agencies studied is presumed to be relatively similar.

Secondly, in their study Hilderbrand and Grindle (1997:48) found that of 29 organisational case studies, some performed relatively well, whereas others, even within the same country, performed unsatisfactorily or only adequately. In other words, even within the same political, social, and economic environment different organisations can have different capacities. Hilderbrand and Grindle's case studies also indicate that the action
environment is much more important as a constraint in some countries than others. For example, it is impossible to improve the capacity of public sector institutions in some countries before securing basic economic, political, and social conditions, whereas in other countries the capacity of public institutions can be improved despite unconducive social, political, and economic circumstances (Hilderbrand and Grindle 1997:41). Therefore, in relation to this study, it is presumed that the capacities of the local government agencies in the case studies may vary although the economic level, social development, and political climate within which the agencies operate is similar.

The second dimension, the public sector institutional context, refers to overall rules and procedures that direct the government organisations and employees across a country, and structures of formal and informal influence that affect how public institutions function (Hilderbrand and Grindle 1997:37). The effect of public service rules and procedures on the capacity of local government agencies are not, however, investigated in this study for similar reasons described in the action environment dimension. That is, the effect of rules and procedures on the capacity of the agencies studied is assumed to be equal because all four agencies are government institutions which, in the case of Indonesia, are governed by the same rules and procedures. Nonetheless, the capacities of the local government agencies in the case studies may vary although rules and procedures governing the operation of the agencies are the
same.

In order to address the issues within this dimension, the study focuses on the structures of both formal and informal influence that affect how public institutions function. That is, the study investigates the relationship between the relative degree of administrative and political accountability and the capacity of the local government agencies to deliver services. Many argue that accountability promotes the capacity of government agencies to deliver services, to use public resources more efficiently and effectively, and be responsive towards their clients (see, for example, Haque 1994; Hughes 1994:Chapter 10; Paul 1992, 1991a, 1991b; Thynne and Goldring 1987).

The task network, which refers to the ability of an organisation to coordinate and communicate with other organisations to perform particular tasks, is another dimension that can affect the capacity of public institutions (Hilderbrand and Grindle 1997:37). While acknowledging the important role of coordination and communication, this study argues that in this dimension competition is a more important factor in determining the capacity of public institutions to deliver services and be responsive to their clients. Therefore, instead of investigating the relationship between capacity and the coordination and communication capability of the local government agencies, this study focuses on whether the degree of competition experienced by the agencies affects their capacity to deliver services, as argued in many other
studies (see, for example, Alam and Pacher 2000; Jensen 1997; Boston 1996; Osborne and Gaebler 1993; Marlin 1982).

Organisation and human resources are Hilderbrand and Grindle's fourth and fifth dimensions which, it is argued, affect the capacity of public institutions. The organisation dimension refers to the structures, processes and resources of the organisation and management styles adopted by members of the organization, whereas the human resources dimension refers to the ability of an organisation to recruit, utilise, train, and retain employees (Hilderbrand and Grindle 1997:37). Since both organisation and human resources dimensions are located at the organisational level (see Figure 2.2 in Chapter Two), and this study is concerned with institutions which are also organisations, factors within these two dimensions are investigated more comprehensively in this study.

In short, this study defines institutional capacity as the ability of local government agencies to pursue their objectives to deliver quality services as assessed by their clients or service receivers. In relation to factors affecting the capacity of local government agencies, the study will focus on the relationship between the capacity of the local government agencies and the degree of administrative and political accountability, the degree of competition, the structures, processes and resources of the organisation and management styles adopted by members of the organisation, as well as the ability of the
organisation to recruit, utilise, train, and retain employees.

1.5 Research questions and methodology

Earlier in the chapter it was pointed out that this research aims to understand the institutional capacity of local government agencies in Indonesia and to examine the role that internal and external factors play in determining the capacity of public organisations. Within the study objectives and scope identified above, this thesis will be guided by the following research questions to be addressed in the subsequent chapters of the thesis.

1. What is the capacity of Makassar local government agencies to deliver services as assessed by their clients or service receivers?

2. What is the degree of administrative and political accountability experienced by Makassar local government agencies? What is the relationship between the degree of administrative and political accountability experienced by Makassar local government agencies and the capacity of these agencies to deliver services as assessed by their clients or service receivers?

3. What is the degree of competition experienced by Makassar local government agencies? How does the competitive pressure affect the capacity of these agencies to deliver services as assessed by their clients or service receivers?

4. What factors within the organisational dimension affect the capacity of Makassar local government agencies to deliver services as assessed by their clients or service receivers? How do these factors affect the capacity of these agencies to deliver services as assessed by their clients or service receivers?

5. What factors within the human resources dimension affect the capacity of Makassar local government agencies to deliver services as assessed by their clients or service receivers? How do these factors affect the capacity of these agencies to deliver services as assessed by their clients or service receivers?
receivers?
The study utilises qualitative and quantitative approaches (detailed in Chapter Four). The research consists of two parts; that is, first investigating the capacity of the local government agencies, and second, analysing factors affecting their capacity. For the first part, clients or service receivers of four local government agencies were surveyed to obtain their perceptions about the capacity of the agencies to deliver services. A total of 600 questionnaires were distributed (150 questionnaires for each agency) and the overall response rate for the questionnaires was 71 per cent. Clients' perceptions were also gathered through short interviews in which a total of 210 clients participated.

The second part of the study analyses the relationship between the capacity of the agencies and the relative degree of accountability, competition, and factors within the organisational and human resources dimensions. The data for this part of the study were collected mainly through in-depth interviews and focus group discussions with the management and staff of the agencies, with members of various associations and interest groups, with executives in the local government, and with members of the local parliament. A total of 37 in-depth interviews and focus group discussions were conducted for the second part of the study.

1.6 Structure of the thesis
This chapter has summarised the outline of the study including different definitions of institution and capacity used in the social sciences, and especially the development literature. It has also identified the research questions to be examined, and the study area and the scope of the study. The next chapter will discuss in more detail the five dimensions of institutional capacity which are adopted as a framework to analyse the capacity of local government agencies in this study.

The research uses subjective measures to assess the institutional capacity of local government agencies in the case studies. Therefore, in Chapter Three, besides discussing the importance of measuring organisational performance, arguments regarding the use of objective and subjective measures in assessing the institutional capacity of government agencies will be presented. After discussing the difference, strengths, and weaknesses of both objective and subjective measures, the chapter will explain which of those two measures have been more commonly used in measuring the capacity of government organisations.

Chapter Four will discuss the methodology used. This will include explaining the local government agencies selected as case studies, the population and sampling technique applied, the survey questionnaires used, and the interviews and focus group discussions undertaken. The limitations of the study and constraints faced during the field research will also be presented in
this chapter. Chapter Five will present the relative capacity of local government agencies in the case studies in terms of their capacity to deliver quality services as assessed by their clients. The survey results in this chapter will show which local government agencies in the case studies were rated by their clients as performing satisfactorily and which agencies were rated as performing unsatisfactorily. In addition, Chapter Five will also discuss the relationship between the demographic characteristics of the respondents and their assessment of the institutional capacity of local government agencies in the study.

Chapters Six, Seven, Eight and Nine will analyse the different factors which may contribute to the institutional capacity of different local government agencies in the case studies. In Chapter Six, the focus will be on the relationship between the relative degree of administrative and political accountability and the institutional capacity of the local government agencies. Chapter Seven will analyse the relationship between the relative degree of competition experienced by the local government agencies and their institutional capacity.

Chapter Eight will examine theoretical determinants within the organisational dimension that differentiate between institutions which performed satisfactorily, and unsatisfactorily performing institutions, and explain how these determinants influence the capacity of the institutions in the case
studies. These determinants include goals, structure of work and decision-making processes, internal and external communication, management capability and commitment, incentive system, and physical resources.

Chapter Nine will explore factors within the human resources dimension and explain how these factors influence the capacity of the institutions in the case studies. In particular, the chapter examines how better performing local government agencies in the case studies recruit, utilise, retain, train and develop their staff differently from the unsatisfactorily performing agencies. The concluding chapter will summarise the main research findings and discuss the policy implications for local government agencies in Indonesia.
Analytical Framework of Institutional Capacity

As discussed in the scope of this study in the previous chapter, this study comprehensively analyses determinants of institutional capacity, using a five-dimensional framework developed by Hilderbrand and Grindle. In this chapter, this five-dimensional framework will be discussed in more detail, and findings from previous studies relevant to this framework will be presented.

2.1 Systemic analysis of institutional capacity

The many functions of the public sector or government can broadly be grouped into three broad categories; that is, policy-making, service delivery, and oversight and accountability (World Bank 2000:xii). As argued in the previous chapter, most of these functions are performed by various public sector institutions and, in order to successfully perform these tasks, public sector institutions have to have a relatively high level of capacity. In the early introduction of institutional development programs (institutional building and institutional strengthening periods) public institutions and their capacity were approached and analysed by looking at the individual organisation and not at the broader environment or sector. However, since the early 1980s the institutional capacity and analysis has been undertaken from a more comprehensive or systemic perspective (Morgan 1999).
For example, the UNDP applies a three-level conceptual approach to analyse and assess the capacity of public institutions in a systemic manner. As shown in Figure 2.1, the three levels in this approach, which can also be used to analyse factors that may hinder the capacity of government institutions, are the system, the entity, and the individual levels. In the UNDP approach, capacity issues should be analysed at these different levels, and programs focusing on institutional or capacity development in developing countries should recognise and take into account the inter-play and interconnectedness of factors within these three levels (UNDP 1997; UNDP 1998).

The individual level refers to the skills and competencies of staff available in each individual institution and the work ethic that the staff embrace in performing their functions efficiently and effectively within the entity or
within a broader context. The entity or organisation level relates to an organisation's structures and working mechanisms, its working culture, and its resources. However, the organisational capacity is likewise influenced by external factors in the wider institutional environment such as political, economic and cultural factors. Lastly, the system level refers to the national and regional regulatory framework, and policies that manage the institutions, and how these institutions inter-relate, interact and depend on each other. Although it is the most complex level in the UNDP approach to analysing capacity, the question of capacity has shifted from the entity/organisational level to this system level because analysis at this level also comprehensively includes factors within both the entity and individual levels (UNDP 1998:7-10).

In line with the UNDP's three-level approach, but inserting more detail, Hilderbrand and Grindle (1997) argue that factors influencing the capacity of government institutions can be analysed by grouping these factors into five different dimensions. These dimensions are the action environment dimension, the public sector institutional context, the task network dimension, the organisation dimension, and the human resources dimension. The following sections briefly analyse the factors influencing institutional capacity in each of these five dimensions as set out in the framework shown in Figure 2.2.
2.1.1 The action environment

The first dimension, that is, the action environment dimension, refers to the social, political, and economic conditions of a country in which public sector institutions perform their activities. Hilderbrand and Grindle argue that good political and social stability with sound economic conditions facilitate the ability of government to perform its functions. On the other hand, a high level of political instability and social conflict makes it difficult for government machinery to function (Hilderbrand and Grindle 1997:37). In line with Hilderbrand and Grindle's argument, but more specifically, Rainey (1991:Chapter 2) identifies the environmental factors that may impact on the capacity of public organisations as the general science and technological stage of a country, the government system, the level of prosperity and the characteristics of population, as well as the predominant values, attitudes, and belief of the society. The more conducive these factors in a country are, the more capable are its public organisations to perform their functions.

Based on their case studies, Hilderbrand and Grindle (1997:39) indicate that factors within the action environment are much more important as constraints in some countries than in others. For example, experience in the Central African Republic left little doubt that until basic conditions of economic development, political commitment, and social stability are put in place, little
can be done along other dimensions that would contribute to improving public sector performance. In Morocco, by contrast, capacity building initiatives would not need to pay much attention to improving a generally positive or at least benign action environment. In other cases, while the action environment was far from ideal, interventions at other levels could do much to redress the capacity gaps that were identified. For example, despite having a less favourable economic environment because of considerably lower per capita income, Sri Lanka was able impressively to improve the capacity of its public administration by directing its limited resources to support human development in all levels (Hilderbrand and Grindle 1994:29).

Figure 2.2 **A five-dimensional framework of institutional capacity**

A number of other studies have shown how factors within this action environment dimension have affected the capacity of the public sector in different countries (see, for example, Polidano 2000; Osei-Hwedie 1998; Migdal 1988). For example, Migdal (1988) has comprehensively analysed how ethnic fragmentation in many developing countries has created social and political instability that has disabled state institutions by weakening their implementation capacity. Whereas in economic terms, Polidano (2000:811) asserts that a severe economic crisis can reduce public sector capacity in many countries in two ways. Firstly, an economic downturn reduces capacity because governments have to make sharp cutbacks to the public sector. Secondly, economic crisis weakens the capacity of public institutions because the purchasing power of the already-low-paid public officials is reduced which compels them to seek alternative means of earning their living.

Indonesia is probably one of the best examples of how social, political, and economic conditions have weakened the capacity of public institutions. Before the Asian economic crisis in 1997, together with Hong Kong, Japan, Malaysia, Singapore, South Korea, Taiwan, and Thailand, the World Bank (1993:1-3) included Indonesia as one of the miracle countries in East Asia because of its high economic performance in terms of average annual growth rate and a steady decrease of inequality (see also Schwarz 1994:57). In terms of poverty
alleviation, in 1990 the World Bank reported that for the last twenty years Indonesia had the highest annual reduction in the incidence of poverty amongst all countries studied (1990:45). In 1971, 68 million Indonesian people were considered as poor. In 1990, even with a 50 percent increase in population, the number of people considered as poor had fallen to 18 million (Naisbitt 1997:181). According to Hill (1994a:55), one of the reasons for this impressive achievement was the existence of a stable economic and political environment, although the government sometimes had to take tough and unpopular decisions.

However, the capacity of Indonesian public institutions to deliver public services severely deteriorated following the Asian economic crisis, which in Indonesia was followed by social disorder, political restructuring, and the outbreak of debilitating communal conflicts across the country. The quality and quantity of government-provided social services, such as education and health, declined because of budget reductions. For example, public spending on health during the crisis was dramatically cut, resulting in declining standards of care (BPS, Bappenas and UNDP 2001:39). The availability of most antibiotics and contraceptives declined at public health facilities and public health centres seemed to be closed more frequently than they were open (Knowles et al. 1999:29-30). In terms of poverty alleviation, the results achieved before the Asian financial crisis were reversed. For example, those living in poverty rose to around 24 per cent of the population in 1999 from
just 12 per cent in 1996 (UNDP 2001:2-4).

2.1.2 Public sector institutional context

A second dimension of institutional capacity, the public sector institutional context, refers to the overall rules and procedures that govern government organisations and employees across the country. In other words, this dimension is concerned with the nature of public sector employment which includes the adequacy of rewards and incentives, the existence of performance evaluation, recruitment, and promotion procedures for government employees, and formal and informal influences that affect how public institutions function. It is argued that better institutional capacity in public organisations is impossible to achieve unless government salaries and incentives are able to attract a capable workforce and there are some rules and guidelines about organisational structures, job descriptions, hiring procedures, information systems, and performance standards (Hilderbrand and Grindle 1997:37). Bolger (2000:3) groups together both the action environment and public sector institutional context and calls this the ‘enabling environment’.

In developed countries, the important role that factors within this dimension play, in determining the capacity of public organizations, has been well addressed. In the United States, for example, Volcker (1990:33) points out that
‘the commitment to performance cannot long survive ... unless the government provides adequate pay, recognition for jobs done, accessible training, and decent working conditions’. In Singapore, one of the reasons that the Singaporean government can attract and retain its high calibre public servants and sustain the capacity of its public sector organisations has been salary levels that are extremely high by international standards (Quah 1995:337-8). In many developing countries, however, the existing conditions, policies, and regulations within this dimension are generally not conducive for public sector organisations to improve their capacity (see, for example, Mengers 2000; Werlin 1991b). In terms of salary, for example, a common expression among public servants in Eastern Europe, indicating the relationship between their low salary and their low productivity and, therefore, the lack of capacity of their organisations, has been ‘the government pretends to pay us, and we pretend to work’ (Werlin 1991b:198).

In terms of hiring and firing systems, another factor within the public sector institutional context identified by Hilderbrand and Grindle, and others, is that an open and competitive recruitment system, in which individual organisations possess significant autonomy in terms of selection, increases the capacity of public organisations to perform (Hilderbrand and Grindle 1997:45; Nunberg 1992:21). Again, in developed countries this kind of open and competitive recruitment system has long been in place. In Australia, for example, it is believed that recruitment based on merit is the ‘life-blood’ of a
tensions sometimes occur between individual departments or organisations wanting to get the staff they want as soon as possible, and the national public service authority wanting to make sure that the merit principle is always strictly applied. In many developing countries where family and kinship relationships still influence recruitment decisions, civil servants, politicians and military officials are all expected to use their positions to assist or repay their families by recruiting them into government organisations (Hague et al. 1992:362).

Similarly, performance evaluation and career advancement of government employees in many developing countries is not based on a merit system, with impacts which demoralise employees and negatively influence the capacity of government institutions (Ozgediz 1983:49). It may be true that many developing countries have equipped themselves with meritocracy rules and procedures for public sector employment. However, these rules and procedures sometimes exist only on paper and not in practice because public sector employment is politicised for the sake of powerful elites who want to maintain their positions (Nunberg 1992:36).

Indonesia has experienced fundamental changes in the last five years, following the resignation of President Soeharto after being in power for three decades. One of the changes has been the introduction of new laws that give
local government extensive responsibility and authority. Although the new local government law gives local governments the opportunity to create their own local rules and procedures, most local governments continue to apply the existing national civil service rules and procedures. In general, these civil service rules and procedures acknowledge that both local and central government institutions and personnel in Indonesia are part of the national administration or bureaucracy, and therefore both are governed by the same rules and procedures (for extensive Indonesian civil service rules and procedures, see, for example, Halligan and Turner 1995; Rohdewohld 1995).

Apart from the rules and procedures governing public employment, formal and informal power relationships are one of the factors within the public sector institutional context that can affect the capacity of public institutions to perform its functions (Hilderbrand and Grindle 1997:37). In the context of municipal local governments in Indonesia, the formal as well as informal power relationships between local government institutions and the Mayor, as the highest chief executive, as well as the local parliament, which has political oversight responsibilities, are included in this dimension. Theoretically, the formal relationship between the local government institutions and the Mayor can be seen in the context of administrative accountability, whereas the formal relationship between the local government institutions as the instruments of the local executive with the local parliament can be seen in the
context of political accountability.

Schacter (2000b:9) indicates that lack of accountability is one of the factors that weakens the capacity of public institutions in Sub-Saharan Africa, whereas Israel (1987:90-1) believes that the existence of political pressure is a surrogate for market competition which can have positive impacts on the institutional performance of government agencies. Others argue that the higher the degree of accountability that the authoritative entity exercises over the government agencies, the better the capacity of the agencies in terms of their capacity to deliver services and be responsive towards their clients (see, for example, Haque 1994; Hughes 1994:Chapter 10; Thynne and Goldring 1987). Comprehensive theoretical arguments relating the degree of accountability to the institutional capacity of government agencies, as well as the findings from the case studies, are presented in Chapter Six.

2.1.3 Task network dimension

Performing particular functions or delivering specific public services sometimes needs not a single but a number of government organisations. Therefore, a third dimension, the task network, which relates to the ability of an organisation to bring together other organisations to perform particular tasks, can also influence the capacity of public sector institutions. Hilderbrand and Grindle argue that the better the ability of an organisation to coordinate with other organisations, the better the capacity of the organisation to
perform its functions (Hilderbrand and Grindle 1997:13).

The importance of coordination in development literature is not a new issue. For example, writing about the institutional dimension in regional development, Cheema (1980a:6) observed that good coordination amongst government organisations ensured that limited resources were efficiently used and not wasted, conflicting goals were eliminated, and overlapping functions were reduced. Cheema's conclusion was that good coordination amongst government organisations could be achieved by standardisation, by planning or by mutual adjustment. Coordination by standardisation could be implemented by creating procedures and rules that govern the actions of each organisation into an independent relationship, whereas coordination by planning could be carried out by setting the boundaries for the interdependent organisations to govern their actions. Coordination by mutual adjustment was seen as dependent on the willingness of the organisations involved to modify their internal operations for reciprocal task interdependency (Cheema 1980a:7).

Hilderbrand and Grindle indicate that a lack of coordination that weakens the capacity of public sector agencies can occur between agencies setting polices and those implementing them. In more recent times there is also an issue of ‘coordination among different providers, including separate government and private organisations’ (Hilderbrand and Grindle 1997:46). However, in the
case that similar public functions or services are delivered or provided by different organisations, it can also be argued that the capacity of an organisation to perform its functions is dependent more on its ability to compete, than to coordinate with, other organisations. In other words, within the task network dimension, coordination is important to the capacity of an agency particularly when its functions can only be performed in cooperation with other organisations. On the other hand, the pressure of competition is more relevant to the capacity of an agency when it competes with other agencies to deliver similar functions.

For example, reviewing 159 institutions in developing countries Israel (1987) concluded that most of these institutions enjoyed a monopoly or near monopoly. However, with railways being the exception, institutions that were exposed to some form of competition had a higher level of institutional performance than those that were not (Israel 1987:101-2). More recently, the World Bank acknowledged the potential contribution of competitive pressure to the success of development programs and the increasing empirical evidence supporting the need to introduce competition into public sector organisations to improve their institutional capacity (Pradhan 1998:55-6). More comprehensive arguments and counter-arguments, as well as evidence on the effect of competition towards the institutional capacity of government agencies to deliver services or to perform their functions, together with the
findings from this study, are presented in Chapter Seven.

2.1.4 Organisational dimension

The organisational dimension of capacity is used by Hilderbrand and Grindle to refer to the structures, processes and resources of the organization, and management styles adopted by members of the organisation. Their view is that the capacity of institutions is affected by, among other things, how goals are established, how tasks are structured, how authority relations are defined, and how incentives and disincentives are provided (Hilderbrand and Grindle 1997:37). For example, it is argued that the clarity of organisational goals affects institutional capacity because clear organisational goals can guide staff to perform their tasks and responsibilities (Zeithaml et al. 1990:83). On the other hand, vague organisational goals do not help the creation of a sense of mission and commitment amongst staff, which are also important to the capacity of institutions to perform their functions (Hilderbrand and Grindle 1997:49). Rainey (1991:33) indicates that the vagueness of organisational goals and objectives is more observable in government agencies and, indeed, is one of features that differentiate public organisations from private organisations.

At this point human resources management practices become significant in an organisation’s ability to achieve its goals. Apart from organisational objectives, the goals that each individual within the organisation should achieve must also be clear and understandable. Therefore, the existence of a
job description, which can guide individuals within the organisation to achieve their own goals, is another factor within the organisational dimension that affects capacity of institutions. If all individuals in an organisation complete their goals, the unit's goals will be achieved, and then the organisation's overall objectives will be accomplished. On the other hand, when staff do not understand what is expected from them, and how to accomplish that expectation, role ambiguity may emerge and the overall objectives of the organisation will not become a reality (Robbins 1994:199).

Rewarding individuals within organisations who have successfully performed in accordance with the job description, and punishing those who have failed, is another factor that may contribute to better institutional capacity. In general, a human resources management approach will argue that to motivate individuals within the organisation to perform well they must be rewarded and punished in accordance with their performance (Abowd 1990). However, to be able to fairly reward and punish individuals within an organisation, the organisation should be equipped with a workable performance appraisal system. This performance appraisal should be able to differentiate between individuals who perform well and those who perform badly, and should be applied impartially.

The style of management adopted within an organisation is another important factor that determines whether or not an institution has the
capacity to perform its functions. Generally, a less hierarchical management approach, a high participation of lower level staff in decision-making processes, and an intense but less formal communication and interaction style between management and lower level staff, is seen by the human resources management approaches as likely to contribute positively to the capacity of organisations to perform their functions and achieve their objectives (Hughes et al. 1996; Werlin 1991b; Yoder and Eby 1990).

The availability of physical resources needed by individuals within the organisations to perform their functions is also an important contribution to capacity of an institution. In their study, Hilderbrand and Grindle (1997:50) show that government institutions occupying aged, badly maintained and abused buildings which lack office equipment tend to have a significantly lower capacity to perform their functions than organisations having more convenient and pleasant offices and adequate office equipment (Taylor 1992; Phillips 1991).

### 2.1.5 Human resources dimension

Because organisations involve groups of people working together interdependently to achieve common goals, managing those human resources is one dimension that can significantly constrain or assist the capacity of organisations to perform. This is particularly crucial for public organisations because generally governments are not able to recruit the best people in the
workforce, either because the financial reward is not as attractive as in private companies or because of the problem of corruption. In addition, many governments can not afford to train their public servants to improve their capacity. Therefore, the UNDP (1998:10) believes that human resources are central to capacity development and is the most critical factor to consider in analysing capacity. According to Hilderbrand and Grindle (1997:14) this fifth dimension of capacity relates to the ability of an organisation to recruit, utilise, train, and retain employees, especially those who are managerially, professionally, and technically capable. Factors within this dimension have long been concerns both in public and private sector organizations, and have been extensively discussed under the human resources management literature (see, for example, Torrington and Hall 1998; Noe et al. 1996; Stone 1991).

For example, recruitment and initial placement of staff are decisive in determining the continuing quality and capacity of public organisations (Nunberg 1992). A merit-based recruitment system has been argued as one of the reasons for success in some African countries, and spoiled and politicised recruitment practices have been blamed for the continuing dysfunction of many public institutions in other African countries (Catlett and Schuftan 1994; Oluwu and Smoke 1992; Gulhati 1991; Phillips 1991). Apart from recruitment, effective utilisation of personnel within the organisation plays an important role in determining whether or not staff can contribute maximally to the
capacity of the organisation to perform its functions. Generally, staff will not be positively motivated to contribute to the success of the organisation when they believe that their talents to carry out the tasks are not appropriately acknowledged and considered (Hilderbrand and Grindle 1997). Similarly, it is unlikely that staff will be satisfied with their jobs if they are working in a position which does not match their skills (Yoder and Eby 1990).

Retaining skilled staff is another important factor within the human resources dimension which may determine whether or not the capacity of public institutions can be sustainable. It is not unusual for highly trained and skilful government employees to move to private organisations or even to go overseas in search of better jobs, leading to a deterioration in the capacity of public organisations (Franks 1999). Finally, training is another alternative that can significantly improve the capacity of government institutions. Consequently it is hardly surprising that international aid organisations place a very high priority on staff training (Catlett and Schuftan 1994; Werlin 1991b). However, it is also sometimes argued that improvements in the performance of staff, which can contribute to improvement of organisational capacity as a result of attending training, is too often zero (Carter 1991).

2.2 Conclusion

The capacity of public institutions to perform their functions varies and is affected by a number of factors. Early approaches analysed public institutions
and their capacity based on the individual organisation and not on the broader environment or sector. However, there has been an increasing argument to suggest that a more comprehensive perspective or systemic approach should be used to analyse institutional capacity.

One of the systemic approaches to analyse institutions and factors affecting their capacity is Hilderbrand and Grindle's five-dimensional framework. This approach argues that determinants affecting capacity of public institutions can be found in one or more of these five dimensions; that is, the action environment, the public sector institutional context, the task network dimension, the organisation, and the human resources. Within the action environment dimension, factors that may affect capacity include the overall economic development as well as social and political stability of a country, whereas within the public sector institutional context, rules and procedures that govern these institutions, including formal and informal power relationship, are factors that may determine capacity of public institutions.

Within the task network dimension, the capacity of institutions can be affected by two broad factors. Firstly, in the case of particular functions being performed by a number of institutions, the capacity of an institution depends on its ability to coordinate and cooperate with other institutions. However, in the case that a number of institutions perform similar functions, the pressure of competition is believed to influence positively the capacity of an institution.
Different institutions operating within a similar economic, social and political environment, governed by similar rules and procedures, may still have different capacity. This happens because the capacity of institutions may also be affected by factors within the organisational dimension which include how goals are established, how tasks are structured, how authority relations are defined, and what management styles are adopted within individual institutions. Finally, differences in capacity may also stem from the different capability of the human resources available in different institutions and different human resources management practices adopted by these institutions.

Based on this five-dimensional framework, the following chapters will analyse factors that potentially affect the capacity of local government agencies in the case studies. However, before analysing the contributing factors, the relative capacity of local government agencies in the case studies are assessed. Arguments for and against the use of subjective indicators to assess the institutional capacity of public sector organisations are discussed in the following chapter.
Objective and Subjective Measures of Institutional Capacity in the Public Sector

This chapter discusses concepts and theories relating to measuring institutional capacity in the public sector (which is commonly termed ‘organisational performance’), and how institutional capacity has been assessed. Although the topic of organisational performance, and how to measure it, is ‘central to every organisation’ (Scott 1994:15) and ‘tons of paper have been used to clarify the concept’ (Haselbekke and Ros 1991:155), the concept itself is still considered by some as controversial and confusing (Glaister and Buckley 1998:92; Grizzle 1981:16). The discussion in this chapter begins by explaining the arguments for the importance of measuring institutional performance followed by discussions about objective indicators which have most often been used to assess the performance of organizations, including public sector agencies. This chapter argues that despite the dominant use of internal and objective indicators, such as efficiency and effectiveness, there is a global trend to assess the capacity of public sector organisations using external and subjective indicators, especially in terms of service quality by, for example, measuring clients’ or service receivers’ satisfaction. Therefore, towards the end of the chapter, the concepts of quality and customer satisfaction of public service quality are explored.
3.1 The case for measuring performance

In general, the importance of measuring organisational performance has been emphasised by Shand (1997:22) who says that ‘if we do not measure performance we do not know what we are doing’ and by Scott (1994:15) who notes that ‘without it [performance measurement] we do not know where the organisation is’. More systematically, Carter et al. (1992:49) identify three main measures of organisational performance; namely prescriptive, descriptive, and proscriptive measures. Prescriptive performance measurement is undertaken in order to assess how an organisation has achieved its objectives or targets. Prescriptive performance measurement is like a dial which precisely evaluates inputs, outputs, and outcomes based on definite standards. Thus, prescriptive performance measurement can assess whether an organisation has succeeded or failed to achieve its objectives or targets, and can separate good performers from bad performers.

Because organisational objectives are sometimes contested or ambiguous, absolute measures of performance are difficult or impossible to obtain. In this kind of situation, descriptive rather than prescriptive performance measurement is more applicable. Descriptive performance measurement gives information about trends in organisational performance by, for example, ‘comparing relative performance over time rather than performance against normative standards or precise targets’ (Carter et al. 1992:50). Finally, performance measurement may also function like an alarm-bell which
warns if undesirable and intolerable circumstances exist in an organization, without relating these circumstances to specific targets or objectives. Carter et al. (1992:49) name this type of measurement as proscriptive or negative performance measurement.

Table 3.1 Values, benefits and improvements of performance measurement

<table>
<thead>
<tr>
<th>Type of Improvement Achieved</th>
<th>Form of Benefit Produced</th>
<th>Form of Value Received</th>
</tr>
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<tbody>
<tr>
<td>Policy decisions</td>
<td>Reallocation of resources</td>
<td>Shifted resources increase in value to public, as needs are better met by public tax</td>
</tr>
<tr>
<td>Service performance (effectiveness)</td>
<td>More responsive services</td>
<td>Services increase in value to the public, as needs are better met by public tax</td>
</tr>
<tr>
<td>Service performance (efficiency)</td>
<td>Increased services per a unit cost or decrease cost per unit service</td>
<td>Value of increased efficiency may be calculated, representing actual saving, cost avoidance or both.</td>
</tr>
<tr>
<td>Organisations</td>
<td>Managers and employees become more creative as well as more efficient and effective (human development benefits)</td>
<td>Public organisations increase in value to the public as their ability to change and improve is enhanced</td>
</tr>
</tbody>
</table>


Whether performance measurement is undertaken to assess achievements against goals, identify trends, or as an early warning system, helping managers to make appropriate decisions has to be the prime objective of measuring organisational performance (Mark 1981:74). Epstein's tabulation of
performance measurement (set out in Table 3.1) shows that in public sector organisations better decision-making has the potential to improve policy decisions, organisational effectiveness, efficiency, and overall performance. As a result, benefits may be produced, such as a more responsive public service as well as an increase in services per unit cost, and the public organization’s value to the public may be improved (Epstein 1986:71). In addition, indicators applied in performance measurement may also guide managers ‘to set specific goals, facilitate budget justification, reduce cost, permit control of operations and improve motivation and accountability’ (Jowett and Rothwell 1988:4).

Setting standardised and absolute indicators to assess performance of multiple objective public organisations is not always easy because the process involves a complex mix of political, financial, social and technical considerations. Therefore, the performance of public organisations sometimes is not assessed in absolute measures but by comparison and by which four types of comparisons are arguably the most common strategy used (Carter et al. 1992:46-8; Boyle 1989:23-4). Firstly, the performance of an organisation can be evaluated by a time-series comparison; that is, measuring the performance of the same organisation over time (Carter et al. 1992:46-7; Boyle 1989:23). For instance, the annual records of an organisation can be utilised to assess whether the performance of an organisation in a particular year improves, decreases, or remains stable compared to previous years. Although this type
of comparison theoretically measures the same organisation, changes of
technology as well as demographic and social circumstances may influence
the performance of an organisation over time (Carter et al. 1992:47).

Secondly, the performance of an organisation can be assessed by comparing
its achievement against projected targets or standards (Carter et al. 1992:46;
Boyle 1989:23). However, a number of questions may arise concerning who is
the best person to set the targets, whether the targets should be prescribed
from the top or created from below, and whether the targets are achievable or
not. Thirdly, the performance of an organisation can be assessed by using
internal organisational comparisons (Carter et al. 1992:47; Boyle 1989:24). This
is done either by comparing the performances of different units within the
organisation or by comparing the performance of the same organisation
operating in different regions of the country. Lastly, although it is rarely
applied, performance measurements can also be undertaken by comparing
one organisation with other different organisations (Carter et al. 1992:48;

After discussing the importance of measuring organisational performance, it
is also relevant to discuss the two approaches most frequently used to
measure performance of public organisations. First, the objective performance
measurement assesses the performance of government agencies using
objective indicators such as effectiveness and efficiency. Second, the subjective
performance measurement evaluates the performance of public sector organisations using subjective indicators such as citizen satisfaction towards the quality of public services they receive. As shown in the following sections, both objective and subjective performance measurements have their own strengths and weaknesses.

### 3.2 Objective performance measurement

Brown and Coulter (1983:50) argue that in the past decades there have been two convergent and independent modes of analysis in measuring the performance of public organisations or public service delivery. The first mode of analysis involves measuring service delivery performance characteristics using data from official archives of public agencies. Sometimes called objective measures, these indicators are used to document such performance criteria as effectiveness, efficiency, and equity of policy inputs, outputs and outcomes.

![Simplest production model of organisational performance](image)

Sometimes closely associated with the production model, as graphically shown in Figure 3.1, the objective performance measurement is arguably the most popular approach used in measuring the organisational performance of public sector agencies (Carter et al. 1992:35; Downs and Larkey 1986:5; Brown and Coulter 1983:50). Brudney and England (1982a:131) observe that efficiency and effectiveness constitute managerial standards of performance which guide the bureaucracy in the provision of public services. Since these elements focus on the price and quantity of services delivered, it is in this area that hard data or objective indicators are most useful and most often used, and this is one of the reasons for the popularity of objective performance measurement in the public sector. The following sections discuss a number of key concepts and indicators used in objective performance measurement such as efficiency, effectiveness, economy, productivity, input, process, output and outcome.

3.2.1 Efficiency, effectiveness and economy

Efficiency and effectiveness are probably the most prevalent terms used in measuring objectively institutional capacity of government agencies, although the terms are sometimes used imprecisely (Mulreany 1991:7). Generally, efficiency has been defined as, and measured by, the ratio of inputs to outputs or the rate at which inputs are transformed into outputs (see, for example, Carter et al. 1992:37; Mulreany 1991:8; Boyle 1989:19; Gleason and Barnum
Based on this definition, an efficient organisation can be achieved by either minimising inputs while maintaining outputs, or maintaining inputs while maximising outputs, or by minimising inputs and maximising outputs at the same time. However, many scholars argue that the formal use of efficiency is rather one-sided; that is, it is only used in terms of minimising inputs or reducing costs for a given level of outputs (input efficiency). Efficiency is rarely used in terms of maximising outputs or expanding services for a given level of inputs (output efficiency) (Carter et al. 1992:38; Boyle 1989:19; McGowan 1984:19). This argument should not, however, be necessary, because maximising outputs while maintaining inputs (output efficiency) in economics is actually the technical definition of productivity (see, for example, Pass et al. 1993:436-7). The argument also reflects confusion in accurately using the terms, which often extends to both policy-makers and commentators.

In addition, it is also important to differentiate between efficiency in production and efficiency in distribution (Mulreany 1991). Efficiency in production, also known as productive efficiency, technical efficiency, x-efficiency, managerial efficiency, and internal efficiency, is achieved when organisations generate outputs at the cheapest possible cost or when given outputs use the minimum amount of inputs. Thus productive efficiency corresponds to the everyday notion to which people generally refer when talking about efficiency (Goldsmith 1996:26). If productive efficiency is
concerned with the internal processes of organisations, efficiency in
distribution, or allocative efficiency, is concerned with consumer preferences.
Unless the cost of an extra unit of output is equal to the consumer's
willingness to pay, allocative efficiency may not be achieved. In other words,
if goods and services are being produced which no one wants to buy, then
clearly there is an inefficient use of resources, or allocative inefficiency
(Mulreany 1991:10).

<table>
<thead>
<tr>
<th>Model</th>
<th>Definition</th>
<th>When useful</th>
</tr>
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<tbody>
<tr>
<td>Goal Model</td>
<td>It accomplishes its stated goals.</td>
<td>Goals are clear, consensual, measurable</td>
</tr>
<tr>
<td>System-Resource Model</td>
<td>It acquires needed resources</td>
<td>Clear connection between inputs and outputs</td>
</tr>
<tr>
<td>Internal-Process Model</td>
<td>It has absence of internal strain, smooth internal functioning</td>
<td>Clear connection between process and primary task</td>
</tr>
<tr>
<td>Strategic-Constituencies Model</td>
<td>All strategic constituencies are at least minimally satisfied</td>
<td>Constituencies have powerful influence; the organisation reacts</td>
</tr>
</tbody>
</table>
its frequently multiple and contradictory objectives have been highlighted as the reason for the absence of a generally acceptable definition of effectiveness (Carter et al. 1992:39; Cameron 1981b:3-4). However, Cameron (1981a:45) has identified at least four different approaches which can be used to define and measure organisational effectiveness (see Table 3.2).

The first and most broadly used approach, the Goal Model, relates effectiveness to how well an organisation performs or achieves its objectives (Mulreany 1991:19; Boyle 1989:19-20; Downs and Larkey 1986:7; Gleason and Barnum 1982:380). The Goal Model assumes that organisational objectives are clearly defined and measurable. Therefore, the more an organisation achieves its objectives the more effective the organisation is. However, not all organisations possess clearly defined and measurable objectives and, especially in public organisations, the objectives are sometimes multiple with different degrees of importance. Under the System-Resource Model, therefore, goal attainment is regarded as irrelevant as a measure of organisational effectiveness. The System-Resource Model suggests that an organisation is effective if it is able to acquire the resources needed to maintain its existence. Thus, the higher the level of resources acquired from its external surroundings, the more effective an organisation is. In short, while the Goal Model emphasises outputs, the System-Resource Model concentrates more on inputs (Cameron 1981b:4).
As its name implies, the third approach to effectiveness, the Internal-Process Model, concentrates on the internal processes and operations of the organisation (Cameron 1981b:4). This approach assesses an organisation as being effective if it operates peacefully, indicated by such things as trust between employees and smooth vertical as well as horizontal flows of information within the organisation. Finally, the Strategic-Constituencies Model measures effectiveness based on the ability of an organisation to satisfy its stakeholders. These stakeholders may be the organisation's input providers, output users, or any individuals having contact with or who are affected significantly by the organisation, or whose roles are important to the life of the organisation. The greater the level of satisfaction of stakeholders, the more effective the organisation is (Cameron 1981b:4).

As discussed earlier, the Goal Model focuses on outputs and does not relate outputs and outcomes in measuring organisational effectiveness. Therefore, the Goal Model can be used to differentiate between administrative and policy effectiveness so that the overall aims of a policy can be assessed (Carter et al. 1992:38-9). For example in a social security program, administrative effectiveness refers to the ability of the social security agency to provide accurate and speedy payments to the beneficiaries, while policy effectiveness refers to the extent to which the policy meets its overall objectives; which may be, for instance, alleviating the poverty of the target group. In other words, administrative effectiveness corresponds to the concept that is known as
effectiveness, while policy effectiveness corresponds to outcomes, effects (Haselbekke and Ros 1991:156), impacts (Arvidsson 1986:629), social consequences (Levitt and Joyce 1987:41), or efficacy (Flynn et al. 1988:36).

Although it may not be as widely used as efficiency and effectiveness, economy is another term that usually appears in the context of objective measures of organisational performance, especially in the public sector. Kemp (1991:180) and Mulreany (1991:19) define economy simply as procuring or purchasing inputs as cheaply as possible. Authors such as Jackson and Palmer (1988:32) argue that economy may be measured simply by comparing ‘actual input costs with planned or expected costs’, while Flynn et al. (1988:38) suggest that economy may be achieved simply by ‘minimising resource consumption’. Claiming that other authors’ approaches to economy ignore the output quality, Carter et al. (1992:37) define economy more comprehensively as ‘the purchase of provision of services at the lowest possible cost consistent with a specified quality’. Finally, even though they may not always act jointly, the optimal combination of economy, efficiency, and effectiveness produces what is commonly known as value for money (see, for example, Boyle 1989:20; and Butt and Palmer 1985:10).

### 3.2.2 Productivity

Similar to effectiveness, productivity is another concept which has been widely used in the organisational performance literature in a number of
different ways (Quinn 1978:41). For example, Downs and Larkey (1986:8) claim that ‘productivity measures are most closely related to managerial efficiency... with a single input factor, labour, to output’. However, other authors measure and define productivity in terms of efficiency and effectiveness and the relationship between the two (see, for example, Kelly 1988b:1-8; Mark 1981:73; Balk 1978:46; 1975:12-3; Burkhead and Hennigan 1978:34; Hatry 1978:28).

Table 3.3 **Orientations in the area of productivity**

<table>
<thead>
<tr>
<th>General orientation</th>
<th>Economist</th>
<th>Engineer</th>
<th>Administrator</th>
</tr>
</thead>
<tbody>
<tr>
<td>Societal focus: e.g. national growth, world market, real income</td>
<td>Technical focus: workflow, measurement, equipment and control</td>
<td>Administrative focus: e.g. pressures for action, budgets, coordination, motivation</td>
<td></td>
</tr>
<tr>
<td>The need identified</td>
<td>More yield from the present workforce and equipment in society</td>
<td>Better measurement and control; more efficient throughput</td>
<td>Better overall performance of the organisation</td>
</tr>
<tr>
<td>Definition of productivity</td>
<td>Precise: Output over input with quality considered</td>
<td>Precise: Output over input with quality considered</td>
<td>Ambiguous: Better performance, with specific meaning varying from situation to situation</td>
</tr>
</tbody>
</table>

**Source:** Quinn, R.E., 1978. 'Productivity and the process of organisational improvement: why we cannot talk to each other', *Public Administration Review* 38(1):41-5.

As presented in Table 3.3, there are, at least, three perspectives which are sometimes used in discussions about productivity; that is, the economic,
engineering and managerial perspectives (Quinn 1978). Both economists and engineers define and measure productivity precisely in terms of input-output ratio and, to some extent, quality. However, economists are generally concerned with macro level indicators, such as national growth and competitiveness in the world market, whereas engineers are generally concerned with technical issues such as workflow, equipment, control and measurement. Engineers usually articulate the need for increasing efficiency through measurement and control of throughput processes. For administrators, productivity is an ambiguous concept which focuses on the overall performance or functioning of the organisation. The orientation of administrators is managerial and prime attention is given to the overall performance of the organisation and to the particular problems currently faced (Quinn 1978:41).

### 3.2.3 Input, process, output and outcome

Whether objective organisational performance is measured in terms of efficiency, effectiveness, or productivity, the term input, process, output, and outcome are almost certainly applied and, therefore, these terms also require a brief explanation. Inputs are resources needed to enable an organisation to provide or produce goods and services including employees, building, and equipment (Carter et al. 1992:36; Boyle 1989:18; Downs and Larkey 1986:6). Processes are defined as how an organisation performs, delivers, or produces
goods and services which may be measured in terms of quality (Carter et al. 1992:36; Boyle 1989:18). Outputs are goods and services produced by an organization, and can be divided into intermediate and final outputs (Carter et al. 1992:36; Boyle 1989:18; Downs and Larkey 1986:6). The term intermediate outputs refers to the capacity of an organisation to provide goods and services, while the term final outputs refers to the actual goods and services provided or performed by an organisation. For example, the number of seats in an aeroplane or a train would be classified as intermediate outputs, while the actual number of passengers on the aeroplane or the train would be classified as final outputs (Boyle 1989:18).

Outcomes or effects or efficacy or impacts or social consequences are the end results of the goods and services produced or performed by an organisation to the community and environment as a whole (Haselbekke and Ros 1991:161; Flynn et al. 1988:36; Levitt and Joyce 1987:41; Arvidsson 1986:629). The end results of health, education, and police services, for instance, may be healthier and more knowledgeable people as well as a safer community. However, at times disagreement exists between what is considered an output and what is considered an outcome. For example, Carter et al. (1992:37) view exam results as outputs and better-educated citizens as outcomes of education services, whereas Levitt and Joyce (1987) consider exam results as outcomes.

### 3.2.4 Criticisms of objective measures
Previous discussion shows that despite its popularity, there has been great confusion surrounding the definition of even basic terms involved in the application of objective indicators in measuring performance of public agencies. This confusion, which results in inconsistencies and interchangeability of terms used to explain a number of indicators and concepts, has been one of the most frequent criticisms of the application of objective indicators in measuring performance of public sector organisations (Grizzle 1981:16; Quinn 1978:41). For example, Goodman and Pennings (1977a:1-2) and Campbell (1977:14) interchangeably use the terms organisational performance and effectiveness. Mark (1981:73) includes effectiveness and performance in his definition of productivity while Hannan and Freeman (1977:115) point out that organisational performance usually means output.

On the other hand, Quinn (1978:42) indicates that ‘productivity is really the concept of organisational effectiveness’ while Hatry (1978:28) describes productivity as ‘encompassing both efficiency and effectiveness’. In addition, a number of other authors simply refer to effectiveness (how well an organisation fulfils its objectives), and this definition may include or exclude efficiency from organisational performance (see, for example, Scott 1992:Chapter 13; Hardiman and Mulreany 1991:vii; Rainey 1991:Chapter 9; Heffron 1989:Chapter 11). In short, McGowan (1984:31) argues that when speaking about organisational performance people are often on different
Besides terminological inconsistencies and interchangeability, the efficiency and effectiveness dimensions of objective organisational performance measurement are dominated by outputs, that is, tangible quantities claiming to measure the cost and amount of benefits or services provided, such as per pupil cost of primary education services or the number of students attending schools. Despite claiming accuracy in measurement, these indicators may have only symbolic value as far as the effects of services or benefits on the service or benefit receivers (Brudney and England 1982a:131).

In other words, output indicators of objective performance measurement are inadequate to assess other aspects which may be considered to be more important by the public, such as the impacts of the public services delivered to the public service receivers. For example, the same physical amount of police patrolling can be perceived in one neighbourhood as an excellent provision of security services and in another neighbourhood as police intimidation or unnecessary intrusion on privacy (Ostrom 1974:697). Similarly, in the case of city-street cleaning services, a city government may report on street miles swept but this information is little help in assessing how clean the streets actually are. Whereas in the case of garbage collection, residents usually know how many households are served but information about how satisfied these households are with the service, or on detrimental
effects such as spillage of trash by collectors, missed collections, or unreported damage to private property, is generally lacking (Fisk and Winnie 1974:731-2).

Furthermore, using output in public organisations as an indicator of performance is also problematic because in practice collecting data for output measures is technically, administratively, and politically difficult. Technically the outputs of public organisations are ‘intangible services, produced and consumed at the same time, mostly delivered without a price and [are] public goods in nature’ (Haselbekke and Ros 1991:161). Consequently, it becomes difficult to specify and measure meaningfully what exactly has been produced. For example, it is debatable whether the numbers of visitors or visitor charge is an accurate measure of the outputs of a museum or art gallery (Mulreany 1991:23).

Since performance measurement may result in a policy to either improve efficiency or eliminate an organisation, public servants may be reluctant to reveal figures on outputs and productivity which demonstrate their failures, or they may simply produce false output figures (Mulreany 1991:23). Similarly, politicians may try to blur figures on outputs which may attract negative public opinion. These attitudes of public servants and politicians are referred to as the administrative and political problems involved in collecting output data (Haselbekke and Ros 1991:161).
The limitations of objective indicators noted earlier have strengthened the arguments for the need to utilise subjective indicators in measuring performance of public organisations. There is a tendency nowadays that citizen or client satisfaction of service quality has become one of the most popular subjective indicators included in measuring performance of public organisations. As will be discussed in more detail in the following section, amongst other things, there have been at least two major reasons for the popularity of using client satisfaction to measure the performance of public organisations. Firstly, there was the emerge of the so-called New Public Management (NPM) in the 1980s which was characterised by the greater emphasis on service quality and client satisfaction and the introduction of market mechanisms and competition into the public sector (see, for example, Taylor 2000; Hughes 1994). Secondly, there was the increasing demands on governments around the world to adopt more democratic practices and more citizen participation in government activities (see, for example, Brudney and England 1982a).

### 3.3 Subjective performance measurement

Besides terminology controversies and confusion, and the limitations of objective indicators to measure the overall aspects of organisational performance or public service delivery, there is a concern that any endeavour to improve organisational performance using objective indicators may have a
negative impact on service quality (see, for example, Carter et al. 1992:40; Mulreany 1991:23; Boyle 1989:21; Brudney and Morgan 1988:163-4; Lipsky 1980:159-79). According to Lipsky (1980:159-79), lower service quality may occur because when an organisation stresses the importance of efficiency and effectiveness, the work practices within the organisation may change only to accomplish measurable objectives regardless of client needs, thus sacrificing service quality. For example, Mulreany (1991:23) demonstrates that by extending the interval of rubbish collection from every day to twice a week, the output measure of the service may remain but the quality of service would worsen. So, objective performance measurement in public sector organisations, which focuses heavily on efficiency, effectiveness, economy, and productivity, is being increasingly criticised. In particular it is challenged by arguments supporting the need for evaluating the performance of public sector organisations in terms of subjective indicators such as service quality and citizens’, clients’, customers’, beneficiaries’, or service receivers’ satisfaction.

In the 1970s, numerous scholars concurred that citizen perceptions, preferences and evaluations are important measures of performance in public organisations and therefore must supplement the more objective types of indicators (see, for example, Clark 1976a; Hatry and Blair 1976; Scott 1976; Fisk and Winnie 1974; Ostrom 1974; Whitaker 1974). This view was supported widely in the 1980s onwards when the managerial approach in the public
sector. Despite having different names, such as ‘managerialism’, ‘new public management’ or ‘market-based public administration’, this managerial approach to public administration was characterised by, amongst other things, more emphasis on service quality and more responsiveness to clients and the introduction of competition into the public sector (see, for example, Taylor 2000; Hughes 1994).

For example, Whitaker (1974:760) argued that in order to assess the responsiveness and equity of city service performance, it is necessary to allow the people being served to provide standards of evaluation. In other words, and as noted earlier in the criticisms of objective performance measurement, the issues of responsiveness, equity and equality, which are important aspects in the delivery of public services, are not able to be measured by objective indicators (Gaster 1995:13).

Carter et al. (1992:40) define equity in public service delivery narrowly as due process or administrative justice, while Stiglitz (1991:41) defines equity as the utilisation of public resources fairly and equitably. Still succinctly but more comprehensively, Heffron (1989:113) defines equity as ‘treating all equally, treating equals equally, or treating unequals unequally’. Some authors point out that the issue of equity is one characteristic which distinguishes public agencies from private organizations, and the reason why the introduction of some private management techniques is inappropriate in public agencies.
An attempt to improve efficiency, for example, may reduce service distribution at the expense of the equity and equality objectives of public policy, and vice versa (Brudney and Morgan 1988:167; Okun 1975:1-2). Equity may also hinder the responsiveness of a government organization, while being responsive may be in conflict with due process (Heffron 1989:113).

On the other hand, equality in relation to the delivery of public services relates more to the existence of equal opportunity and access, and, consequently, focuses more on the needs and rights of citizens to obtain public goods and services (Gaster 1995:13). An organisation making a genuine effort to understand the needs of all the people the organisation has to serve, and actively acknowledging the right of those people, may be said to value equality. In short, while equity gives emphasis to what people actually obtain from the government agencies, equality highlights the measures public organisations undertake to make sure that people can get the goods and services they need (Gaster 1995:13).

The increasing pressures on governments around the world to adopt democratic practices in the 1980s made subjective indicators, such as citizen surveys to measure the performance of government agencies, more important. Brudney and England (1982a:129) argued that gathering and publicising public opinions is significant in itself because it reflects the
government’s adoption of democratic norms. In addition, the process of asking citizens to express their views, as well as their opinions about performance of public organisations ‘may have critical behavioural ramifications’ (Brudney and England 1982a:129). The citizens may be reassured that they are involved in managing public services and that the government is seriously concerned about their views.

Peters (1998) notes that public administration in the year 2000 is an administration which serves its clients. Others indicate that in an environment where the general public increasingly demands quality services and a client focus, understanding client satisfaction becomes critical and therefore the opinions of clients or public service receivers need seriously to be taken into account (Girishankar 1998; Thomas and Palfrey 1996; Palfrey et al. 1992; Winkler 1987; NCC 1986; DHSS 1979; Rosentraub et al. 1979:302). In addition, giving clients every chance to voice their opinions about service quality is particularly relevant in many public sector services which are monopoly suppliers and thus provide clients no exit opportunities (Carter et al. 1992:41).

It has also been pointed out that clients' opinions can be of assistance in understanding and establishing public needs, developing, communicating and distributing public services, and assessing the degree of satisfaction with services (Palfrey et al. 1992). After all, Carter et al. (1992:41), Thomas and Palfrey (1996:127) and Brudney and England (1982a:131) argue that as citizens are the main beneficiaries of public sector operations they should be involved
in the process of performance evaluation in the public sector.

Besides philosophical arguments for the use of subjective measures, decision-makers or managers in government agencies can obtain useful information from subjective measures such as a citizen satisfaction survey. For example, they can obtain information about the type and magnitude of the needs of various service receivers, whether previous changes in service delivery have produced desired results, or citizen opinions and preferences regarding specific issues, programs, policies, and priorities. Decision-makers can also obtain information from service receivers who are not likely to express their voice, through existing conventional mechanisms such as writing or calling the agencies or attending public hearings (Hatry et al. 1998:2).

### 3.3.1 Criticisms of subjective measures

Although it is rarely found in more recent literature, the use of subjective measures such as citizen evaluations to assess performance of government agencies has attracted a number of criticisms in which the validity of subjective indicators is cited as the main objection (see, for example, Brown and Coulter 1983; Brudney and England 1982a; Stipak 1979, 1977). For example, it is claimed that citizens have a relatively limited understanding about government and public affairs upon which to base their evaluation. Therefore, citizen evaluations may not reflect the actual outputs or services
delivered by the government agencies (Brudney and England 1982a:128). Citing his study on municipal contracting in Los Angeles County and the Kansas City Preventive Patrol Experiment, Stipak (1979:422-3) argued that citizen evaluation of services was found not to be associated statistically with the levels of service outputs as indicated by objective measures.

Similarly, an evaluation study of police service delivery in an American city using both objective and subjective indicators concluded that the logical hypothesis that the levels of citizen satisfaction with services reflect the quality and quantity of service actually provided to them is found to be false. Quite the contrary, satisfaction levels and service levels appear to be totally independent (Brown and Coulter 1983:57). In addition, it is argued that the lack of a statistical relationship between subjective measures and objective output indicators of service performance limits the utility of subjective measures to the policy-makers (Brudney and England 1982a:128).

However, while some studies supported a lack of relationship between subjective and objective measures, other early studies found the opposite result; that is, subjective measures such as citizen evaluation are closely associated with objective measures (Ostrom 1974:698; Rossi and Berk 1974:741; Schuman and Gruenberg 1972:386-7). For instance, data from 15 American cities showed that the different ways of delivering services in different cities were accurately reflected in citizen performance evaluations. In
cities where police had extensive and potentially brutal patrol tactics, residents had a high level of complaints about police harassment and brutality (Rossi and Berk 1974:741).

Similarly, after investigating the attitudes of black and white citizens towards schools, parks, police and garbage services in a number of large American cities, Schuman and Gruenberg (1972:386-7) also concluded that subjective service assessments made by the citizens reflected the actual state of municipal service delivery. Ostrom (1974:698) also found that subjective measures of citizen perceptions reflected the conditions of the actual output and performance that the police service provided in their neighbourhood, and was convinced that ‘even if subjective data are not as reliable as the objective data of which we all dream, survey data to measure output and impact may be more reliable than many critics assert’.

Besides validity, subjective measures in terms of citizen evaluation are also criticised for having conceptual and methodological limitations (Brudney and England 1982a:128). From a conceptual point of view, citizen assessments of public services delivered by a particular government agency may represent a ‘generalisation’ of attitudes towards government as a whole. For example, assessment regarding service delivery by a particular municipal agency may elicit very general orientations towards local government as a whole (Brudney and England 1982a:128).
From a methodological point of view, it is argued that citizen evaluation of services delivered by a particular government agency may be affected by variables other than the level and quality of services provided by this government agency. For example, research has demonstrated that certain demographic characteristics may influence citizen evaluation of services (Hero and Durand 1985:350; Brown and Coulter 1983:54-5; Brudney and England 1982a:128; Fitzgerald and Durant 1980:590). At the same time, other research concludes that demographic characteristics of citizens have a limited influence on the way citizens assess the quality of the public services they receive (see, for example, Lyons et al. 1992:19; Beck et al. 1987:234; Beck and Dye 1982:177-8).

Finally, in discussing knowledge in contemporary public administration, Hess and Adams (2002:70) indicate that ideas from social capital thinking penetrating public administration require that public administrators apply ‘an interactive learning approach’ to acquire knowledge. This means that knowledge needed for developing public policies is no longer the privilege of government agencies. Various local communities and interest groups relevant to particular policy areas are also an important source of knowledge, and this knowledge should be integrated into public policy processes. This argument seems to disagree with the views noted earlier suggesting inappropriateness of citizen surveys to measure performance of government agencies because citizens have a relatively limited understanding of government and public
affairs upon which to base their evaluation. On the contrary, the argument suggests that local communities involved in particular areas are likely to develop local knowledge enabling them to make well informed judgements when they are asked to assess the performance of government agencies.

3.4 Citizen satisfaction of service quality as subjective measures

As noted earlier, there have been increasing arguments supporting the need for evaluating the performance of public sector organisations in terms of subjective indicators such as service quality and citizens’, clients’, customers’, beneficiaries’, or service receivers' satisfaction. Osborne and Gaebler (1993:177-9) list dozens of different ways in which citizens may evaluate or voice their concerns about the quality of public services delivered by government agencies, such as focus groups, customer interviews, and suggestion boxes. However, a customer or citizen survey to understand customer satisfaction with the quality of public service delivery seems to be the most popular method used to assess subjectively the institutional capacity or performance of government agencies (see, for example, OPSR 2002; Wisniewski 2001; Claver et al. 1999; Donnelly 1999; Donnelly and Shiu 1999; Kloot 1999; Chiu 1997; Donnelly et al. 1995; Nash 1996; Navaratnam and Harris 1995). Therefore, this section discusses a number of key concepts relating to service quality and how the institutional capacity of government agencies may be measured subjectively by asking customers how satisfied
they are with the level of service they receive from government agencies. Although these concepts have arguably come from the private sector, most of the concepts have been applied widely in the public sector as well.

3.4.1 Defining quality

Despite wide support for the need to measure the performance of public sector organisations in terms of citizen satisfaction of service quality, defining quality is considered difficult because quality is hard to quantify and the concept of quality itself is believed to be elusive and value-laden (Green 1994a:13; Melia 1994:38). Therefore, Gaster (1995:2) suggests that it is hardly possible to have an agreed definition of quality despite the widespread desires to improve agencies service quality. In the manufacturing industries, the concept of quality has been defined as either providing fault-free goods and services to customers or providing goods and services which conform to a specification or standard (Tjiptono and Diana 1995:25; Gaster 1995:38; Nightingale and O'Neil 1994:8; Boyle 1989:21; Crosby 1984:59). According to Green (1994a:13), the introduction of customer charters and the like in many government agencies, to improve accountability and responsiveness of public organizations, has been inspired by this approach to quality. Using this approach, different standards to assess the performance of different types of institutions may be developed. Any products or services that fall outside the standards will not be categorised as being of acceptable quality (Green
Quality is meaningless if it does not relate to the purpose of the product or service. Therefore, quality can also be defined as fitness for purpose or use (Gaster 1995:38; Nightingale and O'Neil 1994:9; Juran 1989:15). Although the real objectives of public organizations, and who should decide the objectives are sometimes debatable, this definition of quality has been the one most favoured by policy-makers and analysts (Green 1994a:15). Once the objectives of an agency have been stated, quality may then be judged by the extent to which the products or services of the agency meet its stated purposes. Lastly, the most frequently used definition of quality in modern life is meeting or exceeding customers' needs and expectations, and therefore quality is judged by the customers (Green 1994a:17).

3.4.2 Dimensions of service quality

Understanding the concept of quality, which is mostly drawn from the manufacturing industries, is not sufficient to define service quality. It is argued that there are, at least, three characteristics of services which generate difficulty in defining service quality (Parasuraman et al. 1985:42; Booms and Bitner 1981; Lovelock 1981; Berry 1980; Carmen and Langeard 1980; Groonroos 1978). Firstly, most services are intangible; that is, they are performances rather than objects (Berry 1980; Lovelock 1981). Therefore, most services cannot be gauged, calculated, tried out, or verified in advance to
ensure quality. Secondly, most services, especially those with a high labour content, are not homogenous. Consequently, most services cannot be standardised because consistency of behaviour from the employees delivering the services, which may produce uniform quality, is almost impossible to assure (Booms and Bitner 1981). Lastly, defining service quality is difficult because the production and consumption of many services happens at the same time; that is, at the time of service delivery in an interaction between the client and the contact person from the organisation (Carmen and Langeard 1980; Groonroos 1978). As a result, the quality of the service cannot be engineered at a factory prior to delivery to the client.

Although a universally agreed definition of service quality is difficult due partly to the inherent nature of service delivery, some academics have identified dimensions or determinants of service quality which can be used to measure the relative quality of any services delivered, although again, the number of the dimensions varies from one academic to another. For example, Lehtinen and Lehtinen (1982) point out that there are three dimensions of service quality that are produced from the interaction between customer and service provider; that is, physical quality, corporate quality, and interactive quality. Physical quality relates to physical features of the service, such as equipment or tools used to deliver services, while corporate quality includes the organisation's image and profile. Interactive quality, on the other hand, derives from the interaction between the organisation's contact persons and
customers, as well as between some customers and other customers.

Table 3.4 **Comparisons of service quality dimensions**

<table>
<thead>
<tr>
<th>Parasuraman, <em>et al.</em> (5 dimensions)</th>
<th>Reynoso and Moores (9 dimensions)</th>
<th>Johnston (18 dimensions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangibles</td>
<td>Tangibles</td>
<td>Aesthetics</td>
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<tr>
<td></td>
<td></td>
<td>Cleanliness</td>
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<td></td>
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<td>Comfort</td>
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<td></td>
<td></td>
<td>Functionality</td>
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<td>Reliability</td>
<td>Reliability</td>
<td>Reliability</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>Promptness</td>
<td>Responsiveness</td>
</tr>
<tr>
<td></td>
<td>Helpfulness</td>
<td>Flexibility</td>
</tr>
<tr>
<td>Assurance</td>
<td>Confidentiality</td>
<td>Security</td>
</tr>
<tr>
<td></td>
<td>Professionalism</td>
<td>Integrity</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Competence</td>
</tr>
<tr>
<td>Empathy</td>
<td>Communication</td>
<td>Communication</td>
</tr>
<tr>
<td></td>
<td>Consideration</td>
<td>Commitment</td>
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<td></td>
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<td>Courtesy</td>
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<td>Friendliness</td>
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<td>Attentiveness</td>
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<td></td>
<td></td>
<td>Care</td>
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<td></td>
<td></td>
<td>Access</td>
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<td></td>
<td></td>
<td>Availability</td>
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</tbody>
</table>


Although different researchers tend to devise different lists of service quality dimensions, the service quality dimensions proposed by Parasuraman *et al.* (1988) are probably the most quoted (see, for example, OPSR 2002; Wisniewski 2001; Donnelly and Shiu 1999; White and Rudall 1999; Gabbie

A shown in Table 3.4, one of the reasons why the service quality dimensions proposed by Parasuraman et al. have been applied by a significant number of researchers and practitioners to assess customer satisfaction of service quality in both private and public organisations is that these five dimensions incorporate the service quality dimensions proposed by other researchers. For example, Johnston's service quality dimensions of aesthetics, cleanliness, comfort and functionality may be replaced by the tangibles dimension of Parasuraman et al. Similarly, the dimensions of promptness, helpfulness, and flexibility proposed by Reynoso and Moores can be included in the responsiveness dimension of Parasuraman et al. The five service quality dimensions proposed by Parasuraman et al. (1988:23-4) are as follows:

1. Tangibles. The appearance of physical facilities, equipment, tools, personnel, and communication materials.

2. Reliability. The ability to perform the promised service dependably and accurately.

3. Responsiveness. The willingness or readiness of employees to help
customers and to provide prompt service.

4. Assurance. The competence of the system and the knowledge and courtesy of employees and their ability to provide a courteous and secure service.

5. Empathy. The approachability, ease of access and effort taken to understand, and provide individualised attention to, customers' needs.

As will be noted in more detail in Chapter Four, based on these five dimensions, Parasuraman et al. have developed the SERVQUAL instrument which, they argue, may be used to assess service quality regardless of the type of service (Parasuraman et al. 1994, 1993, 1991, 1988, 1985; Fitzgerald et al. 1994:Chapter 3). The SERVQUAL instrument has been used by a number of researchers to measure the quality of different services delivered by both public and private organisations all over the world (see, for example, OPSR 2002; White and Rudall 1999; Gabbie and O'Neill 1997; Lam and Woo 1997; Lam, Wong and Yeung 1997; Mels, Boshoff and Nel 1997; Buttle 1996; Cuthbert 1996a, 1996b; Gabbie and O'Neill 1996; Donnelly et al. 1995; Chaston 1994; Chandlin and Day 1993). Both the argument of Parasuraman et al. about the suitability of the SERVQUAL instrument to measure service quality regardless of the type of service, and the usage of the instrument in the previous studies, indicate the potential for using the SERVQUAL instrument in this research.
3.4.3 Measuring service quality

Donnelly *et al.* (1995:16) argue that ‘the obvious approach’ to assess the level of service quality, is to ask the customers, however defined, who receive the particular service concerned. This is obvious because customers are often in the best position to make judgements about service quality. This is in line with the argument about local knowledge noted earlier suggesting that local communities involved in particular public policies, which may include those who directly receive public services, are likely to develop knowledge to make well informed judgements about the performance of government agencies delivering the services. Therefore, it is not surprising that customer satisfaction surveys have become more and more popular, not only in the private sector but also in the public sector. However, most of the customer satisfaction surveys use simple performance-based measures focusing merely on customer perceptions of service delivery; that is, what the customers think of the quality of service delivered (Bolton and Drew 1991; Woodruff *et al.* 1983; Churchill and Suprenant 1982). These sorts of customer satisfaction surveys rarely provide the customers with any opportunity to articulate their expectations of service quality (Donnelly *et al.* 1995:16; Wisniewski 2001:995).

Groenroos (1984:37) believes that the quality of a service is dependent on two variables; that is, expected service and perceived service. Therefore, customer satisfaction surveys should measure both customer expectations and customer perceptions of a service. Expectation of service refers to an
individual's thinking or belief of future performance of a service which reflects anticipated performance which can be based on past experiences, word of mouth and personal needs. On the other hand, perception of a service refers to an individual's formed opinion of the experienced service which is therefore based on the actual service delivered (Williams 1998:99). Thus, the difference or gap between a customer's expectations prior to use of a service and a customer's perceptions after the actual use of the service, along the quality dimensions, reflects the quality of the given service delivered (Parasuraman et al. 1985:42). It seems that this expectation-perception gap model is used by many researchers and practitioners in measuring subjectively service quality delivered by public and private organisations (see, for example, OPSR 2002; Wisniewski 2001; Donnelly and Shiu 1999; White and Rudall 1999; Camilleri and O'Callaghan 1998; Gabbie and O'Neill 1997; Lam and Woo 1997; Lam et al. 1997; Mels et al. 1997; Buttle 1996; Cuthbert 1996a, 1996b; Gabbie and O'Neill 1996; Donnelly et al. 1995; Chandlin and Day 1993).

Donnelly et al. (1995:16) describe why measuring both customer expectations and perceptions is more advantageous than measuring only customer perceptions in assessing service quality delivered by public agencies. By understanding customer expectations, policy-makers and service provider managers will be able to comprehend whether quality service characteristics and features regarded as important by customers coincide with the
characteristics and features that the policy-makers and service provider managers view as important. In other words, by including questions about customer expectations, the customer survey not only gives information about what the customers think about the quality of services delivered, but can also help policy-makers and service provider managers to decide strategies and select priorities for improving service quality which meet, and coincide with, customer expectations.

3.5 Conclusion

This chapter has discussed concepts relating to institutional capacity or organisational performance, and how institutional capacity in the public sector has been assessed. Objective measures with indicators of efficiency, effectiveness, economy and productivity traditionally have been used to measure the institutional capacity of government agencies. Objective measures have been popular among many administrators and bureaucrats because they provide the illusion of accuracy or precision of measurement as well as focusing on the price and quantity of services delivered. However, objective indicators have been criticised as being unable to measure aspects of service delivery which are important for the public, such as impact, equality and equity. In addition, objective measures have been criticised for being unable to assess the responsiveness of both public servants and public institutions delivering the services.
Despite attracting some criticism, especially in its early introduction for lack of validity, there has been increasing demand to incorporate subjective measures, such as citizen satisfaction, in assessing institutional capacity of government agencies. Besides philosophical arguments such as the need for a more democratic government and more responsive public servants and public service delivery, there are also managerial and practical benefits to be gained from using subjective measures in assessing the institutional capacity of government agencies. These benefits include understanding the different needs, opinions and preferences of various service receivers which may be used by the government agencies to improve their existing polices or to review whether changes made regarding specific issues, programs, policies, and priorities have produced desired results.

Over the last 20 years, surveys of citizen satisfaction of the quality of public service delivery have been widely used to measure subjectively the institutional capacity of government agencies. As can be seen in the next chapter, the survey of service receiver satisfaction was used in this study to measure institutional capacity of local government agencies in Makassar. The use of a citizen satisfaction survey to measure institutional capacity of local government agencies in this study is appropriate because, as argued earlier, citizens as service receivers are the best judge of the level of service quality, and citizens are likely to develop knowledge to make well informed judgements about the performance of government agencies delivering the
services.
Research Methodology

The previous chapter reviewed the literature on how the institutional capacity of organisations has been measured, and concluded that despite having been focused on objective measures such as efficiency and effectiveness, there has been an increasing pressure to measure institutional capacity of public sector organisations subjectively or qualitatively in terms of service quality. Therefore, this chapter describes subjective or qualitative measures used which answer the research question regarding the institutional capacity of local government agencies in this study. This is followed by a discussion of why a qualitative approach is applied in this study to answer research questions regarding internal and external factors affecting the capacity of local government agencies. This chapter also briefly explains the local government agencies selected as case studies, the population and sampling technique applied, the survey questionnaires used, and interviews and focus group discussions undertaken. The chapter ends with description about some limitations of this study and constraints faced during the field research.

4.1 Local government agencies selected

Indonesia is a unitary state with a central government and two levels of autonomous sub-national or local government and administration; that is, provincial level government and regency or city government (GOI 1997). This research was undertaken in Makassar, the capital city of South Sulawesi
province, and the largest city in the eastern part of Indonesia, inhabited by approximately 1,191,456 people in 1999 (BPS 2000:20). Makassar local government delivers quite a diverse range of public services, some of which are exposed to competition with private providers and some which are not. Most of the services delivered are free, but for some services users are charged a fee. The current study investigates the institutional capacity of four Makassar local government agencies in terms of their capacity to deliver quality services as assessed by their clients. These agencies were the Makassar local government Revenue Office, the Makassar local government Bank, the Makassar local government Clean Water Company, and the Makassar local government Registrar Office (see Table 4.1).

<table>
<thead>
<tr>
<th>Agency</th>
<th>Client-Agency Relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Office</td>
<td>Taxpayers</td>
</tr>
<tr>
<td>Bank</td>
<td>Customer</td>
</tr>
<tr>
<td>Clean Water Company</td>
<td>Purchaser</td>
</tr>
<tr>
<td>Registrar Office</td>
<td>Regulatee</td>
</tr>
</tbody>
</table>

These local government agencies were selected firstly because the services delivered by all four agencies were traditional ones; that is, the services have been provided by the Makassar local government for decades. Thus, these services are not the newly devolved functions which were mandated in 1999 by the new local government law, popularly known as autonomy law number 22/1999. As the services have been delivered for decades it is assumed that
the agencies are experienced at delivering these services, and the service quality performed at the time of data collection was the highest quality the agencies were capable of delivering. In other words, besides the technical reason of not having enough time to adequately assess the delivery of new devolved services, by focusing on the traditional local government services, biases that may have occurred from newly or inexperienced service delivery agencies could be minimised. Although it may be argued that the findings of this study may not be generalised to other local government agencies, the study findings may still be used to give a general picture about institutional capacity of local government in Indonesia in terms of their capacity to deliver quality services to their clients.

Secondly, the selected agencies are also different in terms of the nature of services that they deliver and the nature of relationship between the agencies and their respective clients. For example, the Makassar local government Revenue Office mostly serves people who pay their taxes. Shand and Arnberg (1996:17) indicate that in dealing with the taxation office like this, the clients or the service receivers are taxpayers who ‘have clear obligations but expect service or assistance to enable them to fulfill their obligations’. At the time of data collection, there were four main local taxes collected by the Revenue Office. They were tax for billboards and outdoor advertisements; tax for hotels and restaurants; tax for entertainment businesses including nightclubs; and tax for land and building. At the time of data collection, there were
approximately 116 employees working full time in this Revenue Office.

There were approximately 22 employees working in the Makassar local government Bank at the time of data collection. The Bank provides services such as deposits and credit or borrowing just like any other banking institution. Most of the customers of the Bank are ‘small’ and many of them are family or single-person businesses trading in traditional markets, or public servants working for the Makassar local government. Since the Bank competes with other banks and institutions offering similar services, as well as the illegal money usurers, the clients or service receivers in the Bank act as consumers because they have some degree of choice amongst the various providers of banking services. On the other hand, the clients or service receivers of the Makassar local government Clean Water Company, which is a monopoly, act more as purchasers (Shand and Arnberg 1996:17). As purchasers, these clients will not get the service unless they pay the charge. In other words, the clients of the Clean Water Company are different from the taxpayers because they have no obligation to pay unless they use the service. To serve all its purchasers, the Clean Water Company employed approximately 455 employees at the time of data collection.

Lastly, the Registrar Office is the Makassar local government agency responsible for registering and issuing certificates for births, deaths, marriages, divorces and child adoption in Makassar. Although the Registrar
Office seems to be monopolistic, the people of Makassar can actually obtain these services from a similar agency in any local government in Indonesia. However, this possibility is not widely understood by the people and there seems to be no attempt by this agency to disseminate the fact to the public (see Chapter Five). Since the services provided by the Registrar Office are based on particular government regulations, the clients of the Registrar Office may be called regulatees (Shand and Arnberg 1996:17). They have legal obligations but still expect courteous and prompt activity by the regulators. To serve these regulatees, the Makassar local government Registrar Office employed 45 clerks at the time of data collection.

4.2 Population and samples

The target population of this research is all taxpayers dealing with the Revenue Office, all customers of the Makassar local government Bank and Clean Water Company, and all the people who receive services from the Registrar Office. Since it was not possible to cover the entire target population, samples of each population were selected. For the Revenue Office, from a list of main taxpayers (sampling frame) provided by the Revenue Office, 150 questionnaires were handed out randomly to the owners of hotels and motels, restaurants and cafes, nightclubs, and billboard and outdoor advertisement companies. Of these 150 questionnaires, 121 (80.7%) were returned and could be analysed.
For confidentiality reasons, the Bank would not disclose its customers' names. However, the Bank allowed the researcher to accompany the Bank staff or tellers when they visited the Bank customers to collect credit installments in six different locations in the city (mostly traditional markets). The staff members briefly introduced the researcher to each of the customers visited and the researcher identified each customer. The following day, the researcher (not accompanied by any Bank staff) revisited these customers and randomly distributed 150 questionnaires to those who agreed to participate in the research. A total of 102 (68.0%) of these questionnaires were returned and could be analysed.

<table>
<thead>
<tr>
<th>Agency</th>
<th>Questionnaires distributed</th>
<th>Questionnaires returned</th>
<th>Response rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Office</td>
<td>150</td>
<td>121</td>
<td>80.7</td>
</tr>
<tr>
<td>Bank</td>
<td>150</td>
<td>102</td>
<td>68.0</td>
</tr>
<tr>
<td>Clean Water Company</td>
<td>150</td>
<td>104</td>
<td>69.3</td>
</tr>
<tr>
<td>Registrar Office</td>
<td>150</td>
<td>101</td>
<td>67.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>600</strong></td>
<td><strong>428</strong></td>
<td><strong>71.0</strong></td>
</tr>
</tbody>
</table>

There were about 80,000 customers of the Clean Water Company at the time of data collection. These customers were divided into 21 zones. In this research, the sampling frame for the Clean Water Company was customers in zones 9, 10, 16 and 21 (approximately 6,000 customers) because the Clean Water Company would only release details of its customers in these zones. The Clean Water Company argued that in terms of water supply these
customers were best serviced compared to customers living in other zones. This was acceptable in this research because of the aim of trying to find the best possible care. A total of 150 questionnaires were randomly given out to the customers of the Clean Water Company in these four zones and 104 (69.3%) were returned and could be analysed.

For the Registrar Office, an accidental non-probabilistic sampling method was applied. People visiting the Registrar Office from 21 January to 17 February 2001 were asked to participate in this research and 150 questionnaires were handed out to those who agreed to participate. Of these 150 questionnaires, 101 (67.3%) were returned and could be analysed. Therefore, from the figures presented, the total response rate of 600 questionnaires distributed was about 71 per cent (see Table 4.2).

Figure 4.1 **Respondents’ educational background**
In terms of educational background, more than half of the respondents, 256 (60.5%), had finished Senior High School (SHS), that is, equivalent to year 12 in Australia. Approximately 19 per cent of respondents had graduated from university with 74 respondents (17.3%) holding an undergraduate degree and seven respondents (1.6%) holding a Master degree. Furthermore, there were 55 respondents (12.9%) who had finished Junior High School (JHS), which is equivalent to year nine in Australia. The rest, that is, 33 respondents (7.7%) had only finished Primary School (PS) which is equivalent to year six in Australia (see Figure 4.1). Other demographic characteristics show that of the 428 respondents who returned the questionnaires, 131 (30.6%) were female and 297 (69.4%) were male. Furthermore, in terms of their marital status, 285 (66.6%) were married and 143 (33.4%) were unmarried (see Figure 4.2).

The youngest respondent participating in the survey was 16 years old while the oldest respondent was 77 years old. Most of the respondents, that is, 320 (74.8%), were aged between 21-40 years old, whereas 66 (15.4%) respondents
were aged between 41-50 years old. Only a small number, that is, 10 (2.3%) respondents, were 61 years old or older, and 32 (7.5%) respondents were aged 20 years old or younger (see Figure 4.3).

The respondents described here were those who participated in the client satisfaction survey which was used to measure qualitatively the institutional capacity of local government agencies in this study. The acknowledgment of respondents’ different demographic characteristics is relevant because, as noted in Chapter Three, previous studies had mixed results about the influence of demographic characteristics on the way that citizens assess the quality of the public services they receive.

Figure 4.3 **Respondents' age**

Some studies reported that demographic characteristics had influence on the

The relationship between the demographic characteristics of respondents and the way they assess the quality of services they receive from the local government agencies is presented in Chapter Five.

4.3 Indicators and research instruments

As indicated in the introductory chapter, this study consists of two parts; that is, the first investigating the capacity of local government agencies, and the second analysing factors affecting their capacity. For the first part, survey questionnaires and short interviews were used to collect data, whereas in-depth interviews and focus group interviews were used for the second part, as illustrated in detail in the following sections.

4.3.1 Survey questionnaires and interviews

The institutional capacity of local government agencies in this study is defined as the capacity of local government agencies to deliver quality services as assessed by their clients. Information regarding clients’ or service receivers' assessment of the quality of public services delivered by the four local government agencies was obtained through questionnaires adapted from the SERVQUAL instrument and through short interviews. The
The SERVQUAL instrument was considered appropriate for this study because the studies conducted by Parasuraman et al. for over 15 years concluded that the service quality dimensions from which the instrument has been developed can be used to assess service quality regardless of the type of service (Fitzgerald et al. 1994:Chapter 3; Parasuraman et al. 1994, 1993, 1991, 1988, 1985).

In addition, after analysing the instrument and using it to measure service quality in a public library service, Wisniewski and Donnelly (1996:363) concluded that ‘the SERVQUAL appears to offer considerable potential to the managers and other decision-makers of a public sector organisation in the search for rigorous measures of service quality’. The instrument has been used by a number of researchers to measure the quality of different services delivered by both public and private organisations all over the world (see, for example, OPSR 2002; Wisniewski 2001; White and Rudall 1999; Gabbie and O'Neill 1997; Lam and Woo 1997; Lam, Wong and Yeung 1997; Mels, Boshoff and Nel 1997; Buttle 1996; Cuthbert 1996a, 1996b; Gabbie and O'Neill 1996; Wisniewski and Donnelly 1996; Donnelly et al. 1995; Chaston 1994; Chandlin and Day 1993).

The instrument assesses quality service by measuring the gap between clients' expectations and clients' perceptions of service quality along five dimensions of service quality as set out in Table 4.3. The instrument is based on the theory
that clients judge service delivery using the following formula; that is, clients' perceptions should equal or exceed clients' expectations. Therefore, a negative gap score between client's expectations and perceptions means the agencies do not have the capacity to deliver quality services as expected by their clients. A positive gap score, on the other hand, means the agencies have the capacity to deliver quality services as expected by their clients. The higher the negative gap score the lower the institutional capacity. The higher the positive gap score the better the institutional capacity. The instrument is also based on assumption that the service receivers are able to articulate both their expectations of the general characteristics and determinants of quality service and their perceptions of actual and current service quality for a specific service provider (Williams 1998:99).

Table 4.3 **Service quality dimensions measured**

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangibles</td>
<td>Appearance of physical facilities, equipment, personnel, and communication materials</td>
</tr>
<tr>
<td>Reliability</td>
<td>Ability to perform the promises service dependably and accurately</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>Willingness to help clients and provide prompt service</td>
</tr>
<tr>
<td>Assurance</td>
<td>Knowledge and courtesy of employees and their ability to convey trust and confidence</td>
</tr>
<tr>
<td>Empathy</td>
<td>Caring, individualised attention that the organisation provides its clients</td>
</tr>
</tbody>
</table>


Each of the five quality dimensions was assessed through two sets of
questionnaires of 22 statements, using a seven point Likert scale. The first set of questionnaires measured clients' expectations, whereas the second set measured clients' perceptions. As shown in Table 4.4, there were four statements for the tangibles, responsiveness and assurance dimensions, and five statements for the reliability and empathy dimensions. The complete questionnaires used in this study can be seen in Appendix A.

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tangibles</strong></td>
<td>Having modern equipment</td>
</tr>
<tr>
<td></td>
<td>Visually appealing physical facilities</td>
</tr>
<tr>
<td></td>
<td>Neat-appearing employees</td>
</tr>
<tr>
<td></td>
<td>Having clear, easy to read written materials</td>
</tr>
<tr>
<td><strong>Reliability</strong></td>
<td>Doing service by a certain time as promised</td>
</tr>
<tr>
<td></td>
<td>Sincere interest in solving clients' problem</td>
</tr>
<tr>
<td></td>
<td>Performing service right the first time</td>
</tr>
<tr>
<td></td>
<td>Providing service at the time promised</td>
</tr>
<tr>
<td></td>
<td>Insisting on error-free records</td>
</tr>
<tr>
<td><strong>Responsiveness</strong></td>
<td>Informing when service will be performed</td>
</tr>
<tr>
<td></td>
<td>Giving prompt service</td>
</tr>
<tr>
<td></td>
<td>Willing to help clients</td>
</tr>
<tr>
<td></td>
<td>Readiness to respond</td>
</tr>
<tr>
<td><strong>Assurance</strong></td>
<td>Instilling trust and confidence</td>
</tr>
<tr>
<td></td>
<td>Feeling safe in transactions</td>
</tr>
<tr>
<td></td>
<td>Being consistently courteous</td>
</tr>
<tr>
<td></td>
<td>Having knowledge to answer questions</td>
</tr>
</tbody>
</table>
Empathy
  Giving clients individual attention
  Having convenient operating hours
  Dealing with clients caringly
  Having clients' best interests at heart
  Understanding clients' specific needs


Client assessment of service quality delivered by the four agencies was also undertaken through short interviews. In the questionnaires, respondents were asked if they would like to participate in a follow-up short interview. As presented in Table 4.5, of 121 respondents of the Revenue Office who returned questionnaires, 47 respondents (38.8%) agreed to participate in the interviews. Of the 102 returned questionnaires from the Bank customers, 80 respondents (78.4%) were subsequently interviewed. Among the 104 customers of the Clean Water Company who responded to the questionnaires, 39 respondents (37.5%) participated in the interviews.

Table 4.5 Respondents' interview rate

<table>
<thead>
<tr>
<th>Agency</th>
<th>Questionnaires returned</th>
<th>Respondents interviewed</th>
<th>Interview rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Office</td>
<td>121</td>
<td>47</td>
<td>38.8</td>
</tr>
<tr>
<td>Bank</td>
<td>102</td>
<td>80</td>
<td>78.4</td>
</tr>
<tr>
<td>Clean Water Company</td>
<td>104</td>
<td>39</td>
<td>37.5</td>
</tr>
<tr>
<td>Registrar Office</td>
<td>101</td>
<td>44</td>
<td>43.6</td>
</tr>
<tr>
<td>Total</td>
<td>428</td>
<td>210</td>
<td>49.1</td>
</tr>
</tbody>
</table>

For the clients of the Registrar Office, 44 clients out of 101 (43.6%) joined the
follow-up interviews. Therefore, from the figures presented, of the 428 questionnaires returned 210 respondents (49.1%) participated in the follow-up short interviews. The interview participants were asked to express their opinions regarding the quality of services delivered by their respected agency based on the five service quality dimensions used in the survey questionnaires. The main objective of the short interviews was to give the respondents an opportunity to express their opinions about the quality of services they received from the agencies which they could not express in the survey questionnaires. In addition, the information gathered was also used to examine whether respondents' assessment about the quality of services through the short interviews was consistent with the respondents' assessments about the quality of services undertaken through the survey questionnaires.

4.3.2 In-depth interviews and focus group discussions

As noted in the previous chapter, the second part of the study analyses qualitatively whether factors such as the degree of accountability, competition and organisational and human resources dimensions in each agencies have any effect on the institutional capacity of these local government agencies. Approaches and measures applied to determine the effect of these different factors in each agency are explained in the beginning of chapters pertaining to each factor; that is, Chapter Six for accountability, Chapter Seven for
competition, and Chapter Eight for the organisational and human resources dimensions. Information regarding these factors was collected through in-depth interviews and focus group discussions.

In-depth interviews were conducted with lower, middle and high level staff in each agency, with high level bureaucrats of the Makassar local government, including the city Mayor, and with a number of non-government organisations and business associations such as the Hotels and Restaurants Association and the Consumers Association. Although the Indonesian people have experienced a relatively more democratic environment and freedom of expression following the end of Soeharto’s authoritarian regime in 1999, public servants in general are still reluctant to talk openly about their organisations. Therefore, the in-depth interview was considered suitable for this research because it gives the opportunity to the researcher to explore deeply and to identify new clues in order to encourage the informants to express their own experiences, opinions and attitudes. In depth-interviews may also minimise misunderstanding, and give more opportunities to check inconsistencies which in turn would help the researcher to obtain as much accurate information relevant to the research problem as possible. The in-depth interview also gives an opportunity to the researcher to pay attention to information non-verbally communicated by the informants through their gestures, voice intonations, facial expressions, and so on (see, for example,
Focus group discussions were undertaken with lower level and front-line staff in each agency, and with members of the Makassar Local Parliament (DPRD Makassar). The focus group discussion was considered appropriate in this study because it gives an opportunity to the researcher to gain as much information as possible in a relatively short period of time. Although there might be variation of opinions regarding the research issues, the researcher has an opportunity to encourage the discussants to try to draw conclusions or to achieve possible consensus and, therefore, to reduce the opportunity for personal views to dominate (Sarantakos 1998:181).

In total, there were 37 in-depth interviews and focus group discussions conducted. Questions in the in-depth interviews and focus group discussions were designed to elicit information related to the measures applied to determine qualitatively the degree of accountability and competition, as well as indicators regarding organisational and human resources dimensions. Complete questions asked in the in-depth interviews and focus group discussions are listed in Appendix B.

### 4.4 Limitations of the study

A number of limitations in conducting this study need to be acknowledged. One of the immediate limitations arose from the limited nature of the case study in which only four local government agencies were selected as case
studies. As mentioned above, however, the selected agencies were chosen because the agencies have delivered the services for decades and therefore presumably the service quality performed at the time of data collection was the highest quality the agencies were capable of delivering. In relation to collecting data for assessing the capacity of the agencies, the number of questionnaires distributed was relatively small compared to the total number of clients served by these agencies. These groups of clients may be claimed as not representative of all clients in each agency. Although not representative, these groups of clients can be argued as representing an indicative sample of views that may be obtained from the service receivers in general.

Furthermore, the capacity of the agencies was assessed only in terms of subjective indicators; that is, the perceptions of the clients or service receivers towards the quality of service they received from the agencies. However, as argued in Chapter Three, subjective measures such as, client perceptions of service quality, have philosophical, managerial, and practical importance because there has been an increased pressure for more democratic governments, more responsive public servants and public service delivery, and for more understanding of the different needs, opinions and preferences of various service receivers.

In relation to the second part of the study, it also needs to be remembered that the study was not investigating comprehensively all determinants that have
been theoretically argued to affect the capacity of public institutions. However, although not investigating all determinants, and with only four agencies studied, the findings of the study will still give a general indication of the capacity of local government agencies in Indonesia and the factors that affect their capacity to deliver services to the public.

4.5 Constraints of field research

Gaining cooperation from the local government agencies selected as case studies was one of the major difficulties faced by the researcher during the field research. As noted earlier, for example, clients of the Clean Water Company could not be sampled randomly. Unless the researcher agreed to sample clients only from the designated locations, the Clean Water Company did not want to cooperate and participate in the study. Whereas for reasons of confidentiality, the clients of the Bank could only be sampled randomly from the ones visited and introduced to the researcher by Bank staff members. In both cases, the clients sampled randomly may not be claimed as representative of all the Clean Water Company and Bank clients.

Another constraint faced by the researcher in the field was the difficulty in conducting interviews with some key officials in the local government agencies studied. It was potentially difficult for some senior officials to give and maintain appointments. Although ‘being extremely busy’ was the official reason given to the researcher, it was also found that some key officials were
reluctant to be interviewed after understanding that the study involved
evaluation of their agency's service quality. For example, after being aware of
the nature of the study through initial explanations and questions from the
researcher, the Head of the Revenue Office ceased the interviews and directed
the researcher to interview the Vice Head of the Revenue Office instead.
Similarly, despite having interviewed other directors the researcher was
unable to interview the President Director of the Clean Water Company.

As noted earlier, client responses were used to assess institutional capacity of
local government agencies not only through questionnaires but also through
short interviews. However, it was found that, in general, the respondents
were still reluctant to express openly their views, especially regarding the
performance of government institutions. As a result, although the questions
had been framed in such a way as to elicit as much information and comment
as possible, responses given by clients during the interviews were mostly
straightforward. There was a tendency for factual questions proposed by the
interviewers to elicit ‘yes-no’ types of response. Therefore, as shown in
Chapter Five, comments made by a number of survey respondents in the
interviews towards a similar or related issue are grouped and presented
together.

Lastly and in relation to the reluctance of the survey respondents to express
openly their views towards government agencies, it is necessary to
acknowledge that the responses given by the survey respondents were handwritten by the interviewers. Initially, the interviews with the respondents were tape-recorded. However, after a number of concerns from the survey respondents and the intentions to withdraw from the research if tape recorders were used, it was finally decided that the interviews with the survey respondents should be undertaken without tape-recording them. However, in-depth interviews and focus group discussions with staff members and lower, middle and high level management in each agency, with high level bureaucrats of the Makassar local government, with members of non-governmental organisations and business associations, and with members of the Makassar Local Parliament (DPRD Makassar), were all tape-recorded.

Hence, the discussions that follow in this thesis will be based on information collected not only through questionnaires but also interviews and focus group discussions. Despite the limitations of this approach mentioned earlier, the results discussed in the following chapters are clearly indicative of the effect of accountability, competition, and organisational and human resources dimensions on the institutional capacity of local government agencies.
Institutional Capacity of Local Government Agencies

The methodology used in this study to measure the relative institutional capacity of local government agencies in Indonesia, and factors which may influence the institutional capacity of those agencies, was explained in Chapter Four. Using that methodology, this chapter analyses the institutional capacity of those local government agencies in terms of their capacity to deliver quality services as expected by their clients. The institutional capacity of each of the four agencies is presented before the overall capacity of local government in this study is discussed. This chapter concludes that the overall institutional capacity of local government agencies in the case studies is relatively unsatisfactory with only one agency delivering quality services at the level expected by its clients. This chapter also shows that the demographic characteristics of respondents have weak or no influence on respondents’ assessment of the institutional capacity of the local government agencies.

5.1 Capacity of the four local government agencies

The following sections report the institutional capacity of the four local government agencies in the study. However, it is necessary to observe that, as described in the previous chapter, the four agencies selected are different in terms of the nature of services they deliver. The Revenue Office mostly serves people who pay their taxes, the Bank provides banking and financial services
just like any other banking institutions, the Clean Water Company provides clean water to its clients, and the Registrar Office is responsible for registering and issuing certificates for births, deaths, marriages, divorces and child adoption. These differences in the nature of services the agencies deliver may have an impact on the respondents' responses, although this impact is not investigated in this study.

Furthermore, the nature of the relationship between the agencies with their respective clients is also different. The taxation office is a monopoly and its clients act as taxpayers expecting service or assistance to enable them to fulfil their obligations. The Bank competes with other banks and institutions offering similar services and its clients act as consumers. The Clean Water Company is a monopoly and its clients act as purchasers who pay charges to get the service. The Registrar Office is a monopoly and its clients may be called regulatees because the services delivered are based on particular government regulations (Shand and Arnberg 1996:17). Whatever the nature of the relationship between the clients and the agencies, the clients presumably expect quality services from the agencies.

As noted in the previous chapter, the institutional capacity of local government agencies in this study is measured in terms of the capacity of each local government agency to deliver quality services as expected by their prospective clients. Capacity is measured by the gap between clients'
expectations and perceptions along the five service quality dimensions. These
dimensions, together with the number of statements in the questionnaires
pertaining to them, are tangibles (four questions), reliability (five questions),
responsiveness (four questions), assurance (four questions), and empathy
(five questions).

To obtain the mean scores of both the clients’ expectations and perceptions in
four agencies, data from the 428 questionnaires returned were analysed using
the Statistical Package for the Social Sciences (SPSS) version 10.05. In every
agency, each respondent’s expectation scores pertaining to each dimension
were added and then divided by the number of statements to achieve a mean
score for each respondent. These figures were then added and divided by the
number of respondents to attain the expectation mean scores ($a$). The same
method was used to obtain the mean scores for perceptions ($b$). The GAP
scores ($c$) were obtained by deducting expectation scores from perception
scores in each corresponding dimension while the total scores ($d$) for
expectations, perceptions and GAP were found by adding the mean scores for
each dimension and dividing by the number of dimensions (see Tables 5.1,
5.2, 5.3, 5.4, and 5.5). The following sections describe expectations, perceptions
and GAP scores in each agency as well as the scores for all respondents.

5.1.1 The Revenue Office

Table 5.1 and Figure 5.1 show the scores in the five dimensions and the gap
between client expectations and perceptions of the service quality in the Revenue Office. Table 5.1 shows that the total GAP score for the Revenue Office is -0.76 which means that the quality of service delivery in this office has not met the quality expected by its clients. Of the five dimensions, tangibles, which relates to physical facilities, equipment, personnel, and communication materials, received the lowest score (-1.06). This result is supported by qualitative data collected through the interviews with the respondents.

Table 5.1  Respondents’ expectations and perceptions of the Revenue Office service quality  (n=121)

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Expectation</th>
<th>Perception</th>
<th>GAP score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangibles</td>
<td>6.08</td>
<td>5.02</td>
<td>-1.06</td>
</tr>
<tr>
<td>Reliability</td>
<td>5.81</td>
<td>4.93</td>
<td>-0.88</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>6.04</td>
<td>5.39</td>
<td>-0.66</td>
</tr>
<tr>
<td>Assurance</td>
<td>6.13</td>
<td>5.51</td>
<td>-0.62</td>
</tr>
<tr>
<td>Empathy</td>
<td>5.85</td>
<td>5.27</td>
<td>-0.58</td>
</tr>
<tr>
<td><strong>Total score</strong></td>
<td><strong>5.98</strong></td>
<td><strong>5.22</strong></td>
<td><strong>-0.76</strong></td>
</tr>
</tbody>
</table>

The following are comments made by a number of respondents\(^1\) concerning this dimension.

> The office equipment is lacking. It should be equipped with computers in every unit. I think the equipment should be more sophisticated. I

---

\(^1\) Respondents interviewed for each agency were identified by number. Respondents were asked the same questions but interviewed individually. There was a tendency for factual questions by the interviewers to elicit a ‘yes-no’ type response. Comments made by a number of survey respondents towards a similar or related issue are grouped and presented together (see Chapter Four).
think, the equipment in this office was better before. Now, even the chairs are very old. The office is chaotic. Desks are close to each other and there are no screens between the individual desks (Respondents 2,7,8).

The appearances of staff are not like employees. Government employees should present themselves like government employees. Here, not all employees wear their uniforms properly. They should dress better (Respondents 3,7).

Figure 5.1 Gap between client expectations and perceptions at the Revenue Office

Clients of the Revenue Office also gave a low score (-0.88) to the reliability dimension which relates to the ability of the agency to perform its promises dependably and accurately. Of the 47 respondents interviewed, 35 (74.47%) commented that most of the services the clients asked for were not accomplished on time, or that timeliness could have been improved. For example:
Sometimes I come to pay my tax but there is no one I can meet in the (Revenue) Office. The employees are always stalling their promises and canceling their work. They only promise. Whereas, if we, the taxpayers, do not pay our taxes on time, we will be fined (Respondents 5,10,18,19,23,26).

Besides timeliness, respondents also complained about inaccuracy of service and information delivered. A respondent gave an example of this inaccuracy when the Revenue Office informed him that he had not paid his tax when in fact he had done so.

I actually had paid my taxes but the Revenue Office told me that I had not paid them. It means that this agency makes a mistake, doesn’t it? (Respondent 10).

A businessman, who owns a hotel, restaurant and karaoke café, gave a more comprehensive example of inaccuracy made by this agency in delivering services to its clients. In December 2000 during the Muslim fasting month, the Makassar local government ordered that all nightclubs and entertainment businesses were closed. Of course, we closed. But, why were we still asked to pay tax for that month?... Once I received a letter from the Revenue Office saying that I had not paid my taxes. I came with all receipts and papers to prove that I had paid them. When I showed all the proofs, they just said sorry. I experienced this a couple of times... I also once received a letter to collect tax return worth of millions rupiah because I had overpaid my taxes. Of course I was very happy at that time. Disappointingly, when I came they said that there was actually no tax return because they had made a miscalculation. I was really so annoyed that I wanted to sue the agency (Interview No. 8, 17/01/01)².

² See Appendix C for the list of in-depth interviews and focus group discussions.
Although not as low as the tangibles and reliability dimensions, the scores for responsiveness (-0.66), assurance (-0.62) and empathy (-0.58) dimensions of the Revenue Office were also unsatisfactory. According to the respondents, the responsiveness of the employees varied. Some were employees always anxious to help if taxpayers faced difficulties, but some others would not help without ‘additional taxes’ (Respondents 29 and 30), which means that these respondents had to pay an amount more than their actual taxes. Respondents also commented that employees sometimes treated clients differently, for example treating younger clients worse than older clients. Lastly, although a few respondents indicated that some agency employees could not be trusted, most respondents interviewed believed that the employees of the Revenue Office were trustworthy.

5.1.2 The Bank

Among the four agencies studied only the Bank provided a quality of services at the level expected by its clients (Total GAP score 0.01). As shown in Table 5.2 and Figure 5.2, of the five dimensions it was only in the area of tangibles that the Bank failed to meet client expectations (-0.16). This failure is largely due to the location of the Bank which is not strategic, but hidden and inaccessible. The Bank is located on the roof of a shopping center without any directional sign, let alone a lift. Most of the Bank employees realised and admitted the weakness of the Bank’s location that had resulted in a low score
in the tangibles dimension, as expressed by a staff member in the following way.

Most of our clients have similar complaints; that is, the location of the Bank. They complain of being very exhausted climbing up all those stairs when they visit our Bank (FGD No. 6, 03/03/01).

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Expectation</th>
<th>Perception</th>
<th>GAP score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangibles</td>
<td>5.98</td>
<td>5.82</td>
<td>-0.16</td>
</tr>
<tr>
<td>Reliability</td>
<td>5.95</td>
<td>5.96</td>
<td>0.01</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>5.98</td>
<td>6.00</td>
<td>0.02</td>
</tr>
<tr>
<td>Assurance</td>
<td>5.96</td>
<td>6.00</td>
<td>0.04</td>
</tr>
<tr>
<td>Empathy</td>
<td>5.89</td>
<td>6.00</td>
<td>0.11</td>
</tr>
<tr>
<td><strong>Total score</strong></td>
<td><strong>5.95</strong></td>
<td><strong>5.96</strong></td>
<td><strong>0.01</strong></td>
</tr>
</tbody>
</table>

Besides agreeing with the comments made by their staff, the management in the Bank also considered the location of the Bank as one of the most important priorities to be improved in the future, as expressed in the following way by a Bank director and head of division.

I admit that our location is not strategic. A bank must be located in such a place that will easily be seen whereas ours is hidden. Being strategically located is actually the best advertising you can have for a bank. It is useless to promote the fact that your bank serves clients best if the bank itself is hidden. We have done our best to relocate the Bank but so far it has not been possible to do so (Interview No. 10, 29/11/00)

It cannot be denied that the location of the Bank is one of the main constraints we face in our efforts to deliver high quality service (Interview No. 12, 09/01/01).
Interestingly, interviews with the respondents also revealed that many of the Bank customers did not know where the Bank was located and therefore many of them never visited the Bank to make deposits or withdrawals or access loans. The fact that many Bank customers deposited their money without ever going to see the Bank or even knowing where the Bank was situated suggested that the customers have a high degree of trust in the Bank and its employees.

Figure 5.2 Gap between client expectations and perceptions at the Bank

![Graph showing comparison between expectations and perceptions across different dimensions: Tangibles, Reliability, Responsiveness, Assurance, Empathy, Overall.](image)

This assertion is supported not only by the positive GAP score on the assurance dimension (0.04) but also by comments made by the respondents interviewed.

Of course I trust the Bank and its employees. If not, I will never save my money there. I trust them 100 per cent. I trust them because they never break their promises. They are honest (Respondents 6,11,23,25,29).
Among the four dimensions which received positive scores, the empathy dimension rated the highest (0.11). The following are comments made by the respondents on this dimension.

The employees of the Bank are the best. The way they communicate with us is excellent. Their Indonesian is perfect but if we speak our local languages, they will do so. They are very nice and really take care of us. They are polite, friendly and smile readily. Every time they always invite us to chat and ask us if we need help. They are good at curryng favour with their customers. They are just like our own family. They always respect us and offer help if we have problems (Respondents 1,10,27,31,43, 46,47).

Similar to other dimensions, positive remarks were also given by the respondents on the reliability and responsiveness dimensions. The following comments are typical.

They are always accurate and on time as they promise. If I need some cash, they will certainly give me some on the next day. They never make mistakes. If I need money today, they will directly give it to me. [They are] Always correct. They never disappoint me (Respondents 1,10,27,31,43,46,47).

They never refuse to help. If you need some money they will help you instantly. If you have problem, they will always give you advice. They always offer assistance to their customers. They always give attention to their customers. They always show their willingness to help. Of course, they have to be like that to satisfy their customers (Respondents 1,2,5,9,14,41,43).

5.1.3 The Clean Water Company

Among the four local government agencies studied, the Clean Water Company received the lowest total GAP score of -0.96 (see Table 5.3 and
Figure 5.3). This low score indicates that among the four agencies, the Clean Water Company had the lowest institutional capacity and was least able to meet customer expectations. Among the five dimensions, tangibles received the lowest score (-1.10). The following respondent comments illustrate why the Clean Water Company received such a low score on the tangibles dimension.

Installation facilities to houses are not what customers expect. Facilities of the Clean Water Company should be improved because customer expectations persistently increase. Because the water running to our houses is sometimes muddy, it can be said that the facilities of the company are lacking (Respondents 4,8,10,14,18).

Some of the Clean Water Company functions, such as water metering and billing, had been contracted out to third parties. However, physical facilities such as counters where customers pay their water bills, which were actually owned by the third parties, were still regarded by the customers as belonging to the Clean Water Company. Since contracting out public services to a third party by no means diminishes the responsibility of the public organisation for the performance of its services (OECD 1997:8), respondents' comments about these facilities are arguably legitimate. Although these facilities belonged to the third party contractors they, were also represented as an integral part of services that the Clean Water Company had to deliver to its customers.

I do not know why the counters to pay our bills always move and change. Many counters are also very unsatisfactory. These counters are not located in public buildings but in front of people's houses
The reliability dimension of the Clean Water Company also received a low score (-1.01), indicating that the services performed by the company in general were unreliable. Most respondents identified inaccuracy in water metering records as the main reason why this agency was considered unreliable. The following comment is typical.

Water metering record is not accurate because what the meter record officers write is always different from the actual figures in the water meter. Probably the water meter officers do not come to see the figures in the meter. The water meter officers may come irregularly because sometimes we have to pay too much but sometimes too little. I think the water meter officers just guess because the record is not accurate at all (Respondents 1,2,16,20, 21,22).

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Expectation</th>
<th>Perception</th>
<th>GAP score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangibles</td>
<td>6.06</td>
<td>4.95</td>
<td>-1.11</td>
</tr>
<tr>
<td>Reliability</td>
<td>6.12</td>
<td>5.11</td>
<td>-1.01</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>6.14</td>
<td>5.23</td>
<td>-0.91</td>
</tr>
<tr>
<td>Assurance</td>
<td>6.20</td>
<td>5.27</td>
<td>-0.93</td>
</tr>
<tr>
<td>Empathy</td>
<td>6.09</td>
<td>5.23</td>
<td>-0.86</td>
</tr>
<tr>
<td><strong>Total score</strong></td>
<td><strong>6.12</strong></td>
<td><strong>5.16</strong></td>
<td><strong>-0.96</strong></td>
</tr>
</tbody>
</table>

As noted in Chapter Four, the sample frame for the Clean Water Company consisted of customers in the zones which, according to the agency, received the best service in terms of water supply. Despite this, water supply was
another aspect of the reliability dimension regarded by respondents as inadequate.

The company does not adequately supply our need for clean water. Sometimes, I only have water running after 11 p.m. at night. Lately, I rarely get water. It is really different from when I was a new subscriber. As a customer, I am quite disappointed because I expect to have water continuously every day but it does not happen. Sometimes the water can reach my place without using a pump, but mostly I have to use a suction pump (Respondents 1,2,4,9,11).

Besides inadequate water supply, some respondents also criticised the inability of the company to perform a service as promised.

Timeliness of service delivery must also be improved. Still, employees sometimes delay in performing promised services. If we have matters to settle, they just keep making promises. There are no definite answers (Respondents 16,37,39).

Although many interviewed respondents assessed the attitude of the
employees and the way they communicate with the customers as satisfactory, the score for the responsiveness dimension for the Clean Water Company was also low (-0.91). This low score was most likely affected by the fact that the customers also complained about the slowness of the company in responding to customers' complaints, and the counters for bill payment often being changed or moved without prior information being given to the customers affected.

My complaints are not appropriately responded and handled. If I complain at the counter when I pay my bill, the staff there direct me to the head office. When I complain in the head office, they send me to the service counter. They treat me like a ping pong ball. As a customer I really am very disappointed but I have no choice. I just have to accept their treatment as it is (Respondent 11).

If there is any change such as counters for bill payment, customers should be informed by mail or by other means like brochures, pamphlets, etc. By the way, why should the counters always change? (Respondent 15).

### 5.1.4 The Registrar Office

Table 5.4 and Figure 5.4 show the scores and the gap between client expectations and perceptions of the service quality in the Registrar Office. For example, Table 5.4 shows that the total GAP score for the Registrar Office was -0.44, which means that this agency was unable to meet the expectations of its clients. However, among the four agencies that had service quality performance lower than client expectations, the Registrar Office had the highest score. This was in line with the 2001 survey results undertaken by the
local newspaper which revealed that the Makassar people rated the Registrar Office as the best Makassar local government agency in terms of its capacity to deliver quality services to the people (Harian Fajar 2001a:1). The survey at that time did not include the Makassar local government Bank as one of the agencies rated.

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Expectation a</th>
<th>Perception b</th>
<th>GAP score c</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangibles</td>
<td>5.65</td>
<td>5.08</td>
<td>-0.56</td>
</tr>
<tr>
<td>Reliability</td>
<td>5.97</td>
<td>5.52</td>
<td>-0.45</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>6.08</td>
<td>5.64</td>
<td>-0.44</td>
</tr>
<tr>
<td>Assurance</td>
<td>6.01</td>
<td>5.61</td>
<td>-0.40</td>
</tr>
<tr>
<td>Empathy</td>
<td>5.83</td>
<td>5.50</td>
<td>-0.33</td>
</tr>
<tr>
<td><strong>Total score</strong></td>
<td><strong>5.91</strong></td>
<td><strong>5.47</strong></td>
<td><strong>-0.44</strong></td>
</tr>
</tbody>
</table>

Similar to the other agencies in this study, the tangibles dimension in this organisation received the lowest score (-0.56). However, the tangibles related complaints made by the respondents in the interviews were mostly related to the unavailability of a comfortable waiting room and a special counter for clients to take and return their application forms, as well as limited parking space (Respondents 3,20,31,38,43). It appeared that the respondents were not concerned that the Registrar Office was equipped with only manual typewriters and did not have any modern equipment such as computers.

The Registrar Office is located at the southern most end of the city and not on the main road. Not surprisingly, some respondents complained about the
office location and suggested that service points should also be made available in the offices of the urban village chiefs which are scattered throughout the city.

It will be much better if the Registrar Office is located in the city center so that we can easily find it and access it. Also, it would be better if there is a service point in every village chiefs. This would prevent irresponsible officials at the chief offices from offering us assistance in dealing with the Registrar Office for birth certificates for example but at very high cost (Respondent 22).

Figure 5.4 Gap between client expectations and perceptions at the Registrar Office

Among the local government agencies, only the Registrar Office was equipped with an information board which described in detail all the requirements and costs for services offered by the office. The Registrar Office also displayed a colourful banner promising that all certificates would be issued in two working days. The existence of the information board, which the employees called the *papan bicara* (talking board), and banner as a
means of communication between the office and its clients not only made clients more aware of their rights and responsibilities in dealing with the organisation but also influenced clients' expectations and perceptions of service quality. Promises made by an organisation through any communication raises clients' expectations and it is these promises against which clients assess service quality. Inconsistency between what is promised and what is actually delivered will have a detrimental effect on clients' perceptions of service quality (Zeithaml et al. 1990:43). Therefore, although the service quality in this office is better than in any other local government agency (with the exception of the Makassar local government Bank), because service quality did not meet the level outlined on the information board and banner Registrar Office clients were unhappy with the service quality they received. This can be seen from the negative responses given by the respondents in the interviews. Most of these complaints were about the inconsistency between what was communicated through the information board and banner and what the clients actually experienced or received.

The completion of the certificates in two days as written on the banner must be implemented. It must be on time with no delays. The cost should also be as written on the information board. On the receipt the amount of money to be paid must also be printed clearly (Respondents 16,38,39,44).

At first glance comments made by a respondent saying that ‘all visitors entering the Registrar Office will directly be welcomed and greeted’
(Respondent 30) may be interpreted as the willingness of the employees to deliver responsive services. However, a number of other respondents considered the willingness of these office employees to help and deliver responsive services as appearance only and not genuine. They believed that these employees acted in such a manner because they expected ‘something’ such as an additional payment from clients which went straight into the employee's own pocket. Therefore, it is not surprising that the scores for the responsiveness (-0.44) and reliability (-0.45) dimensions of this agency were relatively low, the second and third worst scores after the tangibles dimension. The following are some comments made by the respondents regarding the artificially responsive manner of Registrar Office employees.

The employees race or compete with each other to serve us because they hope to gain something from us. They serve us as well as they can but at the end of it is money. They expect us to give them some kind of tip. Good service depends on other factors, such as an additional payment. If they understand that you will not give them the so-called ‘uang rokok’ (‘cigarette money’), the one-day business will become two days or even more (Respondents 28, 32, 36).

Allegations made by respondents that the employees expected some kind of tip from clients were confirmed by a staff member in the section for birth registrations participating in the focus group discussion.

Frankly I admit that yes, here, we will first serve the ones who have money. I mean, the ones who can give us an additional payment. Yes, they will be served first because it seems that the employees here expect additional income from these kinds of clients. After that, we serve clients who can only pay the normal fees. Meaning, we are not inclined to serve the clients who cannot give us additional income.
Isn't it true that we will be working diligently if we are given a tip? [laughing] (FGD No. 5, 21/02/01).

Although still unable to meet the clients’ expectations, the assurance dimension of the Registrar Office (which relates to the knowledge and ability of employees to perform their tasks) and the empathy dimension (which is associated with the caring and attention an organisation provides to its clients) were rated better than other dimensions, at -0.39 and -0.33 respectively. Most respondents agreed that the communication skills of the employees were good and they were able to perform their tasks.

Yes, the employees master their tasks. Of course they can perform their jobs because they have become accustomed to and have done the same thing every day. They just issue certificates. Although their ability is sometimes difficult to judge, because they have become accustomed to doing these jobs, they have become very skillful (Respondents 20,23,28,39,41).

The relatively high scores on the assurance and empathy dimensions probably resulted from the fact that the nature of tasks in the Registrar Office is routine and monotonous and needs no special skill, as explained by a head of division in the Registrar Office.

Our duties and jobs here are generalist, not specialist. Even you, if you are appointed as a head of section here, I am absolutely convinced that you will be able to perform the tasks because all procedures and processes to perform the tasks have been made. There are forms for birth, marriage, death certificates, etc., If a client comes in we just open the manual, look at the requirements, how much the fee is, fill in the forms and, finish. [It is] just that. Even you yourself would be able to do it. So, it does not require special skills. Willingness to work is the most important thing employees should have (Interview No. 18,
5.2 Overall institutional capacity: a comparison

The previous section presented the institutional capacity of each of the four local government agencies studied, as measured by the GAP between the expectation and perception scores in the five different dimensions as well as overall GAP scores. Table 5.5 and Figure 5.5 show the different scores and GAP between client expectations and perceptions if all 428 respondents are taken into consideration.

Table 5.5 All respondents’ expectations and perceptions of service quality of the four local government agencies (n=428)

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Expectation(^a)</th>
<th>Perception(^b)</th>
<th>GAP score(^c)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangibles</td>
<td>5.95</td>
<td>5.21</td>
<td>-0.74</td>
</tr>
<tr>
<td>Reliability</td>
<td>5.95</td>
<td>5.36</td>
<td>-0.60</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>6.06</td>
<td>5.55</td>
<td>-0.50</td>
</tr>
<tr>
<td>Assurance</td>
<td>6.08</td>
<td>5.59</td>
<td>-0.49</td>
</tr>
<tr>
<td>Empathy</td>
<td>5.91</td>
<td>5.49</td>
<td>-0.43</td>
</tr>
<tr>
<td><strong>Total score(^d)</strong></td>
<td><strong>5.99</strong></td>
<td><strong>5.44</strong></td>
<td><strong>-0.55</strong></td>
</tr>
</tbody>
</table>

If the scores can be regarded as the opinion of the Makassar people towards the institutional capacity of the local government, it can be inferred that the institutional capacity of this local government in general is unsatisfactory. The Makassar local government has not been able to deliver quality services as expected by the Makassar people as indicated by the total GAP score of only -0.55. In other words, generally, the quality of public service delivered by the local government agencies does not meet the expectations of the Makassar
people. The tangibles dimension consistently received the lowest score (-0.74), followed by reliability (-0.60), responsiveness (-0.50), assurance (-0.49), and empathy (-0.43) dimensions.
Based on the total GAP scores obtained, the institutional capacity of the four local government agencies studied can be ranked in the following order (see Table 5.6); that is, the Bank has the most satisfactory institutional capacity with a total GAP score of 0.01, followed by the Registrar Office with a total GAP score of -0.44. The Revenue Office is next with a total GAP score of -0.76, while the Clean Water Company has the most unsatisfactory institutional capacity with the total GAP score of -0.96. Table 5.5 also shows that total GAP scores of the Bank and the Registrar Office are higher than the overall total GAP score, calculated from all respondents. Whereas, the total GAP scores obtained by the Revenue Office and the Clean Water Company are lower than the overall respondents' total GAP score.
Table 5.6 **Comparison between overall and each agency total GAP scores**

<table>
<thead>
<tr>
<th>Agency</th>
<th>Total GAP Score</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Bank</td>
<td>0.01</td>
<td>1 (higher than overall)</td>
</tr>
<tr>
<td>The Registrar Office</td>
<td>- 0.44</td>
<td>2 (higher than overall)</td>
</tr>
<tr>
<td>The Revenue Office</td>
<td>- 0.76</td>
<td>3 (lower than overall)</td>
</tr>
<tr>
<td>The Clean Water Company</td>
<td>- 0.96</td>
<td>4 (lower than overall)</td>
</tr>
<tr>
<td><strong>Overall</strong></td>
<td><strong>- 0.55</strong></td>
<td></td>
</tr>
</tbody>
</table>

This result suggests that although it is not as satisfactory as the Bank, the Registrar Office can also be regarded as having a satisfactory institutional capacity because it can deliver better quality services than the overall quality that the local government agencies can deliver. On the other hand, the Revenue Office and the Clean Water Company can be regarded as unsatisfactory performers not only because these two agencies obtained the lowest GAP scores but also because the quality of services that they deliver is lower than the overall quality that the local government agencies can deliver.

### 5.3 Expectations, perceptions and demographic variables

The study does not intend to investigate the relationships between expectations, perceptions, and demographic variables of the respondents. However, it cannot be denied that the respondents of the study have different demographic characteristics. Therefore, this section briefly discusses whether the different demographic characteristics of the respondents have any effect on their expectations and perceptions along the five quality dimensions used.
in the study to measure institutional capacity of the local government agencies.

A number of studies of public service delivery, especially in the United States in the 1980s, also examined whether demographic variables such as age, gender, occupation, income and marital status correlate to citizen satisfaction with the delivery of different public services (Beck et al. 1987; Hero and Durand 1985; Brown and Coulter 1983; Beck and Dye 1982; Brudney and England 1982b; Fitzgerald and Durant 1980). The findings of these studies are mixed and sometimes contradict one another. For example, Fitzgerald and Durant (1980:590) and Hero and Durand (1985:350) suggested that age, but not income, significantly affected citizen satisfaction with public services. However, Brown and Coulter (1983:54-5) found that there was a significant positive correlation between the age and income of respondents and their satisfaction with police service delivery. In addition, Brown and Coulter found that educational background did not affect satisfaction with police service delivery, while males tended to be more satisfied with police treatment than females. In terms of citizen views on taxes, Beck and Dye (1982:177-8) found out that age, education and race of people in Florida (USA) had no significant effect on citizens’ attitudes towards federal income taxes, although occupation and income may affect peoples’ attitudes about taxes.

Finally, Beck et al. (1987:234) suggested that, in general, there was a rather
weak correlation between demographic variables and citizen satisfaction with both general public services and tax. Because of these mixed and inconsistent results, there is little consensus about the importance of demographic variables on citizen satisfaction with public services. Lyons et al. (1992:19) argued that even though some studies may indicate that a particular demographic variable affects citizen satisfaction with public services, the relationship, in many cases, is difficult to explain.

| Table 5.7 Correlation between respondents' expectations and perceptions, and their demographic characteristics (spearman's rho) |
|--------------------------------------------------|-----------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
| EXTANG Correlation Coefficient                   | Gender | Age | Marital Status | Education |
| Sig. (2-tailed)                                   | .030   | -.073 | .066 | .000 |
| N                                                 | 428    | 428   | 428   | 428   |
| EXREL Correlation Coefficient                     | Gender | Age | Marital Status | Education |
| Sig. (2-tailed)                                   | .064   | -.069 | .025 | .213** |
| N                                                 | 428    | 428   | 428   | 428   |
| EXRESP Correlation Coefficient                    | Gender | Age | Marital Status | Education |
| Sig. (2-tailed)                                   | .102*  | -.076 | .041 | .180** |
| N                                                 | 428    | 428   | 428   | 428   |
| EXASSU Correlation Coefficient                    | Gender | Age | Marital Status | Education |
| Sig. (2-tailed)                                   | .087   | .002 | .060 | .131** |
| N                                                 | 428    | 428   | 428   | 428   |
| EXEMPA Correlation Coefficient                    | Gender | Age | Marital Status | Education |
| Sig. (2-tailed)                                   | .117*  | .053 | .033 | .041 |
| N                                                 | 428    | 428   | 428   | 428   |
| EXPECTAT Correlation Coefficient                  | Gender | Age | Marital Status | Education |
| Sig. (2-tailed)                                   | .099*  | -.048 | .027 | .132** |
| N                                                 | 428    | 428   | 428   | 428   |
| PCTANG Correlation Coefficient                    | Gender | Age | Marital Status | Education |
| Sig. (2-tailed)                                   | -.046  | .086 | -.015 | -.252** |
| N                                                 | 428    | 428   | 428   | 428   |
| PCREL Correlation Coefficient                     | Gender | Age | Marital Status | Education |
| Sig. (2-tailed)                                   | .016   | .022 | -.034 | -.134** |
| N                                                 | 428    | 428   | 428   | 428   |
| PCRESP Correlation Coefficient                    | Gender | Age | Marital Status | Education |
| Sig. (2-tailed)                                   | .032   | .021 | -.012 | -.172** |
| N                                                 | 428    | 428   | 428   | 428   |
| PCASSU Correlation Coefficient                    | Gender | Age | Marital Status | Education |
| Sig. (2-tailed)                                   | -.018  | .017 | .004 | -.217** |
| N                                                 | 428    | 428   | 428   | 428   |
| PCEMPA Correlation Coefficient                    | Gender | Age | Marital Status | Education |
| Sig. (2-tailed)                                   | .007   | .073 | -.044 | -.229** |
| N                                                 | 428    | 428   | 428   | 428   |
| PERCEPTI Correlation Coefficient                  | Gender | Age | Marital Status | Education |
| Sig. (2-tailed)                                   | -.002  | .046 | -.031 | -.248** |
| N                                                 | 428    | 428   | 428   | 428   |

** Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).
Using the same statistical package (SPSS version 10.05), the survey data collected in this study was also tested to find out whether respondents' personal characteristics (gender, marital status, age, and education) correlate with their overall expectations and perceptions of the quality of the local government services and their expectations and perceptions on the five different dimensions. As shown in Table 5.7, measured by the spearman's rho correlation coefficient, age and marital status did not have any significant impact on the respondents' overall expectations and perceptions in any of the five service dimensions. Other things being equal, younger and older married and unmarried respondents all had similar level of expectations towards the quality of public services that they hoped to receive from government agencies.

Furthermore, the respondents' age and marital status did not have any influence on the way they perceived the quality of services they had received from the government agencies, although in general, as shown by the box plot in Figure 5.6, respondents' expectations are higher than their perceptions. In other words, this research shows that, whether the respondents were young or old, married or unmarried, their satisfaction with the level of public services delivered by government agencies would be assessed in a similar way.

This result is inconsistent with the results of previous studies noted earlier.
which found that people’s satisfaction with public services increased with age (see, for example, Hero and Durand 1985; Fitzgerald and Durant 1980; Lipsky 1980). Since police services are also categorised as public services, this study may also be said to be inconsistent with Brown and Coulter's (1983) study which found that age as well as income was significantly related to satisfaction with response time and police treatment of people (Brown and Coulter 1983:54-5). Thus, this study supports findings by those such as Beck et al. (1987:232) and Beck and Dye (1982:178) who argue that in general demographic factors have no or limited correlation with people's attitudes towards and evaluations of services and taxes.

**Figure 5.6 Expectations and perceptions by respondents' marital status**

![Box plots showing expectations and perceptions by marital status](image)

The box plot in Figure 5.7 shows that there is no significant difference between overall expectations and perceptions between male and female respondents. However, the Spearman's rho correlation coefficient in Table 5.7 shows that while there was no difference between the male and female
respondents’ perceptions of service quality for all five dimensions, male respondents had higher expectations in regard to responsibility (exresp) and empathy (exempa) dimensions at the 0.05 level of significance. Although it is not surprising that perceptions do not change because the respondents assessed the actual performance, it is interesting that men have higher expectations in regard to responsibility and empathy but not for tangibles, reliability, and assurance dimensions.

Figure 5.7 Expectations and perceptions by respondents’ gender

One may argue that male respondents’ higher expectations on the responsibility dimension is not a surprising result because dealing with government agencies is an outside-of-home task, such as hunting or working further from home which, in a patriarchal society such as Indonesia, is still associated more with male responsibility (Best 2001:289). On the other hand, one may argue that male respondents’ higher expectations on the empathy dimension are surprising because empathy is normally thought of as
something valued more by women. However, Garner and Estep (2001:398) indicate that although empathy is generally considered as one of the feminine strong points, findings from different studies on gender comparisons in empathy are highly inconsistent. Therefore, it is argued that at this stage there is no clear answer as to why there was a difference in terms of the responsibility and empathy dimensions between male and female respondents in this study. More work needs to be done to see whether the difference found in this study is confirmed or not.

Amongst the available four demographic variables of the respondents in this study, only education showed a consistent relationship with the overall expectations and perceptions of the respondents as well as expectations and perceptions of respondents in five different quality dimensions (see Table 5.7). For example, the respondents' expectations on dimensions of reliability (exrel), responsibility (exresp), assurance (exassu), as well as overall expectations (expectat) correlate positively with respondents' education at the 0.01 level of significance. Furthermore, the respondents' perceptions on dimensions of tangibles (pctang), reliability (pcrel), responsiveness (pcresp), assurance (pcassu), empathy (pcempa) as well as overall perceptions (percepti) correlate negatively with respondents' education at the 0.01 level of significance. This indicates that the higher the level of educational background the higher the level of expectations a respondent has towards the service quality that the government agencies should deliver. Similarly, the
higher the level of education background the lower their perceptions of the service quality received from the government agencies. The positive relationship between respondents' education and expectations together with negative relationship between respondents' education and perceptions thus widens the expectations-perceptions gap which is used to measure the service quality or institutional capacity of local government agencies in this study.

![Figure 5.8 Expectations and perceptions by respondents' education](image)

The results in Table 5.7, showing that there is a relationship between respondents' education levels and their expectations and perceptions, suggest that the agencies whose respondents have a relatively high educational background may have been perceived as having less satisfactory institutional capacity than those agencies whose respondents have a relatively low educational background. However, the box plot in Figure 5.8 shows that the suggestion that the higher the educational level of respondents the higher their expectations and the lower their perceptions of service quality is only true until the undergraduate level. In other words, it is respondents having
undergraduate level of education who have the highest expectations and the lowest perceptions of quality service they have received from the local government agencies.

Respondents with Master degree tend to have lower expectations and higher perceptions than respondents with Senior High School and undergraduate level of education, probably because people reaching this level of education have a better understanding of the environment in which local government agencies operate. Therefore, these respondents do not have an unrealistically high expectations of service quality and rate more positively the quality of services they receive from the local government agencies in this study. In the Indonesian context, people having undergraduate degree or higher may be regarded as having a relatively high educational background, whereas people having only attended High School may be regarded as having a relatively low educational background. The latest available statistics show that in 1998 only 16.7 per cent of the Indonesian population aged over ten years old had attended Senior High School (equivalent to year 12) or higher. Most of them (83.3%) only attained Junior High School (equivalent to year 9) or lower, including around 10 per cent who never attended school at all (BPS 1998:1).

To predict the relative effect of respondents' educational background on the institutional capacity of the local government agencies in this study, relative to other factors which will be discussed in the following chapters, it is
beneficial to compare the educational background of respondents in each agency. The comparison of respondents having Senior High School and undergraduate level of education in each agency is especially important because, as noted earlier in Figure 5.8, these groups of respondents have the highest expectations and the lowest perceptions of service quality which widens the GAP score used to measure the relative institutional capacity of the local government agencies in the case studies.

Table 5.8 shows that the Bank has the lowest percentage of respondents having Senior High School and undergraduate level of education (38.2%), whereas the Registrar Office has the highest percentage of respondents having Senior High School and undergraduate level of education (98.0%). Therefore, on the basis of the educational background of respondents, one would expect that the Bank would have the highest number of satisfactory responses, and the Registrar Office would have the highest number of unsatisfactory responses.

<table>
<thead>
<tr>
<th>Agency</th>
<th>Senior High School and undergraduate</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Revenue Office</td>
<td>83.5</td>
</tr>
<tr>
<td>The Bank</td>
<td>38.2</td>
</tr>
<tr>
<td>The Clean Water Company</td>
<td>90.4</td>
</tr>
<tr>
<td>The Registrar Office</td>
<td>98.0</td>
</tr>
</tbody>
</table>

In actual fact, rankings were not consistent with the educational background
of respondents because the Clean Water Company scored the lowest, despite having only the second highest percentage of Senior High School and undergraduate respondents. The Registrar Office was rated as the second best agency in the case studies despite having the highest number of respondents having Senior High School and undergraduate level of education. This inconsistent effect of respondents' educational background with institutional capacity scores of the local government agencies is probably because the correlation between these two variables is very low or low. As shown in Table 5.7, the highest correlation coefficient value between education and overall perceptions is only 0.25. According to Sarantakos (1998:395), most social scientists consider the strength of the correlation of two variables as very low if the correlation coefficient value is under 0.20, and the strength of correlation is considered low if the coefficient value is between 0.21 and 0.40.

5.4 Conclusion

This chapter has shown that the institutional capacity of local government agencies in Makassar is generally unsatisfactory in terms of their capacity to deliver quality services as assessed by their clients. This conclusion is supported not only by the GAP scores but also by comments made by the respondents during the interviews. Of the four agencies studied, only the Bank had a positive total GAP score (0.01) meaning the quality of services this agency delivers is as good as the quality of services its clients expect. The total
GAP score for the Registrar Office is -0.44, which is better than the total GAP score for all respondents which is -0.55. Therefore the institutional capacity of the Registrar Office may be regarded as satisfactory. The Revenue Office and the Clean Water Company had the two lowest total GAP scores which are even lower than the total GAP score for all respondents; that is, -0.76 and -0.96 respectively. Therefore these two agencies are considered as having unsatisfactory institutional capacity. Furthermore, the tangibles dimension which relates to physical facilities, equipment, personnel, and communication materials of the agencies, consistently receives the lowest score in each of the four local government agencies.

This chapter has presented data on the relative institutional capacity of the local government agencies in the case studies. Although it is not the focus of this study, this chapter has also revealed that most demographic variables have no or low (in the case of the educational background) relationship with the institutional capacity of the local government agencies in the case studies. In other words, the demographic characteristics of the clients do not affect their expectations and perceptions of the service quality that the clients receive from local government agencies in the case studies. The following three chapters will analyse the degree of accountability, competition and organisational and human resources dimensions in the agencies in order to determine whether these factors have any effect on the institutional capacity of these local government agencies. In other words, whether these factors can
explain why an agency performs better than the others since, as noted earlier, other factors such as demographic variables have a minimal effect on the agencies' institutional capacity.
Chapter Five presented data on the institutional capacity of four local government institutions and concluded that in terms of the client expectation-perception gap, two local government agencies in the study can be regarded as having satisfactory capacity while only one of the two agencies could deliver quality services as well as its clients expect. Two other agencies are regarded as having inadequate capacity to deliver quality services as expected by their clients. As discussed in the introduction chapter, besides assessing the institutional capacity of local government agencies, this study also investigates systematically factors within five dimensions that affect the capacity of those agencies. One of the factors within the public sector institutional context is the structure and degree of formal and informal influence that affects how public institutions function. This study specifies the formal and informal influence as the relative degree of accountability. The study, therefore, explores the relationship between the relative degree of accountability and the capacity of the local government agencies.

In this chapter, the relative degree of both bureaucratic and political accountability experienced by the four agencies is analysed to see whether or not there is a different degree of accountability taking place in the satisfactorily performing and unsatisfactorily performing institutions. Here,
bureaucratic accountability is defined as the degree of control the Mayor exercised, as the highest bureaucratic figure or executive official in the Makassar local government, to influence decisions made by the agencies in the case studies, whereas political accountability is defined as the degree of control the local parliament, or Dewan Perwakilan Rakyat Daerah (DPRD), exercised to influence decisions made by the agencies. Before presenting findings from the case studies, this chapter first explains briefly the concept of accountability and how this factor theoretically relates to the organisational capacity or performance in the public sector.

6.1 Defining accountability

In a democratic political system, accountability is considered an important feature of the public sector because without accountability public bureaucracy loses its public legitimacy and may begin to function as a private organisation which operates to satisfy self-interest. In other words, public accountability is believed to be an important characteristic distinguishing the public sector from the private sector (Haque 1994:265). It is also argued that the existence of accountability in the public sector is important not only to prevent public officials and agencies from abusing their coercive power but also to ensure that that they are constrained to operate in accordance with the expectations of the general public (Hughes 1994:240-1). In relation to the capacity of public institutions, many academics believe that accountability promotes the
capacity of government agencies to deliver services, to use public resources more efficiently and effectively, and to be responsive towards their clients (see, for example, Haque 1994; Hughes 1994:Chapter 10; Paul 1992, 1991a, 1991b; Thynne and Goldring 1987).

Despite its important role, the concept of accountability itself has been defined differently by public administration scholars and practitioners, probably because accountability is similar to electricity; that is, ‘difficult to define but possesses qualities that make its presence in a system immediately detectable’ (Maheshwari 1983:458). For example, accountability may be defined simply as a process through which a person or an institution, or group of people or institutions, can be held to account for their conducts or performance (Mulgan 2000:87; Glynn and Murphy 1996:127), whereas Minocha (1983:630) and Inamdar (1983:590) approach accountability from a legal standpoint and define it as legal responsibility or liability to give reasons for one's conduct, particularly with regard to monetary affairs. However, it is argued that this conventional and legal meaning of accountability which gives emphasis to the legality of administrative measures is no longer applicable because the general public does not perceive that the accountability of public officials and government agencies is limited only to the legality of actions. Therefore, the concept of accountability in the public sector should be defined more comprehensively as ‘the methods by which a public agency or a public official fulfils its duties and obligations, and the process by which that agency
or the public official is required to account for a sanction’ (Dwivedi and Jabbra 1989:5).

### 6.2 Accountability mechanisms

Based on this broader definition of accountability, it is argued that the concept of accountability in public administration has to include at least five mechanisms of accountability; that is, organisational or administrative, legal, professional, political, and moral (Dwivedi and Jabbra 1989:5-7). Organisational or administrative accountability refers to the hierarchical nature of organisation where actions of lower level staff in an organisation are overseen by higher level staff. Higher level staff deliver orders to lower level staff while lower level staff provide reports to higher level staff. The existence of organisational or administrative accountability which is labelled by Corbett (1992:192-3) as upward accountability, allows clients or service receivers to appeal to higher level officials in an organisation if they are dissatisfied with the services they receive from lower level staff. In other words, the existence of the organisational or administrative accountability can make the front-line staff in the public agencies, or the so-called street level bureaucrats, serve the people as well as possible. It may also prevent staff from abusing their power because these staff know that the people they serve may report all their actions to their supervisors.

Legal accountability is associated with the existence of essential legal
mechanisms or specifically developed laws which can be utilised by the public to contest policy, administrative decisions as well as conduct taken by individual government officials or agencies. The concept of legal accountability occurs because of the increasing interaction between the public and government officials and agencies, and ‘the dysfunctional impacts of secrecy and anonymity within government on efficiency and effectiveness of services’ (Paul 1994:8). According to Mukhopadhyay (1983:477), legal accountability is clearly observable when a government official or agency has to present necessary details and produce satisfactory explanations for policies and conducts before a court of law. Therefore, the existence of legal accountability may prevent public officials and agencies from the so-called non-feasance and over-feasance.

Under the concept of political accountability government employees and agencies are accountable to the political executive in the first instance. Political accountability recognises the ‘power of political authority to regulate, set priorities, redistribute resources, and ensure compliance with orders’ (Dwivedi and Jabbra 1989:6). In other words, the existence of political accountability in the public sector can force the public officials and agencies to implement programs and polices that have been set by the political executive.

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2 Non-feasance means that public officials or agencies fail to do what laws expect them to do because of laziness, ignorance or dishonesty, such as corruption, while over-feasance occurs
as well as prevent them from executing programs and policies beyond what the political executive have authorised them to exercise. However, Mukhopadhyay (1983:475) argues that public officials and agencies may not be politically accountable unless the people are able to criticise the political actors to whom public officials and agencies are accountable. Both legal and political accountability correspond to Corbett's category of outward accountability which he refers to as the responsibility of government employees and agencies to inform, discuss with, and be responsive to, the public outside the organisations (1992:193-5). However, supplying information to the public about a government plan for building a new plaza, giving interviews to journalists or the creation of an ombudsman office are also included in the definition of outward accountability (Corbett's 1992:208).

Although the concept is more relevant in the private sector, the existence of professional accountability in the public sector has occurred because more and more professionals are needed to deliver public services. In delivering public services, the public expects that these professionals, such as doctors and engineers, will be guided by their professional norms and act on behalf of and in the interest of the public and are subject to criticism if they are unable to carry out their functions. The concept and practice of professional accountability differ across various professions because the criteria used to
determine professional accountability is greatly affected by the professional norms approved and applied in each profession (Paul 1992:8, 1991a:8; Dwivedi and Jabbra 1989:7). Nonetheless, the existence of professional accountability in the private and public sectors can ensure that the professional workers or practitioners can be given professional sanctions when their conduct constitutes malfeasance.

The concept of moral accountability is based on the belief that all the actions of public officials and agencies should be consistent with the social norms and behaviour recognised by the public (Dwivedi and Jabbra 1989:7). It is believed that if comprehensively developed and internalised by individual public servants, moral accountability can become an efficient protection against malfeasance. This is because it may provide a way of preventing, rather than correcting, administrative malfeasance (Mukhopadhyay 1983:479-80). Both professional and moral accountability described earlier correspond to Corbett's category of inward accountability in which it is assumed that ethical values and professional standards become the measures of the degree of accountability of public employees and agencies (Corbett 1992:196-7). In short, accountability in the public sector may be viewed in terms of responsibilities and obligations of public officials and organisations to the

(Mukhopadhyay 1983:474).
public in performing their functions. These responsibilities or obligations may be based on formal laws, rules and regulations, professional code of conducts, or informal personal values, behaviours, ethics, and beliefs.

Finally, accountability is also important in relation to the performance of public sector organisations. It is argued that the more accountable a public organisation is, the better its performance will be because accountability in the public sector contributes to efficiency in utilising public resources and prevents public officials and agencies from non-feasance, malfeasance, and over-feasance (Mukhopadhyay 1983:474).

6.3 Administrative and political accountability of Makassar local government agencies

In an era when governments around the world have been severely criticised, it is not unusual to hear general members of the public as well as public administration practitioners and scholars commenting that government officials and agencies are unresponsive and unaccountable. While this claim may mean different things to different critics, some critics may not be able to articulate what they mean by an unresponsive or unaccountable public agency. Therefore, it is important to have some kind of measurement method

3 Malfeasance is damaging performance because of ignorance, negligence or technical incompetence such as malpractice conducted by doctors in hospitals (Mukhopadhyay 1983:474).
by which the accountability of bureaucracies and claims of unresponsiveness and unaccountability of particular government agencies can be assessed.

Romzek and Dubnick (1987:228) argue that there are two critical factors shaping the accountability of public organisations. Firstly, there is the existence of an authoritative actor, inside or outside public agencies, to define and control expectations. The administrative, bureaucratic or organisational accountability described in the previous section provides the internal authoritative actors, such as supervisors or managers in an organization, who define and control the actions of their subordinates. On the other hand, legal and political accountability creates the external authoritative actors, such as political figures in the parliament, who monitor and control the conduct of government agencies and civil servants. The second critical factor shaping the accountability of public organisations is the degree of control that the various internal and external actors have over agency decisions and activities. Weaker control allows the agency to exercise discretionary power over decisions and activities and results in weak accountability. Stronger control narrows agency discretion and results in stronger accountability.

Romzek and Dubnik's argument regarding the two critical factors shaping the accountability of public organisations is considered relevant because both factors are clearly identified in this research. The first critical factor suggested (the existence of authoritative actors) is relatively easy to measure by simply
identifying whether internal and external authorities exist which are able to control the government agencies. As the Revenue Office, the Bank, the Clean Water Company, and the Registrar Office are all agencies of the Makassar local government, the city Mayor as the chief executive and the highest internal entity has the authority to decide and control all decisions and activities made by these four agencies. Article 62 of the Indonesian Autonomy Law (Number 22/1999) concerning autonomous local government stipulates that agencies within a municipal region shall be accountable to the Mayor as head of the region. Therefore, the city Mayor can be regarded as one of the internal authoritative actors which, as noted earlier, is one of the critical factors shaping the accountability of public organisations. In the case of the Makassar local government Bank and Clean Water Company, which are regarded as for-profit local government agencies, the Mayor also establishes the so-called board of supervisors or Badan Pengawas (BP) which is similar to the Board of Directors in big corporations. The BP, on behalf on the Mayor, directly supervises not only the decisions and activities of the agencies but also the performance of the directors. Therefore, the BP can also be regarded as another internal authoritative actor. In short, as the four agencies studied are all under the Makassar local government, the Mayor and BP are the highest internal authoritative entities to which the agencies are accountable.

The Indonesian Autonomy Law (Number 22/1999) concerning the autonomous local government, states that a local parliament called Dewan
Perwakilan Rakyat Daerah (DPRD) must be established in every autonomous local government of province, city or regency. As a legislative body, one of the functions of the Makassar DPRD is to decide, supervise and politically control all decisions and policies, together with their implementation, made by the Mayor and the local government. Therefore, because the DPRD has power to decide, supervise and control decisions and policies of the Mayor and the local government agencies, it may be regarded as one of the external authoritative actors. In theory, at least, its existence will play a part in shaping the degree of accountability in public organisations.

In short, the first critical factor shaping the degree of accountability in public organisations, that is, the existence of authoritative actors inside and outside public organisations to define and control decisions and policies of these public organisations, has been fulfilled in respect of the organisations in this study. The internal authoritative entities are the Mayor and BP, whereas the external authoritative entity is the DPRD. Based on the nature of supervision and control conducted, the accountability mechanism involving the Mayor and the BP can be regarded as administrative or bureaucratic or organisational accountability, whereas the accountability mechanism involving the DPRD can be regarded as political accountability. Therefore, the relative degree of bureaucratic accountability in this study is defined as the degree of control exercised by the Mayor and BP as the highest bureaucratic figure or executive official in the local government where the study was
undertaken. The relative degree of political accountability is defined by the degree of control exercised by the DPRD.

The second critical factor shaping the accountability of public organisations is the degree of control that the various internal and external actors have over agency decisions and activities. That is, in this study, the degree of control the Mayor, the BP and the DPRD exercise over the decisions and policies made by the four local government agencies. While this second critical factor is more difficult to measure, there are two dimensions or components which are commonly used to assess the degree of control the authoritative actors exercise over any government agency. These two dimensions, which are applied in this study, are the strength of authoritative entities to influence the agency and the quality of the communication system between the authoritative actors and the agency (Romzek and Dubnick 1987:228). Strategies used to measure these two dimensions, as well as the application of those strategies to assess the relative degree of accountability in case studies, are explained in the following sections.

### 6.3.1 The strength of authoritative entities

The first dimension used to assess the degree of control the authoritative entities exercise, which significantly shape the accountability of public organisations, is the strength of influence the authoritative entities. A number of strategies were used to assess the strength of influence the Mayor, the BP
and the DPRD had over the four agencies studied. Firstly, the interaction patterns between these authoritative entities and the agencies were identified to find out who took part in the decision-making processes, and whose views corresponded most to the process outcome in the case that these authoritative entities' and agencies' desires and goals were dissimilar. On the basis of these interactions between the authoritative entities and the agencies, O'Loughlin (1990:283) argues that greater attendance and intensity of participation by these authoritative entities would have indicated at least the potential of influence. In addition, the greater frequency with which the actual decisions corresponded to these authoritative entities’ desires and goals, the greater the likelihood that influence had been exerted. On the other hand, significant inconsistencies between authoritative entities' policy goals and agencies' policies were arguably a reasonable indication of the lack of authoritative entities' influence over policy. Secondly, the frequency with which the Mayor, the BP and the DPRD used sanctions or incentives to influence the agencies in the decision-making processes was also analysed. O'Loughlin (1990:284) argues that frequent and effective use of sanctions and incentives by authoritative entities to bring agencies in line with their ideas is an indication of a strong accountability relationship.

The Mayor, the BP and the DPRD can significantly influence the agencies' decisions without directly participating in official decision-making meetings. For example, agencies may anticipate the views of the authoritative entities by
predicting their possible reactions to various alternative policy decisions and, therefore, shape policy according to what the agencies think these authoritative entities want (O’Loughlin 1990:284). For that reason, information regarding the level of consistency of agency anticipatory decision-making was also gathered by analysing how often the agencies seriously considered the effect of different decisions on the authoritative entities, and what effect this consideration had on agency decisions. This was the third strategy used to assess the strength of influence the authoritative entities had over the four agencies studied. Table 6.1 and the following section, sets out the findings regarding the relative degree of control that the authoritative entities, that is, the Mayor, the BP and the DPRD, exercised over the four agencies studied based on the three strategies noted earlier.

**The strength of influence of the Mayor.** The Mayor is the chief executive and the highest bureaucrat in the Makassar local government. As the chief executive, the Mayor possesses all the authority to determine the policies and programs of the agencies under his authority. However, senior officials in the four agencies revealed that in general the agencies themselves decided what policies and programs they wanted to make or pursue, including procedures and mechanisms used to serve their clients. Although interactions and meetings between the agencies' senior officials and the Mayor were sometimes carried out, these meetings were not aimed at making decisions regarding policies and programs of the agencies. The meetings
were used by officials to receive information from the Mayor regarding general guidelines of policies that the Mayor wanted to pursue. Therefore, according to senior officials in the agencies, these were generally one-way meetings in which the Mayor was delivering or giving information while the senior officials from the agencies were receiving directions or information. Dialogues, for example, to exchange views on agency's decisions and policies which were not in line with the Mayor's, were almost non-existent (Interviews No. 10, 29/11/00; No. 15, 11/01/01; No. 20, 22/02/01; and No. 25, 13/03/01).

The local government agencies are expected to follow up or implement the Mayor's general policies which are given to them both orally or in writing. However, the implementation of the Mayor's general policies in the Makassar local government agencies is heavily dependent on the ability of these agencies to operationalise these general policies. For example, during the data collection for this study the Mayor proclaimed what was widely known as the program of Gerakan Peduli Kota (Care-about-your City). The main objective of this Mayor's short-term policy was that every agency of the Makassar local government should deliver excellent services to the public, as well as other policies such as enhancing private businesses, caring about the environment, intensive interaction and communication with the public, and safe and comfortable city traffic. Since this was a general and official policy of the Mayor, it was expected that all government agencies would operationalise and implement this policy in relation to their own agencies' responsibilities.
Although most senior officials and staff in four agencies had at least heard about this policy, in reality they responded differently when asked about how their agency operationalised it. For example, the Registrar Office operationalised this policy by creating *prosedur tetap* or service guidelines for staff to use in delivering services to clients. This agency also decided that all applications about all kinds of registrar certificates must be finalised within two days (Interview No. 11, 11/01/01). However, other agencies responded to this policy only by declaring that they would deliver excellent services to the public without having a policy that set out how excellent service delivery would be achieved or measured. The Mayor himself did not have a standard mechanism to understand and monitor whether or not the agencies under his authority had implemented his policy.

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<th>Authoritative entity</th>
<th>Degree of control</th>
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<td>Strength of influence</td>
<td>Quality of communication system</td>
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<td>The Mayor</td>
<td>Low influence on important decisions due to lack of interactions in decision-making processes; absence of sanctions; and no anticipatory reactions from the agencies</td>
<td>Poor communication system. Abundant quantity of quantitative information but limited interest and scrutiny only on financial matter</td>
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<td>The BP of the Clean Water Company</td>
<td>Low influence due to lack of interactions in decision-making processes; absence of sanctions; and no anticipatory reactions from the agency</td>
<td>Poor communication system. Abundant quantity of quantitative information but limited interest and scrutiny only on financial matter</td>
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The BP of the Bank | Potentially influential because of intense interactions in decision-making processes and high anticipatory reactions from the agency | Relatively good communication system. Abundant quantity of quantitative information but limited interest and scrutiny only on financial matters
---|---|---
The DPRD | Low influence due to lack of interest and capability; absence of sanctions; and no anticipatory reactions from the agencies | Poor communication system. Abundant information but lack of capability, interest, and scrutiny

From the earlier explanation it may be inferred that although the city Mayor has a great deal of formal authority to determine and control the policies of the agencies, in practice the Mayor has very limited influence in determining the operational decisions made by agencies. This results from, amongst other factors, a lack of interaction between the Mayor and the senior officials of the agencies in decision-making processes as well as the lack of a mechanism to monitor and evaluate whether or not the Mayor's policies have been implemented by the agencies. Consequently, operational policies implemented by the agencies in most cases are merely the agencies’ own creations and do not represent the views and wishes of the Makassar Mayor.

In relation to the use of sanctions or incentives by the Mayor to influence the agencies in the decision-making processes, a number of findings were identified in this study. For example, it was widely known that the Mayor was fond of giving incentives and rewards to agencies and employees who achieved excellent performance according to the criteria determined by the Mayor. It was reported that the Mayor handed out 33 brand new vehicles...
as rewards to a number of village chiefs, heads of sub-districts, and heads of agencies who were considered as achieving excellent performance. This excellent performance was mainly based on the ability of these individuals and agencies to successfully collect targeted taxes and other incomes for the Makassar local government during the 2000 financial year (Harian Fajar 2001d:1). The presentation of this kind of incentive was widely criticised by the public as wasting public money, and insensitive given the then economic crisis. This reward was also considered inappropriate because the majority of people believed that the services delivered by the Makassar local government agencies were still very unsatisfactory (Harian Fajar 2001c:13 and Interview No. 9, 01/03/01).

In relation to sanctions, the Mayor had been widely reported as reminding agencies and employees under his authority that they would receive sanctions unless they performed well. For example, in the inauguration ceremony for the newly appointed heads of agencies, the Mayor noted that within a 100-day period these heads of agencies would be evaluated and directly replaced if they were not performing well. However, despite all these reminders, the Mayor seemed to be reluctant to use sanctions as he used rewards. For example, when people complained about the unsatisfactory performance of particular local government agencies the Mayor did not impose any sanctions on these agencies. The public, including a member of the DPRD, then urged that sanctions be imposed on those agencies similar to rewards given to
satisfactorily performing agencies (Harian Fajar 2001b:13). So far, however, the Mayor has not imposed sanctions on the unsatisfactorily performing agencies.

The reluctance of the Mayor to impose sanctions on unsatisfactorily performing agencies may be explained in two ways. First, as described in Chapter Eight, under the current Indonesian public sector employment regulations it is difficult to place sanctions on agencies and employees having unsatisfactory performance because the procedures and mechanisms for doing so are long and complicated. So, even as the chief executive, the Mayor may not find it easy to impose sanctions. Second, the personal character of the Mayor, based on cultural influences, may also contribute to the lack of sanctions, as described by a respondent who identified himself as one of the Mayor's close friends.

There is one thing that, I think, can cause difficulties for this Mayor. Probably, because he is a Bugis-Makassar descent, he sometimes makes decisions more based on chest [pointing at his chest] rather than brain [pointing at his head]. He cannot take firm actions even to hopeless or bad-character employees because he thinks he has known them well. So, although the Mayor knows that there are senior officials or heads of agencies under his authority who are not performing well, he does not have the heart to impose sanctions. At the most, he just shifts these senior officials to other posts, hoping that in their new posts they will perform better. However, because these officials are basically hopeless, wherever they are shifted, they will not perform well. This is what I think will cause difficulties for the Mayor (Interview No. 7, 26/03/01).

What this respondent referred to as making decisions based on chest rather than brain was making decisions more based on subjective feelings rather
than rational or objective considerations. The cultural influences that cause reluctance to impose sanctions may be explained by a number of concepts and valued beliefs or feelings in Bugis-Makassar society, especially those relating to the leader-follower relationship, social duty, and feeling. For example, Pelras (1996:183) indicates that the concept of patron-client relationship between leaders and followers in Bugis society is voluntary in nature and based on only an implicit contract. However, both sides try to ensure that the relationship is not terminated in conflict. In addition, in the past it was believed that the people's security and prosperity came from the leaders. The burden on high-ranking noble families, as a result of this system, was quite heavy. The families had to support in their houses a large number of people, including servants, dependent followers, etc., all of whom had to be provided with food and clothes (Pelras 1996:186). Based on this concept, which is still widely believed nowadays, it is understandable that the Mayor as leader is reluctant to give sanctions because this can cause not only conflict but also contradicts the responsibility of a leader to ensure security and prosperity. Mattulada, a leading Indonesia anthropologist on South Sulawesi culture, adds that in the past one of the promises that the ruled presented to their rulers was ‘we will not be killed by your weapon and you will never be killed

4 There are four main ethnic groups living in South Sulawesi; that is, Bugis, Makassar, Toraja and Mandar. Generally speaking, however, the term Bugis-Makassar is used to refer to all native population and main ethnic groups in South Sulawesi (Mattulada 1996:30-1).
by ours’ which again indicates that the leaders in Bugis-Makassar feel it is their duty to protect and not punish their followers (Mattulada 1996:40).

The tendency among Bugis-Makassar people to give incentives rather than sanctions is also evident in wise sayings on social duties. One of these wise sayings urges the people to ‘set upright what is fallen down from each other; take ashore what is adrift from each other; pull each other uphill, not downhill; correct each other when faulty, until successful’ (Hasan Mahmud, 1976 as cited in Pelras 1996:205). Finally, the reluctance to impose sanctions can also be related to the valued feeling sipakatau (literally means ‘as human’) and pesse (literally means ‘to feel pain’) which must be applied in all areas of a person's life. Sipakatau indicates that people have to deal with and value each other as human beings, while pesse indicates a deep feeling of compassion for one's neighbour, relative, or fellow member of a social group. Pesse signifies solidarity, not only with someone who has been shamed but anyone in the group who is in need, sorrowing, or suffering misfortune or serious illness. Both the concepts of sipakatau and pesse may be seen as reflecting the importance of group solidarity which ensures the internal cohesion of the social group (Mattulada 1996:38; Pelras 1996:206-8).

Thus, the Mayor uses incentives to reward high performing agencies and employees under his authority but was not able to exercise disincentives towards unsatisfactorily performing agencies and employees. The study also
revealed that quantitative, especially financial measures, had been the main mechanisms used by the Mayor in deciding whether or not an agency or employee could be regarded as achieving excellent results. Qualitative measures, such as quality of service delivery or client satisfaction with the services received from a local government agency or employee, were not used as a measure of success. Finally, there was a lack of explicit explanations from senior officials in the agencies with regard to whether, in making decisions, the agencies anticipated the Mayor's views or reactions towards those decisions. However, as noted earlier, even the Mayor's official policies, which were given both orally and in writing, were not always operationalised by the agencies. It may then be implied that in making decisions, the agencies will be unlikely to anticipate the Mayor's views or reactions.

In summary, the degree of control the Mayor exercised to influence decisions made by the agencies, which is used in this study to measure the relative degree of administrative or bureaucratic or organisational accountability of the agencies to the Mayor, might be regarded as low. This was indicated by the Mayor's low influence on important decisions made by the agencies, due to lack of interactions between the agencies and the Mayor in decision-making processes. The Mayor also seemed reluctant to impose sanctions, whereas in making decisions the agencies hardly anticipated the reactions that the Mayor would have.
The strength of influence of the BP. As mentioned earlier, Badan Pengawas (BP) is established in the Clean Water Company and the Bank to, on behalf of the Mayor, directly supervises decisions and activities of the agencies as well as the performance of the directors. This internal supervision and control, carried out by the BP, includes determining general policies and giving directions and advice to the directors in efforts to improve the performance of the agencies. Interviewees at the Bank and at the Clean Water Company had divergent views regarding the roles of the BP, and interaction patterns between members of the BP and staff and management of the agencies, and in respect to the use of sanctions or incentives. For example, informants at the Bank reported that members of BP frequently interacted not only with the directors but also with the lower level staff, and formal meetings between the Bank directors and members of the BP were conducted at least once a month. Policies and activities designed by the management would never be implemented without approval from the BP. It was identified that a number of new policies had been introduced in the Bank because of the BP's proposals. The existence of the BP was also regarded as positive by Bank staff, especially because some of the new policies implemented were to the staff's advantage, such as an increase in salary and bonuses (FGD No. 6, 03/03/01; Interview No. 8, 09/01/01; Interview No. 9, 09/01/01).

On the other hand, the existence of the BP was considered in a negative light by the staff of the Clean Water Company because they believed that the BP
did not carry out its functions well, partly because their positions as members of the BP were considered only as their second job. Therefore the BP did not make any significant contribution to the organisation, as expressed in the following comment by a head of a division in the Clean Water Company.

I think their position as members of BP in this company is only as their second jobs because they all have their own businesses. That is why I rarely see members of BP visiting our office. And even when they visit, we do not know what they are doing. In the meetings, we do not know what these members of BP are talking about (Interview No. 28, 19/12/00).

This comment illustrates that although the BPs in the two agencies have exactly the same tasks and authority to accomplish those tasks, their performance is quite different. The existence of the BP in the Bank is regarded as positive, and members of the BP interact intensively with both the lower and managerial level staff. Therefore, members of the BP clearly understand the condition of the organisation they have to supervise, and can exert influence on a number of policies made by the Bank. By contrast, the existence of the BP in the Clean Water Company is considered less important and, since interaction with employees is limited, members of the BP in this organisation have very little influence on decision-making.

In order to perform its tasks and functions, the BP has authority to impose sanctions including proposals to dismiss staff, even directors, when the BP believes that these staff or directors do not perform as expected. In reality, these sanctions have never been executed in either the Bank or the Clean
Water Company, but for different reasons. In the Bank, the lack of sanctions arose because of the prudent practices and strict supervision by the BP that meant both lower level staff and directors made every effort to work in line with the regulations (Interview No. 10, 29/11/00). On the other hand, informants in the Clean Water Company believed that the absence of sanctions in their organisation was due to members of the BP and the directors cooperating with each other to cover up mistakes that would otherwise attract sanctions. So a staff member in the financial department reported that:

As far as I am concerned, the BP's main function is to control or supervise. But, it seems to me, when the BP finds out that management makes deviations or mistakes, especially financial misappropriation, the BP usually covers it up, no-one but themselves knows about it (FGD No. 3, 02/03/01).

It has been mentioned that an authoritative entity may still significantly influence an agency's decisions without directly participating in official decision-making meetings. In particular, this happens when an agency anticipates the views of the authoritative entities by purposely predicting the possible reactions that the authoritative entities will have to various alternative policy decisions and, therefore, shapes policy according to what the agency thinks the authoritative entities want. Once again, a similar situation was identified in the Bank and in the Clean Water Company. For example, under legal regulation the Bank's directors are given full authority to make operational decisions. The directors did not, however, act arbitrarily
at their own discretion. When important decisions were to be made, the directors always invited the BP to meet with them and asked for their advice and suggestions about what should be done, while in the Clean Water Company the directors may have made important decisions without consulting the BP. Therefore, in terms of indirect influence of the authoritative entities, the BP in the Bank was more likely to influence decision-making than the BP in the Clean Water Company.

**The strength of influence of the DPRD.** The Indonesian Autonomy Law Number 22/1999 states that the functions of the DPRD are, among others, controlling and supervising the implementation of all local government policies and regulations, as well as national laws implemented in the local government jurisdiction. To be able to carry out these functions, members of the DPRD are given authority to question and invite public officials to give information. The DPRD also has the power to amend, modify, accept or refuse bills proposed by the local government.

However, the utilisation of this right to question and ask information from public officials was described by a senior public official in the Makassar local government as ‘too much because they [members of DPRD] insist on us coming for consultation meetings almost every week’ (Interview No. 4, 15/01/01). This situation was confirmed by a member of the DPRD who proudly insisted that consultation meetings between members of the DPRD
and various senior officials in the Makassar local government were carried out every week, even, if needed, two meetings per day (FGD No. 2, 29/01/01). The intensity of interaction between members of the DPRD and Makassar local government officials, together with the authority possessed by the DPRD, provided a relatively wide opportunity for the DPRD to control and influence decisions made by the local government agencies. However, senior officials in the Makassar local government agencies who frequently had meetings and interactions with members of the DPRD, both in delivering information to the DPRD and in responding to questions made by members of DPRD, noted that the agencies rarely made policies because of demands from the DPRD, or in order to fulfil the DPRD's expectations. In reality, almost all decisions made by the agencies were based on the agencies' own considerations, despite the high frequency of interactions between the DPRD and the agencies (Interview No. 4, 15/01/01).

Senior public servants in the Revenue Office noted that although the members of the DPRD saw themselves as partners of the executive, they did not know much about what the Revenue Office did. Questions raised by members of the DPRD in the consultation meetings were not substantial, were shallow and could be answered quickly and easily. Furthermore, questions raised by members of the DPRD when the local government proposed budget bills every financial year were similar from year to year. Typical comments were that the target revenue proposed by the local government was very low and
therefore needed to be increased. But after explaining how the figures in the
budget bills were calculated, members of the DPRD would always accept the
bills without meaningful opposition (Interview No. 20, 22/02/01 and
Interview No.22, 16/01/01).

In addition, a high level bureaucrat in the Makassar local government office
explained that, according to the Autonomy Law Number 22/1999, although
decisions or policies made by the local government could not be implemented
without approval from the DPRD, the decisions or policies of the local
government were not always in line with what the DPRD wanted. Members
of the DPRD were seen as self-interested, so they were likely to be keen to
support policies that would be beneficial to people supporting their political
parties as opposed to policies which would be useful for all the Makassar’s
population. Therefore, proposing one or two projects that were clearly
beneficial to political parties’ supporters was a common strategy used by the
Makassar local government officials so that other policies proposed by the
government, which were designed to benefit the public as a whole, would not
be opposed in the DPRD (Interview No. 4, 15/01/01).

The Indonesian Autonomy Law Number 22/1999 also gives the DPRD the
authority to approve candidates for, to elect, and to dismiss, the city Mayor.
Therefore, the Mayor as the chief executive of the Makassar local government
is accountable to the DPRD. For that reason, the DPRD certainly has the
power to use sanctions and incentives to influence and bring policies and decisions made by the Mayor, including policies and decisions made by the local government agencies under the Mayor's command, in line with the objectives of the DPRD. However, having authority does not always mean utilising this authority. Members of the DPRD admitted that although they had full authority, they would not exploit this authority to impose sanctions to influence policies and decisions made by the Makassar local government (FGD No. 1, 29/01/01).

For example, members of the DPRD, including a commission chairperson understood, clearly that the Indonesian Autonomy Law 22/1999 states that recommendations given by the DPRD must be executed or followed up by the executive, or otherwise sanctions may be imposed. However, members of the DPRD indicated that they would not impose sanctions as regulated by the law when the executive did not execute or follow up recommendations given by the DPRD. Rather than imposing sanctions, members of the DPRD would only question the executive as to why they did not implement recommendations of the DPRD. Members of the DPRD believed that the executive would be embarrassed when they were questioned, whether in the special sessions or in the Mayor's accountability report meeting (FGD No. 1, 29/01/01). Apart from the cultural influence of conflict-avoidance, as identified earlier in the case of the Mayor's reluctance to impose sanctions, members of the DPRD are also apparently unable to utilise the power or
authority they have. Wisuda (2000) labels this phenomenon *kekuasaan tanpa kemampuan* (authority without ability). It means that the DPRD has a very powerful authority given by the law to control and influence the executive, but members of the DPRD do not know or have the ability to exercise this authority.

During the Soeharto regime (1966-1998), national and local parliaments were in practice dominated by the executive with the support of military. The government approved the candidacy for members of the parliament and a large proportion of members of parliament was not elected by the people but appointed by the government. Therefore, the major function of the parliament during that period was to legitimise the actions of the executive (see, for example, Halligan and Turner 1995:36 and Mackie and MacIntyre 1994:20). Since most of the current members of the DPRD were also members of the DPRD during the Soeharto regime, it is possible that the feeling of inferiority fostered during those years remains. Consequently, although members of the DPRD realise that the situation has changed and they now have a very powerful authority, members of the DPRD are still unable to exercise their authority in any meaningful way. The following comment by a committee chairperson explains why.

DPRD now is different from the old one. Now, we are very powerful. Therefore if we recommend something to the executive, they have to follow up this recommendation in the field. If not, we must question them, whether in the Mayor's accountability report session or we invite them to a special meeting. During the old regime, members of DPRD were not able to question...
the executive. So, we do not give them sanctions, but they will be embarrassed because we will question them (FGD No. 1, 29/01/01).

The committee chairperson's remarks show that members of the DPRD believe that they have been exercising their authority through embarrassment. However, the executive are not embarrassed and believe they are manipulating the DPRD. Furthermore, the feeling of superiority on the part of the executive over the DPRD still remains from the Soeharto years.

Finally, it was also revealed that in making decisions and policies the local government agencies rarely anticipate what reactions the DPRD will have towards decisions and policies that the agencies make. In situations where policies and decisions taken by the agencies are in line with what the DPRD wants, the agencies believe that this is merely accidental. It is not because the agencies intentionally shape their decisions and policies anticipating the reactions that the DPRD will have, as described by a senior bureaucrat from the Mayor's office.

So, every year we make a list of policies that we really believe are priorities based on our investigations and calculations. The DPRD may also make its own preferences. In the consultation meetings we compare what we make and what the DPRD makes. When there are similarities, we just highlight them and convince the DPRD that the existence of these similarities means that we have accommodated their preferences. In my experience, on average 30 per cent of the DPRD's wishes, expectations and proposals are similar to our own. But this is not because we try to understand, accommodate or anticipate what the DPRD wants. This is merely accidental [laughing] (Interview No. 4, 15/01/01).

Therefore, the possibility seems unlikely that the DPRD has a strong influence
on decisions and policies made by the local government agencies because these agencies seriously anticipate the DPRD reactions and preferences.

Based on the discussions earlier it may be concluded that the strength of the Mayor, the BP, and the DPRD to influence decisions and policies made by the agencies is relatively weak. In the case of the Mayor, the signs of this Mayor's weak influence may be identified from the Mayor's less frequent interaction with the agencies, especially in the decision-making processes, the reluctance of the Mayor to use sanctions, and the fact that the agencies are apathetic about the reactions that the Mayor will have to the decisions they make. These indications of weak influence are also evident in the case of the BP in the Clean Water Company, although members of the BP in the Bank are more influential due partly to their intense interaction with both lower level and managerial level staff in the Bank, including in the decision-making processes. Managers of the Bank also anticipate the reactions that the BP will have to the decisions they make and therefore they always involve the BP when making important policies. Despite the very high frequency of their interaction with the agencies, the DPRD is also not considered as having a strong influence on decisions and policies made by the agencies because this interaction is considered insubstantial. The DPRD is reluctant to impose sanctions and the agencies do not care about the reactions that the DPRD will have to the decisions they make.
In short, the degree of control the DPRD exercised to influence decisions made by the agencies was relatively low. It was due to, amongst other things, lack of interest and capability to scrutinise policy proposals prepared by the agencies. Despite having the authority, the DPRD seemed reluctant to impose sanctions. Another indication of the lack of influence that the DPRD had over the agencies was that in making decisions the agencies hardly anticipated the reactions that the DPRD would have.

6.3.2 The quality of the communication system

As noted earlier, the second dimension used to assess the degree of control the authoritative entities exercised, which critically shapes the accountability of public organisations, is the quality of the communication system. The quality of the communication system was measured by analysing the quality and the quantity of information about the agencies received by the Mayor, the BP and the DPRD, as well as the level of scrutiny these authoritative entities applied to the information they received. O’Loughlin (1990:285) argues that, generally speaking, a positive analysis on all these indicators of the communication system would suggest a high level of accountability. In other words, if the Mayor, the BP and the DPRD believe that the information they receive from the agencies studied is important, accurate, timely, clear, and understandable, it may be an indication that these authoritative entities received sufficiently good information to allow intelligent and effective
participation in the decision-making processes.

The quantity of information that the Mayor, the BP and the DPRD received was estimated by examining the various means, both formal and informal, through which the agencies communicated with these authoritative entities, and the frequency with which these mechanisms were used. The type of information communicated through these mechanisms was also explored in order to make a rough evaluation about how important this information was. However, O'Loughlin (1990:286) argues that even if the agencies provide abundant, high quality information, strong accountability may still remain unrealised if the authoritative entities themselves are not interested and active in the process. Therefore, information about the frequency and type of feedback that the Mayor, the BP and the DPRD made, using the information provided by the agencies, was also collected. An indication of the existence of a relatively high degree of accountability would be the amount and careful use of information received by the authoritative entities from the agencies.

**The communication system with the Mayor.** The agencies in the case studies regularly delivered reports to the Mayor as the chief executive of the Makassar local government. In general these reports contained information about what these agencies had done and would do. Most of the reports also included figures, especially about the amount of money these agencies received and how much they had spent. The number of activities
these agencies had conducted, including the number of clients they had served, were also incorporated into the reports. Since the four agencies studied also generate revenue or profits, the reports usually included information about how much revenue or profit these agencies had collected during the previous and current financial years, and how much they expected to collect in the coming financial year. Information about the quality of services these agencies delivered, such as client satisfaction, was not included in these reports. Senior officials at each agency reported that these reports were produced every month, every three months, every six months, and at the end of every financial year (Interviews No.10, 29/11/00; No. 24, 06/12/00; No. 20, 22/02/01; and No. 15, 11/01/01).

These findings revealed that the Mayor received an abundant quantity of information from the agencies, although most of this information was quantitative in nature and therefore provided little, if any, information about the quality of services delivered by the four agencies. Senior officials of the agencies indicated that they did not know what the Mayor did with the reports the agencies forwarded. They could only assume that the information from their reports, which they regularly forwarded, was utilised by the Mayor in composing the Mayor’s annual accountability report to the DPRD. None of the senior officials interviewed during this research thought that any of their reports were insufficient in any way because the Mayor hardly ever commented or gave feedback on any reports forwarded by the agencies.
In other words, the Mayor provided limited feedback on the information that he received from the agencies. This lack of feedback may have meant that the reports were always in line with the Mayor's expectations or that the Mayor had no opinion about the matters in the reports. However, the agencies also believed that the Mayor was too busy to really read the reports. At best they thought that the Mayor may have looked at the reports on the monetary revenue that the agencies could contribute.

**The communication system with the BP.** As explained earlier, the *Badan Pengawas* is established in the Clean Water Company and the Bank to, on behalf on the Mayor, directly supervise decisions and activities of the agencies as well as monitor the performance of the directors. To perform these tasks the BP has the right to receive regular information, at least every three months, from the directors. These three monthly reports contained information about the profits or the losses that the agencies accrued each three-month period. Besides this regular financial report, members of the BP also had the right to question various issues regarding how the agencies had been managed. In the Bank, this information gathering activity is scheduled regularly every month, but also as needed by members of the BP, while in the Clean Water Company this interaction is not scheduled and is less intense (Interviews No. 10, 29/11/00 and No. 24, 29/12/00).
Research interviews revealed that the quantity of written reports received by the BP was quite extensive. However, as in the case of the Mayor, quantitative information and figures dominated these extensive written reports. Again, this kind of information did not reveal much about the actual quality of services delivered by these agencies. One reason that may explain why reports delivered by directors to the BP were dominated by quantitative information was the perception that members of the BP were more interested in this kind of information. This was confirmed by the kind of feedback that members of the BP had on the information they received from the agencies. One of the Bank's directors explained:

Based on the reports we make to the BP when the BP and directors meet, members of BP question why this, why that and urge the directors to improve this and that. Of course, there are always areas that the BP wants the directors to concentrate on more, but the most important area is how this Bank can financially contribute to the Makassar local government. Members of the BP always remind directors that income for the Makassar local government comes from profits this Bank makes. Therefore, the issue most frequently emphasised by the BP is profit, profit, and profit (Interview No. 10, 29/11/00).

Quantitative information, especially financial matters, also dominated feedback that members of the BP in the Clean Water Company gave to the directors in the agency. According to one of the Clean Water Company's directors, financial issues, especially the profits this company generated, was the most important thing for the BP. This director conveyed that members of the BP expected that activities to increase profits should become the priority of the Clean Water Company (Interview No. 24, 06/12/00).
The communication system with the DPRD. Copies of reports which were regularly delivered by the agencies to the Mayor, as the chief executive of the Makassar local government, were also delivered to the parliament, that is, the DPRD. Therefore it may be presumed that the quantity and quality of information received by the DPRD was similar to that received by the Mayor. In addition, members of the DPRD collected their own information, either by questioning senior officials from the agencies or by direct investigation. However, despite possessing an abundant quantity of information, members of the DPRD did not seem to have a significant degree of control and influence over the policies made by the agencies because this abundance of information was not well utilised by members of the DPRD. This was indicated by the minimal scrutiny and feedback that members of the DPRD were reported to make on information they received from the agencies (Interview No. 20, 22/02/01).

Besides not being interested in the information regularly supplied by the agencies through written reports, a lack of knowledge may have been another reason why members of the DPRD did not make good use of the abundant information that they regularly received. The limited knowledge and capability of local parliament members throughout Indonesia to match the knowledge and capability of executives of local governments has long been noted (Harian Kompas 1999a, 1999b, 2000). This seems particularly true for DPRD members. So, for instance, a member of the Indonesian National
Parliament reported that capability of local parliament members throughout Indonesia is very poor and only a small number of these local parliament members are sufficiently knowledgeable to represent local people (*Harian Kompas*, 2 October 2000).

The proposition that members of Makassar's DPRD are not well qualified was reflected in the views of the members themselves. During this research one DPRD member interviewed summarised this, saying that ‘it cannot be denied that the skills and knowledge of my colleagues vary a lot’ (FGD No. 2, 29/01/01). A chairperson of a business association who has regular consultation meetings with the Makassar DPRD was more forthright about the capacity of the DPRD, saying:

> My response will be too sarcastic for certain people but it does not matter (also because you promised that it is for academic purposes only). The DPRD is a supervising or controlling board. To be able to supervise and control, the knowledge and capability of its members should, at least, be at the same level with people in the executive. But what do we see now? Once we had a meeting with around ten members of DPRD from a particular commission. Of course, not all were that bad but some were really stupid. How they could express or argue their views when even their Indonesian language was very bad. Also, they sometimes firmly debate issues that they themselves do not understand. It is sometimes really funny to see them debating issues that they do not know anything about (Interview No. 7, 26/03/01).

On those occasions when members of the DPRD did seem interested in particular issues, indicated by giving feedback and curiously questioning Makassar local government officials in the local parliament meetings, this behaviour was considered superficial by the civil servants. They see the members of the DPRD as motivated by self-interest. According to a senior
bureaucrat in the Makassar local government, this kind of superficial scrutinising behaviour was driven generally by group interests, especially the interests of political parties that members of the DPRD represented. For example, members of the DPRD sometimes questioned why in certain locations there were no development projects allocated by the Makassar local government. Usually those locations had many people who supported the party of the members of the DPRD who were asking these questions. Therefore, suggestions or feedback given by members of the DPRD were seen by the officials as not fair because they only pursued their own party political interests (Interview No. 4, 15/01/01). This argument is supported by many leading political academics and analysts in Indonesia. For example, Arbi Sanit, a political analyst from the University of Indonesia, argues that members of both local and national parliaments in Indonesia are far from being people's representatives, remaining group or party representatives. Some even only represent themselves in the parliament despite claims they always make that they represent the people (Gatra 2001).

In short, some inferences may be made in regard to the quality of the communication system between the local government agencies and the three authoritative entities. Firstly, the Mayor, the BP, and the DPRD all possessed a significant quantity of information not only because they received regular written reports from the agencies but also because they collected information themselves by various means, such as directly questioning the senior officials.
in the agencies or directly investigating certain matters. The information they received was mostly quantitative and rarely told them anything about the quality of activities that the local government agencies performed. Secondly, these authoritative entities did not take full advantage of the abundant information they received in order to influence decisions and policies made by the agencies. The limited questions, feedback or scrutiny that the Mayor, members of the BP and the DPRD made towards the information they received from the agencies signified the under-utilisation of information by the authoritative entities. Besides being uninterested in the information they received, except as it related to money raised by the agencies or to electoral considerations, a lack of knowledge or capability meant that members of the DPRD were not able to utilise fully the information they possessed to influence decisions made by the local government agencies.

6.4 Conclusion

At its simplest, accountability in public organisations may be defined as holding public officials and agencies responsible for their actions. Therefore, the existence of actors to hold public officials and agencies accountable, and the degree of control the actors can exercise over the public officials and agencies, are arguably two important factors that determine the accountability in public organisations. In this study, the authoritative actors that controlled the agencies were, internally, the city Mayor and the BP, and externally, the
DPRD. The degree of control that the city Mayor and the BP exercised as internal actors represented a bureaucratic accountability mechanism, while control that the DPRD exercised represented a political accountability mechanism.

Based on the relative influence the Mayor, the BP and the DPRD had towards important decisions and policies that the agencies made, as well as the quality of communication system between these actors and the agencies, it is concluded that in general the degree of accountability of the local government agencies in the case studies was relatively weak. The Mayor, the BP and the DPRD had a relatively low level of influence in terms of important decisions made by the agencies, and the quality of communication between these actors and the agencies was relatively poor.

The preceding chapter concluded that two agencies in the case studies could be considered as satisfactory performers while the other two were unsatisfactory performers. One of the authoritative entities (that is, the BP) had a relatively high degree of influence over important decisions in the Bank, one of the agencies in the case studies regarded as having satisfactory performance. The BP in the Bank had a relatively better communication system with both the lower level staff and the managers, and in making important decisions the Bank always involved the BP. In general, however, this chapter reveals that the degree of accountability in all of the four agencies
was low. Therefore, it can be inferred that the degree of accountability of the local government agencies in the case studies did not have a significant impact on the agencies' performance because despite having similarly low degrees of accountability, their performance varied greatly. In other words, organisational performance of local government agencies was primarily determined by factors other than the degree of accountability. The next chapter will analyse another factor which may affect the capacity of the local government agencies in the case studies.
Chapter Five presented the different institutional capacities of the four local government agencies in the case studies in terms of each agency's capacity to deliver quality services as expected by their clients. Chapter Six explored the relationship between the relative degree of accountability and the capacity of the local government agencies (as one of the factors within the public sector institutional context) and concluded that there is no significant relationship between the degree of administrative and political accountability in which the agencies operate and the institutional capacity of the local government agencies.

This chapter looks at one of the factors within the task network dimension; that is, whether there is any correlation between the relative degree of competition experienced by the four local government agencies and the institutional capacity of the local government agencies. Before presenting findings from the case studies, the chapter first explains briefly the concept of competition and how competition theoretically relates to the capacity or performance of public organisations. This chapter also presents arguments and evidence supporting and opposing the introduction of competition into the public sector. This chapter concludes that the existence of a competitive or
monopolistic environment in which the local government agencies operate does affect the capacity of those agencies to serve their clients.

### 7.1 The case for competition

In the 1970s the traditional model of public sector bureaucracy in most developed countries encountered increasing criticism. Economically, the model was no longer perceived as providing the technical efficiency that Weber once thought. The political control in the traditional model was challenged as inadequate and illogical. Socially, the model was seen as having problems because of the tendency to be undemocratic, minimising the freedom of people to choose, and inefficiency compared to the market (Hughes 1994:43). In short, public sector bureaucracy was pictured as ‘too big, too conservative, too politicised, and too wasteful’ (Common et al., 1992:1).

In response to this criticisms, many governments, especially in the developed countries started to review the roles of their public service. Arguably pioneered by the UK Conservative government under Margareth Thatcher from the 1970s, a new managerial approach variably named as ‘new public management’ (Barzelay 2002), ‘market-based public administration’ (Lan and Rosenbloom 1992), ‘entrepreneurial government’ (Osborne and Gaebler 1992), or ‘managerialism’ (Pollit 1990), emerged to revolutionaryise the way public administration operates. Although there has been some debate over the precise nature of this new model of managing public sector organisations, the
introduction of this model has caused many functions previously performed by public sector organisations to be privatised. As for the remaining government agencies, they are being forced to tender for work in competition with private suppliers (Minogue et al., 1998:3). Clearly the principle of competition is one of the keys to this new model of public management, with the assumption that competition promotes the efficient and effective provision of public services, as well as responsiveness to individual need and user choice in service provision (Minogue et al., 1998:28).

Tuckman (1998:176) indicates that competition is actually ‘the pursuit of the same objective’ by two or more persons or organisations that ‘creates rivalry’. Similarly, Goldsmith (1996:439) explains that in a very basic sense a monopolistic condition exists when an organisation or a person is the only supplier or provider of a particular good or service. Therefore, it may be inferred that a competitive condition exists when a particular good or service is supplied or provided by more than one organisation or person. However, modern economics has argued that the existence of a number of producers or providers does not always create a competitive environment. The following conditions must occur before an environment can be called a perfectly competitive market (see, for example, Ritson 1977:121; Goldsmith 1996:27; Colebatch and Larmour 1993:19-20; Forster 1993:166-7; Common et al. 1992:14).
1. There is a large number of customers and a relatively small number of producers such that the action of no one individual customer or producer can influence prices through independent action.

2. Producers and customers have perfect knowledge about the performance and quality of goods and services in the market because this kind of information is available at no cost. Both producers and customers act on this knowledge.

3. Goods and services are homogenous or identical so that customers are indifferent between the goods and services of alternative producers.

4. Producers act independently of each other in such a way as to maximise their individual profits and each customer acts similarly so as to maximise utility from their consumption.

5. There are no barriers to the movement of goods and services or factors of production. Producers are therefore free to enter or leave the production of the goods and services and are able to supply to the market whatever quantity they wish.

It is sometimes argued that being monopolistic in delivering public services, or at least being freer from market competition compared to private businesses, is a factor which influences the institutional capacity of public sector organisations. Theoretically, the existence of a significant number of
providers creates market pressure, which in turn forces each provider to be responsive to its customers, or otherwise it will not survive (see, for example, Hughes 1994:9-10; Rainey 1991:35; Gortner et al. 1987:34). Common et al. (1992:19) explain that introducing market mechanisms and competition will have some impact on the public servants providing the services. The impact is achieved through positive or negative incentives such as rewards of cash or greater satisfaction for success, and shrinkage or closure of the agencies. The consequences of shrinkage or closure of government agencies may happen when the services previously delivered are partly or wholly contracted to private companies or other non-government organisations. Therefore, competition is viewed as essential to organisational efficiency, effectiveness and to the overall performance of organizations, because without competition efficient and high quality services will not be achieved (Boyne 1996:704).

Similarly, Osborne and Gaebler (1993:83-4) assert that very few innovative service decisions in government agencies are made in a monopolistic environment because in general decisions are made based on what was done last year with incremental changes. However, when the same organisations are put into genuine competition, changes and new technical or administrative innovations in delivering quality services are more likely to be made. Technical innovations refer to new products or services that are directly related to the main activities of an organisation. Administrative innovations, on the other hand, refer to changes in the organisation of work
and the relationship between organisational members which include new rules and procedures in handling customer complaints (Damanpour and Evan 1984:393-4). The ideas for these technical and administrative innovations may emerge either from within the organisation itself or be copied from other organisations with or without modifications (King and Anderson 1995:111).

Clients who feel that the services they receive from monopolistic public institutions are inadequate have the option of complaining about the unsatisfactory service. However, in the absence of competition, these service receivers may have little choice but to continue using services the institutions in question deliver. Therefore there may be reluctance on the part of the service receivers to complain about the unsatisfactory quality of services. On the other hand, when clients are able to choose to exit and seek alternative services from other providers, incentives for the public institutions to improve their services will be stronger (Brinkerhoff and Goldsmith 1992:377). Furthermore, the benefits of competition will not be achieved when a government introduces market reform in the public sector by simply dividing the organisation into two parts labelled as the ‘purchaser’ and the ‘provider’. Where nothing else changes there will be no competition. For example, when the British government introduced market reform in the delivery of health services simply by creating provider and purchaser, limited impact occurred in the regions having only one District Health Authority (DHA) as purchaser and one District General Hospital whose management and staff became
providers. Since there was no other accessible hospital and general practitioners, patients had no choice and the providers had no incentive to improve services (Common et al. 1992:14-5).

After reviewing 245 studies around the world, Hodge (1996:26-33) concludes that introducing competition into the public sector in the form of competitive tendering and contracting out government services can have economic, social, political, legal and democratic impacts. Economic impact relates to efficiency. It is argued that the cost of public services in most cases is cheaper when competition is introduced through contracting out or competitive tendering. In fact, Savas (1982:80) points out that:

One of the most fundamental determinants of the efficiency of any arrangement is competition; that is, the degree of competition that an arrangement permits will, to a significant degree, determine how efficiently that arrangement will supply a service.

Boyne (1998:697), Walsh (1995:222) and Osborne and Gaebler (1993:80) also argue that the most obvious advantage of introducing competition into the public sector is greater efficiency; that is, more goods and services which can be delivered to the public for a particular amount of budget. These efficiency gains mostly arise from the organisation being better managed and using better work practices and capital more effectively (Webster and Harding 2000:11; Parker and Hartley 1990:11). A number of studies have empirically backed the argument that introducing competition into the public sector results in more efficient public service delivery (Lips 1997; Steinarsson 1997;
Tutar 1997; Boston et al. 1996; Wilson 1989; Savas 1987, 1977b). For example, studies of public health care services and electrical utilities in the United States conclude that where public and private organisations of relatively similar size compete in the same market place, their costs and quality are roughly the same (Wilson 1989:350-1). It is not uncommon for public organisations to deliver cheaper services than private firms when they have to compete, contrary to the general view that in most cases private firms deliver goods and services more economically that public organisations (Wilson 1989:351).

Nonetheless, most commentators from the late 1970s to the mid 1990s favoured competition. In a classic study, Savas (1977b:723), after surveying 2052 cities in the United States, concluded that on average 14 per cent of public money could be saved when refuse services were contracted to private firms. In another study, Savas (1987:126) confirmed that municipal collection costs could be reduced by between 29 and 37 per cent by contracting the services to private companies. In more recent studies, Boston et al. (1996:194) reported that contracting out various local government services in New Zealand produced cost savings of between 15 and 60 per cent. In Iceland, the cost of operating residential treatment homes for children with behavioural and emotional disabilities decreased by approximately 20 per cent after private contractors started running the services (Steinarsson 1997:30), while ‘a great deal of money’ was saved by the Turkish Ministry of Finance after
contracting out its catering services (Tutar 1997:71). Similarly, the operating costs of the Indianapolis international airport in the United States have been sliced by approximately 25 per cent after the operation of the airport was contracted to the British Airport Authority (BAA) USA, Inc., which is a subsidiary of the privatised British BAA (Lips 1997:88).

In Australia, the introduction of competition through competitive tendering and contracting (CCT) helped state governments to save a significant amount of public money. For example, Domberger and Hall (1996:141-3) pointed out that through CCT the government of New South Wales had an average of 20 per cent saving in 1993 and 1994, which was equivalent to $140 million and $270 million respectively. The Western Australian government was also reported to have saved about 20 per cent, equivalent to $90 million in 1994, while the Melbourne Water Corporation in Victoria was able to save approximately $35 million by contracting its support, design, water and sewage maintenance, mechanical workshops and information technology services (Domberger and Hall 1996:141-3). Hodge (1996:26) indicates that the ‘20 per cent reduction rule’ has been the most quoted saving that can arise from the introduction of competition into the public sector through contracting out and competitive tendering.

Because of this expected efficiency gain it is not surprising that the delivery of public services is increasingly exposed to competition. For example, Osborne
and Gaebler (1993:87) estimate that by 1987 the federal government of the United States alone had contracted out approximately US$196.3 billion of work, while at the same time state and local governments contracted out various goods and services valued at around US$100 billion. In addition, American cities on average contracted out 27 per cent of their municipality services to both public and private organisations. In Australia, it was estimated that in 1994-95 the amount of federal government expenditure which was contracted was at around $8 billion (15 per cent of total expenditure). At the level of State and Territory governments the amount of contracted expenditure was calculated at approximately $3.3 billion (four per cent) of State and Territory government expenditure. At the local government level, around $2 billion (20 per cent) of the local government budget was spent through contracts (Maddock et al. 1997:14).

Another argument for the introduction of competition into the public sector is that it will lead to improvement of service quality to clients, which is categorised by Hodge (1996:6) as part of social impact. Parker and Hartley (1990:11) indicate that competition can lead to better service quality, as in the case of contracting out, because service deliverers are forced to be more responsive to client expectations and because service level and performance of contractors can be reviewed regularly. However, given the complex nature of public services, Walsh (1995:238), Domberger and Hall (1996:1430) and Domberger and Rimmer (1994:450) argue that, unlike efficiency, the
advantage of introducing competition into the public sector in terms of effectiveness is not yet widely proven, and there is less consensus about the impact of competition on service quality.

Nonetheless, many studies have offered empirical evidence that the introduction of competition positively improves the quality of public services (Alam and Pacher 2000; Jensen 1997; Boston 1996; Osborne and Gaebler 1993; Marlin 1982). For example, citing the cases of privatising postal services in the United States and airline services in New Zealand, Osborne and Gaebler (1993:82) point out that competition has forced not only private but also public organisations to be more responsive to the needs of their customers. This finding is supported by Boston who reported that from the evidence available ‘there can be little doubt’ that the service quality was enhanced in most of the cases of contracting out which he studied in New Zealand (1996:108). In Australia, the State Government of Victoria in the early 1990s undertook a public sector reform program in which, among other things, local government agencies were required to tender out their services to private sector service providers (Alam and Pacher 2000). The overall success of the reform has been considered significant because most local government agencies were able to save costs and improve the quality of goods and services they deliver (Alam and Pacher 2000:367).

Similarly, positive impacts of contracting out for the quality of public services
have also been reported in Japan and Denmark. In Japan, Marlin (1982:12) concluded that the use of external contractors to deliver public services had resulted in, among other things, improved quality of services, whereas in Denmark, the contracting out of cleaning services at the Danish National Hospital has been successful not only from a financial point of view but also in terms of improved quality standards (Jensen 1997:30).

The introduction of a voucher system to stimulate competition between public and private sector organisations has also been reported to improve the quality of public services. For example, Salmen (1991:297-8) reported that in Chile a voucher system was introduced in the 1980s to allow private institutions to compete effectively with municipal schools. These vouchers were targeted at low income households and could be transferred to both public and private schools willing to provide free education on the basis of payments per students enrolled. Largely, as a result of this system, enrolment for private schools more than doubled between 1980 and 1986. This voucher system also enhanced competition among private and public schools and thereby increased the quality of education available to the poor.

### 7.2 The problems of competition

The arguments and evidence about the impact of introducing competition into the public sector, however, are not always supportive (see Table 7.1). In economic terms, for example, several studies suggest that the cost of
providing public services before and after competition can be just the same, or even more expensive (Grytten and Sorensen 2000; Miller 1998; Greene 1994).

For example, after comparing a group of cities extensively contracting out public services, with cities providing services through traditional municipal departments staffed with public employees, Greene (1994:1318) concluded that there was little evidence to suggest that the efficiency was higher in the first group of cities that used private firms to provide various public services. Grytten and Sorensen (2000:460) argue that the effect of competition on Norwegian dental services is weak due to the fact that physicians' behaviour is influenced more by professional norms and caring concerns about their patients.

Table 7.1 **Arguments for and against competition**

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<tr>
<th>The case for competition</th>
<th>The case against competition</th>
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<tr>
<td>Better managed; better and innovative work practices; more responsive to customers</td>
<td>Higher costs from transaction costs and other activities</td>
</tr>
<tr>
<td>Regular reviewing of service standards and performance of contractors</td>
<td>Poor quality; less reliable services; unable to meet standards or withdrawing from contracts</td>
</tr>
<tr>
<td>Results in efficiency gains, cost saving and better quality services</td>
<td>Other social consequences such as corruption and unemployment and lower public accountability</td>
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Miller (1998:518) goes further, asserting that rather than reducing costs, introducing competition into the public sector in the form of contracting out may cost more because more resources must be allocated to cover what is known as transaction costs, which include costs of preparing contracts, negotiating with prospective contractors, and monitoring performance.
For example, Scott (1996:100) asserts that it took nearly two years (with large transaction costs) for the Justice Department in New Zealand to contract out its information management services with an information technology company.

In the same way, Smyth (1997:32-4) claims that monitoring and drafting contract specifications, especially for services against which the performance of a contractor can be evaluated, is difficult and costly. For example, it is difficult to monitor contracts for vehicle maintenance because it is not easy to notice whether a car has been serviced properly or not. It is also difficult to draft contracts for health and social services because it is not easy to narrow down every detail of the service to be provided by the contractor. As this expertise is generally not owned by the public bureaucracy, many government agencies use consultants to draft contracts, including formulating detailed specification of services to be performed as well as monitoring performance, which also contributes to the increased costs of contracting out (Smyth 1997:30-4).

Similar to arguments endorsing economic benefits, claims that introducing competition into the public sector improves service quality have also faced opposing arguments and empirical evidence. For example, Parker and Hartley (1990:11) claim that contracting out may lead to lower quality and less reliable services because private contractors may be unable to meet required
standards, may withdraw from contracts, or go bankrupt. Two other strong reasons why the introduction of competition can be directly associated with a reduction in service quality are proposed by Quiggin (1996). First, pressured to reduce government expenditure, it is politically more viable for governments to deliver reduced service quality at a time when services are contracted out rather than reducing quality first before contracting out the services at the reduced quality level (1996:52). However, others indicate that it is difficult to determine whether reductions in service quality are due to the contractor not matching standards specified in the contract or because the government used contracting as a mechanism to reduce service quality (Domberger and Rimmer 1994).

Secondly, Quiggin (1996:52) claims that contracting can be directly associated with quality reduction because, contrary to employees in public organisations who have no general bias to deliver low quality services, private contractors have clear incentives to deliver minimum services specified in the contract to gain maximum profits. Private contractors in general will try to draft minimum requirements in the contracts and constantly seek opportunities to reduce costs for delivering the contracted services, even if it means lowering the quality of services (Quiggin 1996:52). The tendency of the private sector to reduce costs by delivering lower service quality is increased by the fact that, as noted earlier, public organisations in general do not have the skills needed to monitor and draft contract specifications, especially for services against
which the performance of a contractor can be evaluated (Smyth 1997:30).

Claims that introducing competition into the public sector leads to reduced quality of services received by the clients have been backed by a number of empirical studies (see, for example, Mitchell 2000a, 2000b; Cope 1995; McMaster 1995). For example, in the United Kingdom, Cope (1995:37) concludes that the quality of school cleaning services in Kent declined after contracting the services to private companies. Similarly, after surveying 21 UK health and local authorities' contracting activities in 1989 and 1990, McMaster (1995:422) concluded that it is not easy to improve standards of services and prevent quality deterioration when contracting services for cost savings. In Australia it was reported recently that service quality declined after the contracting out of information technology (IT) services under the supervision of the Australian Ministry of Finance. For example, contractors prevented staff from performing any IT-related work, there were lengthy delays for call-outs, poor e-mail and internet access, and basic maintenance such as virus protection was neglected (Mitchell 2000a:1, 2000b:19-20).

Almqvist (2001:691) and Smyth (1997:31-6) argue that it is difficult to introduce competition into many public health and human services which have been traditionally provided only by the government, or are entirely new services, because it is difficult to attract many able and willing suppliers to compete in order to create the condition for perfect competition. Creating a
competitive market in many health and human services is different to creating perfect competition when providing concrete and measurable public services such as the purchase of stationary, construction of a building, or office cleaning. For example, even in a developed country such as the United States, Schlesinger et al. (1986:51) reported that, on average, invitations to bid for state mental health services in Massachusetts attracted only 1.7 responses, with more than 65 per cent of invitations having only one response. In another case, an invitation for tenders for regional behavioural health authorities in Arizona produced only one proposal in three regions, and two in others (Smyth 1997:35).

In short, because of limited suppliers and the difficulty in drafting contract specification and monitoring, the introduction of competition into the public sector in the form of contracting out may not work well in all service areas. In general, perfect competition may be relatively easier to implement in ‘hard’ public services such as street, park, and building cleaning, refuse collection, and catering, because the performance of these services is relatively easier to measure and there are many contractors able and willing to compete. On the other hand, contracting out may not be easily implemented in ‘soft’ activities such as health and other social services where performance is relatively difficult to measure and where there is often a limited number of contractors able and willing to compete.
Even when many suppliers are able and willing to compete for services, competition may still not exist because these suppliers can reduce competition through mergers and take-overs to create oligopolies and local monopolies (Parker and Hartley 1990:10). For example, Donahue (1989:66) reported that despite the existence of hundreds of companies in New York that were theoretically able and willing to compete for refuse collection and disposal, good competition still did not eventuate. The reason was that these private refuse collection and disposal companies formed effective cartels to prevent true competition from existing.

Other social impacts, sometimes associated with introducing competition into the public sector through contracting out, relate to the issues of corruption, employment, and accountability (see, for example, Kakabadse and Kakabadse 2001; Smyth 1997; Hodge 1996; Scott 1996; Donahue 1989; DeHoog 1984). For example, DeHoog (1984) and Donahue (1989:147) argue that corruption is hardly avoidable when contracting out public services because an ongoing contract-granter-contract-receiver relationship between public agencies and private firms can produce a cosy environment for both parties which may lead to illegal activities such as the use of bribes and kickbacks. Quoting corruption cases within the US Defence Department, Hodge (1996:30) claims that ‘even with processes having been streamlined over several decades, with close media scrutiny and with increased professional attention, the risk of
corruption is ever present’.

Transparency, openness, citizen participation and public accountability in the formulation and implementation processes of public policies is believed to be a fundamental characteristic of democratic governments (Smyth 1997:38). However, to gain a competitive advantage over other contractors it is sometimes necessary for the competing organisations to conceal information from their rivals and from the public. This kind of behaviour, and the fact that public services are then delivered by private companies, is thought to undermine and reduce the degree of openness and public accountability, and is sometimes noted as one of the negative consequences of introducing competition into the public sector in the form of contracting out (Hodge 1996:30). For example, it was reported that public access to many documents was once denied in an anonymous utility department in the US because the department was in the process of competing for delivering some services with private companies (Box 1999:35).

Lastly, the social effects of introducing competition into the public sector relate to employment issues of worker welfare and redundancy (Kakabadse and Kakabadse 2001; Jensen 1997; Hodge 1996; Quiggin 1996). For example, Quiggin (1996:51-2) claims that it seems to be ‘inherently implausible’ to improve service quality and efficiency at 20 per cent without some kind of wage reduction and more intense or exploitative working conditions. This
view is supported by Kakabadse and Kakabadse (2001:10) who found, in their study of outsourcing practices and impacts in the USA, UK and continental European countries, that more demotivated staff as well as a greater number of staff reductions are some of the impacts of outsourcing public services. In terms of redundancy for example, Jensen (1997:29) reported that 146 employees, or approximately 51 per cent of full-time employees, were dismissed when the building cleaning services of the National Hospital of Denmark were contracted out in 1992. Furthermore, after reviewing 17 cases of contracting out in Australia, Hodge (1996:29) found that when the contracts were awarded to outside contractors only around 71 per cent of the employees were retained and eight per cent of the staff were reallocated to other organisations.

In summary, both critics and proponents of introducing competition into the public sector support their arguments with empirical evidence. As in the case of Indonesia, however, there have been debates and recommendations to undertake reforms favouring a market economy and the introduction of competition into both private and public sectors. For example, as the oil price dropped sharply and despite being seen as half-heartedly undertaken, proponents of liberal economics within the government introduced some liberal economic policies in the middle of the 1980s (see, for example, Mackie and MacIntyre 1994:34-8; Schwarz 1994:60-6). Following the Asian economic crisis in the late 1990s, through international lending agencies the Indonesian
government was urged to undertake liberal and market economy reforms more radically. For instance, in the context of giving financial support, both the IMF and the World Bank recommended that the Indonesian government implement policies to promote competition. These policies included eliminating public monopolies of government departments, privatising state enterprises, and strengthening competition law (World Bank 2001b:Chapter 3; Hamann and Schulze-Ghattas 1999:67-76). Therefore, findings of this study, presented in the following section will show, whether the competition has an impact on the organisational performance of the local government agencies studied.

7.3 The impact of competition in the case studies

As noted earlier, a monopolistic condition exists when a single organisation or person supplies goods and services, while a competitive condition exists when goods or services are supplied or provided by more than one organisation or person. Based on this notion, it can be said that of the four agencies studied only the Bank experiences competition and market pressure from other individuals and organisations that offer similar services. These individuals and organisations are 11 banks owned by the national government or the provincial government, 28 private banks, and approximately 700 cooperatives operating in Makassar which also receive deposits and give loans to the public (BPS 2000:231-40). In addition, illegal
money usurers also operate in the traditional markets where most of the Bank's customers trade their merchandise.

The Clean Water Company and the Revenue Office are monopolistic agencies because services offered by these two agencies are not obtainable from any other organisation. For the Revenue Office, its monopolistic condition is relatively easier to comprehend because no other organisation or individual is legally empowered to collect taxes from the taxpayers. In the case of the Clean Water Company it may be argued that the agency is not really a monopoly because mineral water is widely available in the city. However, in this study, services provided by the Clean Water Company are still regarded as monopolistic for two reasons. Firstly, water from the Clean Water Company is utilised not only as drinking water but also for other purposes such as cooking, washing and bathing. Secondly, the cost of mineral water is significantly higher than the water produced by the Clean Water Company and, therefore, only very few of the Clean Water Company's customers can afford to use mineral water.

At first glance, services delivered by the Registrar Office, such as certificates for births, marriages, and deaths, are monopolistic because no other individual or organisation can supply such services. However, this perception, which was shared by all respondents who were clients of the Registrar Office, is not technically correct because the people of Makassar do
not have to get these certificates from the Makassar Registrar Office. These certificates can be obtained from any other registrar office throughout Indonesia, regardless of one's domicile. Therefore, the Makassar Registrar Office is technically competing with other registrar offices in Indonesia, especially with the registrar offices of the local governments in neighbouring cities and regions. Since the people do not understand this possibility, services delivered by the Registrar Office are still regarded as monopolistic. As noted earlier, unless customers have perfect knowledge about the existence of other producers because information is available at no cost, the existence of more than one producer will not result in real competition (Ritson 1977:121; Goldsmith 1996:27; Colebatch and Larmour 1993:19-20).

To elicit information about whether competition or monopoly has any impact on the institutional capacity of the local government agencies studied, in terms of the quality of services delivered, both staff and senior officials in the agencies were interviewed. For example, staff and senior officials were asked whether there were other individuals or organisations that offered similar services to those delivered by their agency. Staff who answered negatively, which means they realised that their agency was a monopoly, were then asked to express their views about whether or not competition was needed to improve service quality. Staff who responded positively, which means they realised that their agency was already competing with others to provide similar services, were then asked to articulate their views about the impact of
competition on the quality of services that their agencies delivered. The staff and senior officials were also asked to give factual examples of decisions or policies that were made as a result of the existence or non-existence of competition to their agencies. The responses to these questions are described in the following section. However, before presenting the findings from this study it is necessary to acknowledge that the existence of two or more providers is not the only market instrument. There are other mechanisms to introduce competition in the public sector, such as the use of vouchers, user charges, cost recovery, competitive tendering, or the creation of internal markets (see, for example, Walsh 1995:Part 2; Hatry 1983).

7.3.1 Competition in the Bank

As indicated in Chapter Five, the Bank is the only agency that performed well in the case studies; that is, only the Bank delivered services at the level expected by its clients. It was also noted that it is only the Bank that experiences competition and market pressure from other individuals and organisations that offer similar services to its own. In the focus group discussion it was found that the Bank's staff were well aware of the existence of intense competition, but, that they did not feel any threat from this competition because they believed that they delivered better quality services than their competitors. The following comments made by a staff member in the focus group discussion are typical.
We have so many competitors. In the markets where our customers trade, there are a lot of government and private banks. There are also a number of cooperatives and illegal money usurers operating but we are not afraid of competing with them. Some of our customers used to move to our competitors, but then they returned to us again. This must be because of the way we persuade or serve them (FGD No. 6, 03/03/01).

Just like the staff, the management in the Bank were also well aware of the intense competition they faced from other individuals and organisations in delivering similar services. However, again the management expressed its confidence that the existence of competitors positively challenged them to deliver better quality services than their competitors. They even believed that competition was necessary in order to maintain and even increase their customer base, as illustrated in the following comments made by heads of divisions.

We can name this current period as a competing era. Our competitors are so many. They are banks, cooperatives, and illegal money usurers. In this kind of situation, quality service becomes the key. Our main weakness is the location of our bank office which is not very strategic and accessible. Therefore, to compensate for this weakness and to win this very strict competition, we create what we call 'jemput bola' (fetching the ball) policy. It means that we visit our customers rather than the customers visiting us. I have not seen any other bank doing what we do (Interview No. 10, 29/11/00).

Our competitors are not only other banks but also money usurers. But as far as I am concerned, the usurers are now very uneasy with our existence. I can say this because until now we have taken over approximately 60 per cent of the usurers' customers (Interview No. 14, 09/01/01).

These views were also shared by the highest management figures in the Bank, as expressed by a director in the following way.

Our competitors are in fact so many. Competing conventionally with big banks is of course difficult. They are like cows while we are only like a duck.
To compete with them we have to think very hard by, for example, creating new markets while maintaining the existing one. For instance, we try to target small traders by offering them small credits which are not feasible for the big banks. If these big banks can only approve credit applications in three days, we can approve them in one day. If we can serve five customers a day, it means in one month we can have 150 new customers. That is why I always emphasise to my staff to speed the process... Also, as an attempt to win the competition, we decided to computerise our records in 1997. It will increase our customers' confidence and turn away their doubts because they see that our bank does exactly the same as other banks do (Interview No. 10, 29/11/00).

This comment shows that, in attempts to win the intense competition, the Bank's management defined and created new strategies and policies. For example, the Bank decided that the Bank staff should visit their customers rather than the customers visit the Bank, as in the case of conventional banks, because the location of the Bank was not strategic and easily accessible. By doing so the Bank could offer not only a relatively better service compared to other conventional banks but could also match the similar strategy used by the illegal money usurers who also visited their customers. The Bank management also shifted its strategy to give more focus to small-scale traders by offering them small credits because it believed that this kind of loan was not feasible for their competitors, especially the big banks. In addition, understanding that the big banks can only approve credit applications in three days, the Bank decided that credit applications must be finalised within one day, regardless of whether the application is approved or rejected.

Lastly, as an attempt to win the competition, the Bank management decided to computerise its records. This computerisation strategy was considered an
important innovation for the Bank because it would increase the customers' confidence and turn away their doubts because they see that the Bank does operate and record their savings in exactly the same way as other banks do. The creation of new strategies in the Bank in order to serve its clients better may be said to confirm what Goldsmith (1996:28-9) and Osborne and Gaebler (1993:83) indicated earlier; namely that competition promotes creativity, sensitivity and innovation in an organisation.

### 7.3.2 Competition in the Clean Water Company and the Revenue Office

As indicated in Chapter Five, the Clean Water Company and the Revenue Office are the two agencies in the case studies which have the least satisfactory performance in terms of their institutional capacity to deliver quality services as expected by their clients. These two agencies operate in a similar monopolistic environment and, as expressed in the interviews and focus group discussions, staff and management in these two agencies are fully aware that their agencies are monopolistic. For example, staff and management of the Clean Water Company understood that their company is the only organisation that supplies clean water to the people in Makassar. Similarly, staff and management in the Revenue Office recognised that their agency is the only place where the taxpayers in the city can pay their taxes.

However, there was a significantly different perception between lower level staff and the management in these two local government agencies
regarding the relationship between their monopolistic condition and the performance of their agencies. For example, most Clean Water Company and Revenue Office lower level staff in the focus group discussions implicitly believed that this monopolistic condition was one reason why employees and the agencies did not have an incentive to improve service quality. The staff believed that the existence of other organisations which deliver similar services would improve service quality in their agencies. ‘Isn't it true that the existence of competitors will improve our performance?’ asked one of the employees in the Clean Water Company (FGD No. 3, 02/03/01) when the focus group participants were asked to convey their opinions about the impact of competition on the performance of their agency. The Clean Water Company lower level staff also indicated that when other competitors existed their own company would be bankrupt if its performance remained at its current level. Unless their current performance improved, ‘I think this company will collapse. I think, this requires homework for this company’ (FGD No. 3, 02/03/01).

However, employees at the management level in the Clean Water Company and the Revenue Office expressed contradictory views regarding the effect of the monopolistic condition on the performance of their agencies. On the one hand, the management in the Clean Water Company argued that the fact that respondents regarded their agencies as delivering unsatisfactory quality services had nothing to do with their monopolistic status. On the other hand,
management level employees also indicated that the existence of competitors would make their service quality relatively better than they currently delivered. These contradictory views can be seen in the following comments made by heads of divisions.

Yes, we realise that we are a monopoly. But I think this does not make us treat our customers in whatever way we please. The customers are the only source of income for us. So, we have to serve them better…I think if there are other organisations that provide similar services to the people in this city, our service must be improved. If competitors existed, we could not afford to make even a little mistake because our customers will fly away to these competitors. Yes, they must run away, therefore we must be more careful. When it happens, our human resources must be improved (Interview No. 27, 06/12/00).

Yes, I think all employees realise that we are a monopoly...But in the global economic world nowadays there is always a possibility that other similar service providers will operate in this city. I myself, personally, have no objection to this. On the contrary, that condition will probably make this company become more professional. So with the existence of competitors we are no longer able serve our customers just as we please if these customers cannot run away from us (Interview No. 26, 06/12/00).

At the same time, comments made by the management also implied that they did not want any other individuals or organisations to supply similar services.

As far as I am concerned, there is no other company in this city that supplies clean water to the people. I think this condition should be maintained. We do not need any other clean water provider because we have this company which is owned by the government. But I myself can do nothing if the government allows other organisations to deliver services similar to what we deliver to the people in this city (Interview No. 30, 06/12/00).

The information shows that despite their denial the management members of a monopolistic government agency enjoy the monopolistic environment in
which their agency operates and therefore will do their best to maintain this condition. Similar paradoxical attitudes were identified amongst public service managers in the City of Stockholm who, despite being positive towards the introduction of competitive tendering, mostly felt that the municipal government should continue to be the sole provider of services for the elderly (Almqvist 2001:703). Responses from management in the Clean Water Company and the Revenue Office also confirm what was claimed by Goldsmith (1996:28-9) and Osborne and Gaebler (1993:83), namely that the innovative creativity and sensitivity of employees may not emerge before pressure from competition exists.

As noted earlier, introducing competition into the public sector to improve service quality may be done through contracting out. However, as indicated in Chapter Five, some services in the Clean Water Company which were contracted out to the third parties were also regarded by respondents as poorly performed. In the interview with the management it was found that contracting out these services did not improve service quality because no competition existed and there were no detailed contract specifications and standards which the contractors were expected to perform. The decision to contract out these services was taken not to improve service quality nor to reduce costs. Rather, contracting out was seen as a way of fulfilling the social obligation of the Clean Water Company to help cooperatives improve, as expressed in the following way by the head of the division responsible for
financial affairs.

Yes we have contracted out some of our services such as water metering and billing but it is not based on business considerations. As a public company, we have a social obligation, for example, to help non-profit organisations like cooperatives to develop. Therefore, we will award the contract to cooperatives based on a first-come-first-served basis. We do have a contract but it is not very detailed and we never give sanctions. To be honest, we gain nothing from this contracting out to cooperatives because, I believe, we actually can deliver these services better by ourselves (Interview No. 28, 19/12/00).

Comments from management that the Clean Water Company can deliver these contracted services better at lower costs are also supported by lower level employees (see Chapter Eight). Such comments clearly confirm what has been noted earlier, that unless competition exists and the level of service quality to be performed by contractors is specified, and sanctions for poor performance are utilised, contracting out will not produce improved service quality (Chalmers and Davis 2001:76-80; Smyth 1997:32-5).

7.3.3 Competition in the Registrar Office

Chapter Five noted that the Registrar Office is the second most satisfactorily performing local government agency in the case studies, after the Bank. Chapter Five has also described how the Makassar Registrar Office technically competes with other registrar offices in Indonesia, especially with registrar offices of the local governments in neighbouring cities and regions. However, since the people do not realise this possibility and the Registrar Office does not inform clients of this fact, the Registrar Office was still
regarded by the respondents as monopolistic.

Interviews with middle and high level management revealed that the Registrar Office regularly held public meetings and used radio programs to inform citizens about the importance of equipping every citizen with relevant registrar certificates (Personal Interviews No. 16, 15/03/01; No. 17, 11/01/01; and No. 18, 25/01/01). However, no one mentioned that the Registrar Office included in its public meetings and radio programs information about the possibility of people obtaining similar services from other registrar offices throughout the country. There are at least two possible reasons why people were not aware of the possibility of obtaining similar services from other local governments. First, the Registrar Office intentionally concealed this information so that the people in Makassar did not go to the local governments in neighbouring cities and regions to apply for their various registrar certificates. This possibility is supported by the fact that the relevant information was not revealed through the Registrar Office’s information board and banner. It could be that the Registrar Office was concerned that if

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5 The researcher did not specifically ask the management and employees whether the Registrar Office had tried to make its clients aware of the possibility of obtaining similar services from other registrar offices, for instance in their regular public meetings and radio programs. The researcher himself only became aware of this possibility during the interviews, despite having obtained similar services from the Registrar Office several times.

6 The Registrar Office was equipped with an information board and colourful banner describing in detail the requirements and costs for services offered (see Chapter Five). However, there was no information on the board or in the banner regarding the possibility of obtaining similar services from other registrar offices.
the people in Makassar went to neighbouring registrar offices to apply for their certificates, the income of the Makassar Registrar Office would decrease and the office would be regarded as having failed in performing its functions.

Although people in the city believed that the Registrar Office was a monopoly, the fact that this agency actually competed with other registrar offices still had an influence on the way the staff in the Registrar Office treated their customers. The staff were also well aware of the consequences that their agency would face if their customers were not satisfied with their treatment. The following comments made by a staff member and a division head describe staff views about the effect of competition on the way they have to serve their clients.

I think if the income we target every year can be achieved, it is an indication that we deliver quality service to our clients. If people do not like or are not satisfied with our service, they can go to other cities and regions to obtain their certificates. Probably they can go to Maros7 and Gowa8, the two nearest local governments from this city. Although they are residents of Makassar, they can still obtain their certificates from other local governments if they are not satisfied with our services or if our services here are not good (FGD No. 5, 21/02/01).

I believe that quality of services will influence the revenue this agency can collect because services that this agency offers can be obtained from other local governments. The people of this city do not have to get their certificates from this office. If they want, they can go to registrar offices in other cities and local government areas, of course, if the quality of services in those registrar offices is better than here (Interview No. 16, 15/03/01).

7 Maros is a local government adjacent to the south of Makassar.

8 Gowa is a local government adjacent to the north of Makassar.
These comments show that the understanding of the staff and management in the Registrar Office, that their clients have the opportunity to obtain similar services from neighbouring local governments, positively influences the way they serve their clients. In other words, although the existence of competition is blurred, the fact that there are competitors has driven the Registrar Office to deliver better quality services to its clients. This phenomenon, that the threat of competition is sufficient to generate incentive for real performance improvements in organizations, has also been identified in other studies (see, for example, Almqvist 1999; Hodge 1996; Vickers and Yarrow 1988).

Chapter Five noted that among the four local government agencies studied, only the Registrar Office had a formal policy setting service guidelines for staff to use in delivering services to clients. The Registrar Office was also the only agency that openly informed its clients that all applications about all kinds of registrar certificates would be responded within two days. The creation of service guidelines and the two-day service policy can be seen as attempts by the Registrar Office to deliver quality services due to pressures from a competitive environment. Even though most clients are not aware of the possibility of obtaining similar services from other local governments, the effect of competition has led the management of the Registrar Office to try to improve office procedures so that service guidelines can be met. However, although the Registrar Office employees believed that applications for any registrar certificates could be provided within two days as set out in the
guidelines, this timeframe was rarely met because of delays at the management level. For example, delays happened when the head of the Registrar Office, who had to sign the certificates, was absent from the office. The employees mentioned that there had been a policy before that the registrar certificates were brought to the home of the head of the Registrar Office to sign, when the head was absent from the office, so that the timeframe set out in the guidelines could be met. However, at the time of data collection, this policy was no longer implemented. Again, this indicates that although competition had a positive pressure to improve the institutional capacity of the Registrar Office, the pressure was not intense because the existence of competition in this agency was blurred.

7.4 Conclusion

This chapter has discussed a range of arguments regarding the effect that competition has on the performance of public sector organisations. The chapter has also presented evidence from the case studies concerning the impacts of competition on institutional capacity of local government agencies in terms of the quality of services that the agencies deliver to their clients. Supporting arguments pointed out that introducing competition positively influences the performance of public sector organisations because competition can improve service quality and reduce the cost of delivering the services. On the other hand, opposing arguments claim that introducing competition into
the public sector, for example by contracting out, reduces service quality and also increases the cost of delivering the service. In addition, introducing competition into the public sector might also cause other social consequences such as increasing unemployment and corrupt practices, as well as lowering the public accountability of public agencies and employees.

Based on the evidence collected in the case studies, this chapter has argued that the existence of a competitive or monopolistic environment in which the local government agencies operate does affect the way these agencies serve their clients. For example, operating in a relatively highly competitive environment has forced the Bank to introduce a number of innovative policies such as same-day processing of credit applications, *menjemput bola*, and computerised records to improve the quality of its service. The evidence also shows that not only real competition but even the threat of competition is sufficient to generate incentives for improving the performance of government agencies. This is shown in the case of the Registrar Office whose management and staff were aware that their agency competes with similar agencies, even though most of its clients believe that this agency is a monopoly.

In monopolistic local government agencies, such as the Clean Water Company and the Revenue Office, the staff, especially at the management level, challenge the view that the unsatisfactory quality of services that their
agencies deliver relates to the monopolistic condition in which their agencies operate. However, both the lower level and management level employees also believe that the existence of competitors will force their agencies to improve their performance or otherwise their agencies would disappear. Therefore, if possible, the staff of the Clean Water Company and the Registrar Office want to maintain the monopolistic status of their agencies. Attempts by government agencies to protect their monopolistic status, or to decrease the degree of competition, may have also been tried by the Registrar Office by not clearly informing the people of the possibility of receiving similar services from registrar offices in other local government areas.

The next chapter will present research findings which describe a number of factors within the organisational dimension that may influence the institutional capacity of local government agencies.
Organisational Dimension and Institutional Capacity of Local Government Agencies

Chapter Seven concluded that competition is one of the factors within the task network dimension that significantly influences the capacity of the local government agencies to deliver quality services as expected by their clients. This chapter analyses theoretical determinants within the organisational dimension that differentiate between institutions which perform satisfactorily and unsatisfactorily. It also explains how these determinants influence the capacity of the institutions in the case studies. These determinants include goals, the structure of work and decision-making processes, internal and external communication, management capability and commitment, the incentive system, and physical resources. To support the theoretical explanations, the analysis is also equipped with study findings from different development cases which describe the factors that differentiate between satisfactorily performing institutions and unsatisfactorily performing institutions.

This chapter concludes that factors such as realistic organisational objectives, a less hierarchical management style, and more participatory decision-making processes have positively influenced the institutional capacity of the four local government agencies studied. However, factors such as higher wages and
better physical resources did not always positively affect the capacity of the local government agencies in the case studies.

8.1 Organisational goals

Goals and objectives are two terms used interchangeably which refer to desired results for individuals, a cluster of individuals, or a whole organization, and may be differentiated between stated goals and real goals. Stated goal refers to a formal statement of what an organisation declares as its objectives, while real goals may be evident in what staff of the organisation actually do (Robbins 1994:194-6). Some management commentators argue that organisations that have consistently performed successfully are renowned for establishing clear and realistic goals or standards because these goals guide their staff in performing their tasks and responsibilities (Zeithaml et al. 1990:83). For example, a case study of the determinant of staff satisfaction in Swaziland's Ministry of Health shows that in order to improve job satisfaction of staff that leads to a high performance, it is important to develop clear goals, policies, and procedures, not only for the ministry as a whole but also within each program unit (Yoder and Eby 1990:161). Because each staff member occupying a position has certain tasks and objectives, it is important that these tasks and objectives should be clearly laid out in advance. If all the individuals in an organisation complete the stated goals of their portion, the unit's goals will be achieved, and then the organisation's overall objectives
will be accomplished. On the other hand, when staff do not understand what is expected from them, and how to accomplish that expectation, role ambiguity may emerge and the overall objectives of the organisation will not be achieved (Robbins 1994:199).

The case studies revealed that role ambiguity, because of unclear objectives about what tasks staff had to perform, was experienced more by staff in the local institutions that were considered unsatisfactory performers. For example, most of the lower level staff of the Clean Water Company who were interviewed hardly understood what their superiors expected from them, except for discipline, a concept which itself was unclear for them. Staff in this institution could not clearly identify what their tasks and responsibilities were, and therefore they performed tasks they thought they had to perform. When asked to explain their own tasks, a staff member in a service unit responded by saying that ‘for sure, I do not know because the management only stresses about discipline’ while a staff member from a financial unit replied ‘can I just guess because I just do not know?’ (FGD No. 3, 02/03/01).

On the other hand, staff in the satisfactorily performing institutions had relatively clearer objectives and standards to achieve. For example, staff in the Registrar Office clearly understood who was responsible for issuing birth certificates for a certain-year period and who would perform this task if the one responsible was absent from work (FGD No. 5, 21/02/01). Similarly, the
marketing staff of the Bank were clearly aware that their tasks and responsibilities when visiting customers in the markets not only covered collecting credit instalments and deposits but also consulting the customers who had difficulties and needed advice, not only in financial matters but also other matters. The Bank's staff also understood that when they returned to the office they had to perform administrative tasks (FGD No. 6, 03/03/01).

This finding, that clearer objectives positively influence the performance of organisations, is supported by a number of different studies on institutional capacity, and development initiatives around the world. For example, in reforming the Nigerian Federal Civil Service a number of administrative weaknesses were identified, regardless of whether the regime was military or civilian, including a lack of clear and measurable objectives that could be used for long-term planning (Phillips 1991:229). Similarly, in the comparative analysis of public sector capacity in Bolivia, the Central African Republic, Ghana, Morocco, Sri Lanka, and the United Republic of Tanzania, Hilderbrand and Grindle (1994:43) assert that without exception the organisations that performed well were those having clearer organisational goals which enabled management to inculcate a sense of mission and commitment among staff, while those that were unsatisfactory performers did not provide the same sense of mission.

Besides being clear, organisational goals must also be realistic in terms of
resource availability and other possible constraints, including the capability of staff to perform these goals. Clear and realistic goals can prevent staff from experiencing role conflict which can cause frustration and prevent staff from performing well because there are too many different demands coming from both inside and outside the organisation. For instance, role conflict can arise when there are too many different expectations from different superiors and colleagues in the organisation and different demands from different clients which have to be accomplished at the same time (Robbins 1994:445; Zeithaml et al. 1990:97).

In the case studies, role conflict was experienced more by staff in the Clean Water Company, the least satisfactory performer. For example, staff in the section responsible for collecting overdue bill payments from customers were frustrated because they were solely blamed for the increasing amount of overdue bills, while their suggestions to tackle this problem were not taken up by management. Staff in the overdue payment section found that more than 50 per cent of the overdue payments were impossible to collect because they came from dwellings that did not exist anymore, or from newly built and still uninhabited housing complexes. Staff therefore suggested that the company cease issuing bills for dwellings which no longer existed and temporarily cease issuing bills for the newly built and still uninhabited housing complexes. Management failed to take up this suggestion so that the bills for these dwellings continued to be issued and considered or calculated.
as overdue bills (Interview No. 31, 19/12/00).

Staff in the overdue payment section also found out that another reason for the continuing increase of overdue bills was the fact that counters for bill payments were frequently moved or changed without informing the customers affected. Again, this complaint had been forwarded to the decision-makers in the Clean Water Company but no follow-up action was taken. These examples clearly show that unrealistic goals were given to an organisation unit in terms of reducing overdue payments without first eliminating constraints that made the goal unachievable. The importance of clear and realistic goals for successful institutions is also identified in other studies. For example, in describing successful local non-commercial development projects in Commonwealth countries, Conyers and Kaul (1990:135) revealed that one of the fundamental characteristics in terms of project organisation and management is the clarity of project goals and whether they are realistic in terms of resource availability and other possible constraints. Without this clarity of goals and purpose, projects tend to run in a meaningless way and many wind up reaching completely different results from what was intended.

8.2 Organisational structure and decision-making processes

Organisational structure and decision-making processes within the
institutions emerged in the case studies as factors that distinguished satisfactory performers from unsatisfactory performers. For each of these factors, the unsatisfactory performers demonstrated a more hierarchical structure and lack of participation in decision-making processes. For example, although the Clean Water Company, one of the unsatisfactory performers in the case studies, had established a number of service units throughout the city, there were still many important decisions and activities that had to wait for authorisation from the Clean Water Company's central office. As a result, many prospective new customers had to wait to receive clean water services because the service units had to wait for approval from the central office to get necessary materials for new connections.

A similar situation was evident in the Revenue Office, another unsatisfactory performer in the case studies. Not only were the front-line staff in this office given no authority to make decisions, they were not even allowed to respond to client complaints or inquiries. The only task the front-line staff were allowed to perform was to collect data and payments from the clients. Staff were not allowed to carry out any other tasks without prior authorisation from the senior officials in the office. Consequently, even for getting minor information such as confirming whether or not their tax payment had been received, clients had to visit the Revenue Office. Since most of these clients were business people, visiting the Revenue Office for such a minor matter was considered a waste of valuable time, as expressed by a taxpayer who
owns a motel, a restaurant and a karaoke cafe.

I come here [the Revenue Office] just to confirm that I have paid my taxes. To confirm, we have to directly meet with the section head. We cannot ask the staff. We cannot telephone. We have to come. Don't they think that we, the taxpayers, have many things to do? We are very busy. We are just wasting our time to come [here] (Interview No. 8, 17/01/01).

The more hierarchical management approach of the Clean Water Company was also evident in the interaction pattern between lower level staff and managers. For example, lower level staff were only allowed to take their ideas or inputs to their immediate supervisors. These supervisors then took the ideas and inputs to their sub-section head, then to their section head, to division head, to directors and finally to the president director as the highest managerial level and decision-maker in the Clean Water Company (FGD No. 3, 02/03/01). Since lower level staff were not sure if their inputs would ever reach the decision-makers, they had become apathetic in proposing ideas about how the performance of the organisation could be improved. This hierarchical management approach may also explain why the suggestion from a unit in the Clean Water Company to decrease overdue payments described earlier was not followed up. That is, the suggestion probably did not reach the decision-makers in the organisation. Zeithaml et al. (1990:63) argue that in many organisations the possibility for the top management to understand their clients depends largely on the extent and type of communication received from the front-line staff who directly interact with the clients. Therefore, when communication between the front-line staff and
the management in an organisation is obstructed, the management may not get feedback about problems encountered in service delivery.

The Bank, one of the satisfactory performers in the case studies, embraced a less-hierarchical management style with harmonious and informal vertical communication between lower level staff and managerial level staff. Lower level staff were not reluctant to interact and exchange views with the higher level staff, including the Bank’s managing director. Lower level staff were also happy to communicate their ideas to managers, as well as extend any inputs they received from their clients, because they believed that the managerial level staff would respond positively to their ideas and inputs in order to improve the performance of their organisation. However, the staff are also aware that not all their ideas and inputs are always accepted, as expressed in the following extract of a focus group discussion.

Yes, we always give inputs and ideas to the managing director. We just have to learn the situation. If he is in a good mood, then we propose our suggestions. No problem. He is a good person and very close with the staff. He listens to the staff. He approves some of our suggestions but he refuses some others. It does not matter (FGD No. 6, 03/03/01).

Salmen (1991:297) argues that success stories in development administration indeed depend on listening to subordinates and also to the people.

For decades management theorists have argued that participatory management decision-making may improve the performance of institutions in various ways. In the 1960s, Vroom (1964:226-7) argued that participation
will theoretically improve the quality of decisions reached as the views of those who will eventually implement them are taken into account. Human resources management in particular argues that participation will also increase the speed and efficiency with which decisions are implemented because the subordinates as a group are more likely to exert pressure on each other to fulfil their joint commitment. In addition, increasing the decision-making discretion of staff generates a motivating work environment, transmits signals that staff are trusted, and increases the satisfaction level of most jobs, thus making staff jobs better (Hughes et al. 1996:415 and Yoder and Eby 1990:161).

Involving staff in decision-making also implies changing approaches in performing organisational tasks from mechanistic and rule-based to more loose approaches, which in turn makes the front-line staff innovative and adaptive in accordance with their own capability (Robbins 1994:52-3; Zeithaml et al. 1990:105). As a result, this not only develops individual staff but also strengthens the performance of the entire organisation, for example serving clients faster because lower level staff do not need to wait for authorisation or approval from a number of different sections or staff in the organisation. After all, it is argued that in any organisation staff are useful only insofar as they are given responsibility to do their work. The more responsibility is given the more useful the staff can potentially be (Werlin
In the case studies, it was revealed that staff of the satisfactorily performing institutions possessed more control and flexibility in carrying out their tasks and in making decisions in dealing with their clients. For example, although in theory clients of the Bank could only withdraw their savings in the Bank's office, in practice this was not always the case. Instead, the Bank's marketing staff, who visited their clients every day, could make withdrawals on behalf of their clients because they are given discretion to do so. The paperwork relating to these withdrawals is taken care of by the staff when they return to the Bank's office. This really makes the Bank clients very satisfied because they are not only served in a timely fashion but they can withdraw their money without leaving their businesses in the markets.

Other studies also show the significant relationship between the degree of participatory decision-making processes and the performance of institutions (Makharita and Brunet 1991; Phillips 1991; Yoder and Eby 1990). For example, in a case study about the determinants of staff satisfaction in Swaziland's Ministry of Health, Yoder and Eby (1990:161) suggested that the factor of the greatest significance is that a decentralised and participatory management system, if it lives up to its claims, has the potential for making a positive impact on job satisfaction, participation and other critical problems which can improve the performance of the Ministry.
On the contrary, Makharita and Brunet (1991:235) found that besides exogenous factors such as climate and geographical conditions, various institutional weaknesses must be responsible for the continuous economic stagnation of a small African nation. One of these institutional weaknesses is lack of delegation of decision-making in which even experienced public servants have little authority to take what would normally be considered routine actions. In extreme cases, everything must await the decisions of a minister who is seldom available because ministers are frequently rotated or absent on a mission. Consequently, decisions essential for the efficient delivery of public services are frequently delayed. Similar institutional weaknesses are observed in the Nigerian Civil Service which operates through a strict hierarchy, and subservient obedience to superiors. Because of numerous links in the bureaucratic chain and excessive caution in the processing of decisions, the public could expect long delays, even on trivial matters (Phillips 1991:230).

8.3 Communication and interaction

The degree of both horizontal and vertical interaction also significantly differentiated satisfactory performers from unsatisfactory performers in this study. The degree of horizontal interaction refers to the intensity of communication that occurs amongst staff and units in the institutions, whereas the degree of vertical interaction relates to the intensity of
communication between managerial level officials and lower level staff in the institutions, as well as the intensity of communication between staff and beneficiaries. In theory, good communication between different staff and units in organisations is essential to build coordination and teamwork to achieve common objectives of the organisation. Therefore, in a situation in which communication across staff and units, or horizontal communication channels, is low, coordination and teamwork will suffer and consequently performance of the institution will be put at risk (Zeithaml et al. 1990:117). In contrast, the cohesiveness of a work group will positively influence performance because, theoretically, individuals belonging to cohesive groups are more likely to have higher rates of job satisfaction and lower rates of tension, absenteeism, and turnover (Vroom 1964:232-6).

In the case studies, lack of horizontal communication apparently worsened the performance of two institutions which were considered unsatisfactory performers. For example, as a result of poor communication between the unit receiving and the unit registering or recording tax payments, the Revenue Office frequently sent out reminder letters for overdue taxes to businesses and individuals who had already paid their taxes. Lack of coordination and teamwork is also demonstrated in the Revenue Office where staff often accuse each other when problems occur in the organisation, as expressed by a subsection head who had worked in the Revenue Office for almost twenty years:

I once thought to leave this job because employees have been distrustful and
suspect each other. Employees accuse each other. Employees blame each other. Their term is *bolanya bukan mati sama saya*\(^4\). It means that it does not matter if something goes wrong in the organisation as long as the mistake is committed by other employees. It also implies that you blame other staff for the mistakes you make (Interview No. 23, 19/01/01).

Interestingly, the expression used by the Revenue Office staff to indicate that it does not matter if something is going wrong in the organization, as long as it is not you who is responsible, is also used by the staff in the Clean Water Company, another unsatisfactory performer in the case studies, to indicate lack of communication and teamwork amongst the staff. It was expressed by a section head who accused both the management and other units for the problem of overdue payments, which is the responsibility of her unit, in the following way.

So, it is not my fault. *Bolanya bukan mati sama saya*. It is not me who makes the ball out. I have done my parts, my responsibilities. I have reported what should be done to other sections as well as the management but they take no action. I do not want to blame other sections but actually we never sit together to discuss and exchange our views to seek for solutions how to solve the increasing delinquent payments (Interview No. 31, 19/12/00).

A study of seven successful local government institutions in four countries of Sub-Saharan Africa revealed a number of determinants that help the institutions to perform well, including good internal and external communications which facilitate local authority operations and improve performance. It was believed by the researchers that efforts to develop good relations reduce the degree to which tensions between staff exist, especially

\(^4\) This expression literally means ‘it is not me who makes the ball out’.
between elected and appointed officials. Although some disagreements are unavoidable, it is necessary to ensure that relations do not become hostile and counterproductive because, effectively communicated and handled, disagreements amongst staff may even lead to better decisions (Oluwu and Smoke 1992:12).

Just like horizontal communication, the intensity of vertical communication between staff and clients and between lower level staff and managerial level staff also, theoretically, influences the performance of an organisation (Robbins 1994:598-9). For example, vertical communication between staff of an institution and its clients can be utilised to understand what the clients value and how to provide goods and services that the clients value (Brinkerhoff and Goldsmith 1992:376), whereas vertical communication between staff can be utilised in a downward direction by managers but also in an upward direction by staff. Managers assign tasks to lower level staff while lower level staff keep managers aware of how staff feel about their tasks, their colleagues, and the organisation in general. In a conducive environment, upward communication from staff may provide managers with significant inputs and ideas on how things in the organisation can be improved (Robbins 1994:599).

The lack of vertical interaction between lower level staff and managers, because of the highly hierarchical management approach in the Clean Water
Company, has already been noted. However, a lack of vertical interaction and communication between staff and clients was also apparent not only in the Clean Water Company but also in the Revenue Office, another unsatisfactory performer in the case studies. As a result, what these institutions believed were priorities for their clients were different from what their clients really expected from these institutions. For example, the Revenue Office strongly believed that paying less tax, which the Revenue Office itself could not do anything about, was most important for their clients (Interviews No. 20, 22/02/01 and No. 21, 17/01/01), while the most important thing from the clients' point of view was transparent and clear information about what their taxes had been spent on (Interview No. 8, 17/01/01). Because of a lack of communication between the staff and their clients, client priorities were not understood by the Revenue Office. Consequently, no attempts have been made to improve overall the performance of the Revenue Office by improving dimensions which were considered important by the clients, such as informing clients about what and how the taxes collected by the city government had been spent on.

Similarly, the Clean Water Company believed strongly that a sufficient water supply, which the Clean Water Company itself was unable to deliver, was the only thing its clients expected. However, besides sufficient water the clients also expected accuracy in water metering records, timeliness in responding to complaints, and clear information regarding places to pay their water bills.
Again, lack of communication between staff and clients meant that the Clean Water Company was unaware of the other expectations of their clients which are relatively more realistic to fulfil and would improve the overall performance of the organisation.

On the other hand, the vertical interaction between staff and clients in the satisfactorily performing institutions was not only relatively intense but also intimate. For example, as has been discussed earlier, the marketing staff of the Bank visit their clients everyday not only to collect deposits and credit instalments but also to talk with clients who have difficulties and need advice, in financial matters and also other matters. It is therefore not surprising that the Bank is aware of the expectations of its clients and can respond accordingly. For instance, the understanding that the location of the Bank is too far for most of its clients, who are busy selling their merchandise in the market, led to change. Now all clients’ transactions with the Bank, such as depositing, withdrawing and applying for credit, may be done without visiting the Bank.

In fact, responsiveness to the clients, constituents, or beneficiaries has been considered a significant determinant for success or failure of development projects around the globe. For example, in reviewing World Bank projects in a number of countries, Israel confirms that ‘there is a gap between institutions and their constituents that has to be bridged - as shown by the difficulties
experienced in any type of delivery system in agriculture and health’ (Israel 1987:31). Similarly, in a study of seven successful local government agencies in four Sub-Saharan African countries, Oluwu and Smoke (1992:12) conclude that, in general, satisfactorily performing institutions, not surprisingly, appear to be more responsive to their constituents and beneficiaries. On the other hand, there were many instances in which the failure of local authorities to consult the local people resulted in the failure of development projects and the disillusionment of affected residents and service users (Oluwu and Smoke 1992:12). Also, a high degree of participation by project beneficiaries is considered one of the fundamental characteristics describing successful local non-commercial development projects in Commonwealth countries. This means seriously considering who the intended beneficiaries of a project are to ensure that it really does benefit them, rather than the local elite. Participation in this context also means empowerment in the sense that it must increase the target group's access to resources and therefore its ability to improve its position in society (Conyers and Kaul 1990:132).

8.4 Management commitment and capacity

Zeithaml et al. (1990:72-4) argue that performance of an organisation needs the total commitment of management, and management that commits to organisational performance will set performance policies that are perceived as high by the clients and make all necessary efforts to be sure that these
performance policies are implemented. The findings in the case studies confirmed that management commitment and capacity had a significant impact on the organisational performance in terms of delivering services which were valued by the clients. In the satisfactorily performing institutions, management constantly showed its commitment to improve performance, not only by talking but also by acting. For example, the managing director of the Bank always reminds staff of the need to work speedily and to minimise administrative constraints or paperwork when delivering services to clients. The managing director also regularly invites clients to discuss any concern about the services the Bank and its staff deliver, and how to improve these services (FGD No. 6, 03/03/01). Therefore, by implementing Mintzberg's informational role of management, that is, to collect information (Mintzberg 1973:93-4), the Bank's management clearly showed its commitment to organisational performance. As a result, the management in the Bank knows what its clients expect, and can make decisions in accordance with these expectations, because it does not rely solely on information supplied by the lower level staff which could be distorted.

On the other hand, the staff in the Clean Water Company believed that management commitment to organisational performance was only rhetoric or lip service. For example, although on many occasions the management communicated the importance of delivering quality services to clients, the staff's proposals, which were based on the clients' inputs and suggestions to
improve services, were not responded to or followed up by the management. Furthermore, a regular program called ‘Meeting with Customers’ was also regarded as public relation activities by most of the lower level staff because none of the managers who have authority to make decisions like to attend the program (FGD No. 3, 02/03/01). Neither were concrete steps to improve organisational performance resulting from this program taken. A staff member described the lack of management commitment to organisational performance in terms of delivering quality services as follows:

Yes, the directors always mention the importance of improving the quality of our services. Just like nowadays, everyone buzzes about excellent services. But, I think, that is talking only. Just talking. I say this because if we have inputs to improve the quality of our services, the management does not respond. They do not support our inputs. They are not interested. It means what they buzz about excellent services is just nonsense. Am I right? (Interview No. 31, 19/12/00).

Besides a lack of commitment, a lack of management capacity and self-confidence was also evident in the unsatisfactorily performing institutions in the case studies. For example, managerial level staff in the Clean Water Company admitted that they did not have the capacity to meet client expectations. Even worse was a shared belief amongst these decision-makers that nothing could be done to improve the company's performance (Interviews No. 24, 06/12/00 and No. 06/12/00).

Belief that water supply is the only thing that matters for the clients demonstrates that management has limited capacity and understanding of
other dimensions of organisational performance such as accuracy in water metering records and timeliness in responding to complaints. As presented in Chapter Five, this research showed that these were factors which are also important for the clients and may be relatively easier to deliver (Respondents 1, 2, 7, 11, 15, 16, 20, 21, 22). The effect of a self-fulfilling prophecy then occurs in which lack of management capacity depreciates self-confidence and the perception of management that performance can be improved, which in turn worsens the performance of the Clean Water Company. Hughes et al. (1996:38) and Zeithaml et al. (1990:76) argue that the perception of unfeasibility amongst management strongly affects the capability of an organisation to deliver services at the level expected by its clients.

### 8.5 Incentive system

In the private sector, the relationship between incentive and performance has long been acknowledged. For example, a study in the United States which covered the pay of 16,000 managers from 250 organisations during the period of 1982-86 found that the greater the sensitivity of management pay to organisational performance, the better the performance (Abowd 1990:68). Commentators have also argued that just like employees in the private sector, public servants also value greater earnings and promotion. Therefore, to stimulate the motivation of public servants, pay and promotion need to be tied to performance (Nunberg 1992:30; Werlin 1991b:198). For example, the
success of public housing programs in Singapore is partly because the Singaporean House and Development Board utilises a local management system under which the performance of every area office is appraised with cash rewards and other incentives given for excellent work, outputs, and initiatives (Chang 1985:294). Werlin (1991b:198) argues that unless performance and financial incentives are linked, it is most probable that a common expression among public servants in Eastern Europe that ‘the government pretends to pay us, and we pretend to work’ is applicable across continents.

However, in the case studies the relationship between incentives in terms of monetary rewards and performance was mixed. The basic wages of staff in the local government Bank and Clean Water Company are relatively higher than for staff in the other two institutions. This is because both are for-profit institutions. Despite this relatively better pay, the performance of the Clean Water Company was considered by clients as the least satisfactory, in contrast to the Bank which consistently scored as the most satisfactory among the four institutions. The discrepancy of performance between these two institutions, whose staff receive relatively similar incentives in terms of monetary rewards, may be caused by two factors. Firstly, staff of the Bank also understand well that extra individual efforts will generate additional bonuses, while staff of the Clean Water Company do not have any extra rewards for any extra individual efforts they make. In other words, additional incentives in the
Bank are rewarded individually depending on individual staff performance, whereas in the Clean Water Company additional rewards such as annual bonuses are given on the basis of position in the company, regardless of the individual performance of the staff. This kind of flat system of incentives may be less able to motivate individual staff in many developing countries. For example, in a study of the public sector personnel systems in Tanzania, Kenya, and Zimbabwe, general problems typical to public administration in less developed countries were found. These included lack of incentives because generally public servants on the same grade receive the same level of pay regardless of performance (Taylor 1992:203).

Secondly, the absence or presence of disincentives for poor performance is probably another factor that explains the differing performance of institutions whose staff receive relatively similar basic monetary incentives. Since most of the Bank's staff are on contract, it is relatively easy to deliver disincentives, including dismissal, to the poor performing staff in the Bank. Also, staff employment contracts are regularly reviewed with performance being the main consideration. On the other hand, most of the staff in the Clean Water Company are permanent which means, under the current Indonesian public service employment system, it is very difficult or almost impossible to dismiss someone regardless of their performance (Gumelar 2000:1; Harian Kompas 2001:1). A study of institutional building projects in Kenya also found that this kind of constraint (that is, difficulty in dismissing or reprimanding even
grossly negligent staff) provides no incentive for the Kenyan public servants to work hard, and undermines the success of the projects (Catlett and Schuftan 1994:163).

Other than direct monetary rewards, career advancement or promotion is another form of incentive which can have significant impact on organisational performance because, in general, staff will perform better if they believe that their hard work is positively related to their promotion. On the other hand, staff will feel frustrated and unvalued which will lead to poor performance when they understand that their achievements will have no impact on their career advancement (Noe et al. 1996:421; Zeithaml et al. 1990:103). In the case studies, frustration that leads to poor performance because of the weak relationship between achievement and promotion was clearly observed amongst staff in the Clean Water Company, one of the unsatisfactory performers. Apart from nepotism practices in promotion, staff were also frustrated because a number of senior positions were kept as political posts which prevented qualified staff without political connections from taking up the positions. For example, respondents believed that the appointment of directors, including the managing director, involved political institutions outside the Clean Water Company. Some staff saw this as a way to legitimate the appointments of individuals from outside the Company who were actually the Mayor's political supporters in the last election (Interview No. 25,
Politicisation and other non-merit forms of career advancement of public servants are not only typical of local government institutions in Indonesia but also in other developing countries. For example, Makharita and Brunet (1991:234) pointed out that one of the institutional constraints that continuously hampered the development of Terrafrie, a small country in Africa, was personnel mismanagement. In this country, the performance appraisal of public servants was considered only as a formal exercise with no impact on career advancement and other incentives. Decisions about incentives and other forms of compensation bore no relationship to considerations of merit. Thus the compensation system was considered hopelessly complex and inequitable (Makharita and Brunet 1991:234). Similarly, although in Zambia a Public Service Commission was established in 1964 to implement the principles of merit and impartiality in recruitment, promotion, and dismissal, most senior positions were declared political and excluded from purview (Gulhati 1991:242). Therefore, political interference in personnel matters is routine (Hoover and McPherson 1999:16). Unfortunately and even worse, donor-financed institutional building projects in developing countries are not immune to nepotism practices, even amongst expatriates. Catlett and Schuftan (1994:162) claim that in the small and cloistered community of expatriates, friends and political connections can be critical if
one is to get a job as a consultant in a developing country.

### 8.6 Physical resources

A number of studies on institutional development reveal that physical resources certainly have an impact on performance (Cohen and Wheeler 1997a; Taylor 1992; Phillips 1991). For example, one of the administrative constraints in reforming the Nigerian Federal Civil Service in the 1980s which resulted in poor services was inadequate offices, equipment, and even basic working materials such as paper, pencils, and pens (Phillips 1991:230). Similarly, Taylor (1992:203) found that general problems faced by public servants in Tanzania, Kenya, and Zimbabwe included poor transport and lack of basic facilities which led to lateness, and absenteeism and distraction from duties of the post. Equally, one of the complexities in building sustainable institutional capacity in the African public sector is the lack of computer-based equipment and other infrastructure, either because of irresponsible budgeting practices by the government or the limitations on budget deficit imposed under structural adjustment agreements (Cohen and Wheeler 1997a:322).

In the case studies, however, mixed results were discovered in terms of the relationship between the availability of physical resources and performance of the institutions. For example, one of the unsatisfactory performers, the Revenue Office, had the poorest office building, and lacked basic office
amenities such as desks and utensils. The office also had very limited space so staff had to take turns using the chairs and desks in the room. This condition certainly hindered many staff from effectively and efficiently performing their duties, despite their full presence during office hours. The office was also equipped with very limited access to much needed modern technology such as computerised tax and revenue databases to enable the staff to serve their clients more efficiently and accurately. All of these deficiencies certainly, one way or another, contributed to the unsatisfactory overall performance of the Revenue Office.

However, the performance of the Clean Water Company was the least satisfactory in the case studies despite having the best physical resources both in terms of quantity and quality. For instance, apart from a number of smaller service unit offices, the Clean Water Company has a central office located in one of the main streets in the city. The building is quite big and is equipped not only with relatively modern equipment such as computers but is also air-conditioned in many rooms. Although not luxurious, the basic office facilities are also sufficient because staff have their own desks.

Probably one explanation for why these relatively better physical resources do not positively contribute to performance is appropriateness. As admitted by staff, many of the modern facilities owned by the Clean Water Company are useless because none of the staff can operate this equipment. For example,
relatively modern tools such as an underground pipe-leaking detector have rusted without ever being used, not because the company never experiences leaking pipes, but simply because the expertise to operate the equipment is not available (FGD No. 3, 02/03/01). This echoes the observation of Alaerts et al. (1997:2) that one of the reasons for lack of expertise is that ‘in most developing countries, the whole administrative framework and water organisation are still geared to the construction of physical infrastructure-engineering rather than being people oriented’.

Indeed, it is argued that apart from adequacy, appropriateness of tools and technology must match staff capability or otherwise abundant physical resources and modern equipment will make only a limited positive contribution to organisational performance (Zeithaml et al. 1990:99). In the case studies, it was appropriateness rather than the age of equipment that contributed to better institutional performance, as shown in the Registrar Office. Despite having only manual typewriters, the Registrar Office was rated as one of the better performers because, amongst other things, it could deliver services in a relatively more timely way. The staff believed that they could prepare the registrar certificates more quickly using the manual typewriter than if they used computers because pre-printed forms for registrar certificates are easier to adjust in a manual typewriter than in the computer printer. The staff also believed that unless they are trained to use computers, and forms for registrar certificates are modified, using manual
typewriters is more appropriate than computers.

8.7 Conclusion

This chapter has analysed determinants within the organisation dimension that may affect the institutional capacity of local government agencies. It has revealed that a number of factors within this dimension have influenced the capacity of local government agencies in the case studies. Some of these factors confirm the previous studies while some others contradict them. This study confirms previous research findings that clear and realistic organisational objectives, a less-hierarchical management approach and a more participatory in decision-making processes contribute to better institutional capacity in terms of an organisation's ability to deliver quality services as expected by the clients or service receivers. The findings of this study are also in line with previous research concluding that intense and intimate horizontal and vertical communication and interaction amongst staff and management within an organisation positively affect the performance of the organisation.

However, this study fails to confirm findings of previous studies that higher wages always positively correlate with better organisational performance, although this study confirms earlier studies asserting that a clearer relationship between staff performance and incentives or disincentives will positively influence organisational performance. This study also fails to
confirm the results of previous studies that better technology and physical resources lead to better organisational performance. Rather, this study shows that unless the technology and physical resources are appropriate to the staff capability and to the nature of the work, better resources will not improve performance. The next chapter will analyse factors within the human resources dimension which affect the institutional capacity of local government agencies in the case studies.
The study has examined the role that external and internal factors play in determining the institutional capacity of public organisations. External factors refer to the degree of bureaucratic and political accountability as well as the level of competition experienced by government agencies. Internal factors refer to the organisational structure, managerial practices and the management of human resources in the public organisations. Chapter Five revealed that in terms of their ability to deliver quality services as expected by their clients, two institutions in the case studies can be regarded as having satisfactory capacity and two institutions as having unsatisfactory capacity. Chapter Six showed that the relative degree of administrative and political accountability of the institutions that perform satisfactorily and the unsatisfactorily is similarly low. Chapter Seven concluded that competition is one of the factors within the task network dimension that significantly influences the capacity of the local government agencies to deliver quality services as expected by their clients. Chapter Eight revealed that a number of factors within the organisational dimension affect the capacity of local government agencies to deliver quality services as expected by their clients.

This chapter, the final analysis chapter, examines factors within the human resources dimension that differentiate between institutions which perform
satisfactorily and unsatisfactorily performing institutions, and explains how these determinants influence the capacity of the institutions in the case studies. In particular, the chapter examines how satisfactorily performing local government agencies in the case studies recruit, utilise, retain, train and develop their staff differently from the unsatisfactorily performing agencies. Comparison findings from other studies are also presented to compare for consistency with the findings from this study. The human resources processes chosen for comparison are those commonly listed in the human resources management textbooks as impacting on organisational effectiveness, both in private and public sector, such as Torrington and Hall (1998), Noe et al. (1996), Corbett (1992), Stone (1991), Boyne et al. (1990), Blunt (1986), and Armstrong (1977).

9.1 Staff recruitment

Recruitment is a process through which an organisation seeks candidates for potential positions and identifies those candidates with necessary knowledge, skills, abilities, and other characteristics that will help the organisation achieve its goals (Noe et al. 1996:53; Bermann and Taylor 1984:34). It is believed that recruitment and initial placement of public servants are decisive in determining the continuing quality and capacity of public organisations (Nunberg 1992:21). Studies of public sector personnel management in different countries generally conclude that unless qualified staff are recruited
into the public service, performance of public organisations will remain poor (Oluwu and Smoke 1992; Gulhati 1991). For instance, it is revealed that significant efforts by local authority officials to recruit qualified staff and remunerate them adequately, as well as to avoid employing more staff than necessary, has been a reason for the success of local government agencies in the four Sub-Saharan African countries of Zimbabwe, Kenya, Nigeria, and Benin (Oluwu and Smoke 1992:12).

On the other hand, the dysfunctional effect of not having qualified public servants can be seen throughout Africa, particularly in countries that became independent without many trained and experienced public servants. For example, from 1964-1969 the Zambian Civil Service was Africanised or transformed from the colonial rulers to indigenous Zambians at a rate of 18 per cent per annum. Given the lack of an educated labour pool it is hardly surpassing that, by 1969, about two-thirds of the mid-level public servants lacked even secondary school qualifications but occupied most of the positions in the public organizations, including the state-owned enterprises. Because of the lack of qualifications, the performance and productivity of this kind of public servant were also poor. As a result, in the case of the nationalised copper industry, the main source of income for the country, productivity declined from 12.3 tons per worker in 1973 to 9.7 tons in 1981 (Gulhati 1991:242-3).
Two unsatisfactory performers in the case studies, the Revenue Office and the Clean Water Company, also had a relatively low level of human resources, a fact which was openly admitted by both the managerial level and lower level staff in the organisations (Interviews No. 20, 22/02/01 and No. 23, 19/01/01; FGD No. 3, 02/03/01). Since educational background is the most common consideration used in recruiting and determining rank in the Indonesian public service (Gumelar 2000:1), in the most basic sense, the different quality of human resources can be compared using the educational background of the staff in the case studies. Both the Revenue Office and the Clean Water Company still hire a significant number of staff (19% for the Revenue Office and 21% for the Clean Water Company) who have only finished junior high school (that is, year 9) and primary school (that is, year 6). In contrast, the lowest educational background of the Bank staff is senior high school (that is, year 12) and only one of the 45 personnel of the Registrar Office has only completed junior high school. Having a relatively lower educational background, the staff of the Revenue Office and the Clean Water Company most likely have limited knowledge and skills to enable them to contribute to the performance of their organisations.

The most common explanation for the unavailability of educated and qualified public servants, especially in the developing countries, has been the existence of various practices of non-merit or spoils system in the recruitment of human resources into public sector organisations. For example, in a study
of institutional building in Kenyan public sector organisations, Catlett and Schuftan (1994) identify nepotism as one of the problems. It was not unusual for Kenyan senior public service managers to use their influence to secure jobs for relatives and others who may or may not have the skills necessary for the job in question. Therefore, it was not uncommon to find a ministry department staffed with people who were ill-prepared to do the work which was expected of them. As a consequence, lack of skills, negligence, corruption, theft, chronic absence from work, and failure to follow through agreed-upon tasks became endemic in ministries where nepotism was practised (Catlett and Schuftan 1994:162).

Even worse, government institutions which should supposedly be respected and give good examples of meritocracy sometimes also suffer from similar deficiencies in personnel management. For instance in the early 1990s, the Nigerian Federal Civil Service Commission, which was responsible for the appointment and promotion of federal public servants, frequently employed relatively illiterate political cronies of the President. Consequently, the Commission members lacked the knowledge, experience, and reputation to command the respect of public servants. Staff resources were being wasted with too few qualified personnel hired and retained at the top levels and too many support staff, particularly secretaries and messengers (Phillips 1991:230).
In the case studies, managerial level and lower level staff in the Clean Water Company, the least satisfactory performer in the case studies, admitted that the practices of nepotism and patronage in recruiting staff into their organisation were evident and widely known by staff. For example, apart from lacking formal standardised procedures in selecting new staff, many staff had been recruited into the Clean Water Company not because they possessed knowledge or skills needed by the organisation but merely because they had powerful and influential relatives working in the organisation (Interview No. 28, 19/12/00 and FGD No. 3, 02/03/01).

Support for the allegation that nepotism or patronage practices occur in this institution can be found by further analysing the educational background of staff in the Clean Water Company. As mentioned earlier, education background has been widely used as the most common consideration for selection of public servants in Indonesia. It is true that the Company has recruited staff who presumably have special knowledge and skills needed for the Company's operation, such as accountancy and technical engineering from, graduates of vocational high schools in economics and engineering. However, there are also staff who most likely have knowledge and skills irrelevant to the nature of tasks in the Clean Water Company, such as those who graduated from vocational high schools in agriculture and from vocational high schools for religious teachers. These staff are in many cases detrimental to overall organisational performance because they believe that
they will always have protection from their patrons, and so they work minimally, as described by a head of division in the company.

Actually, if all staff realise their responsibilities and work seriously, I believe this company will grow faster. But now, the company is just like this, stagnant. I would say that among 600 staff only around 100 work responsibly and have commitment. The rest are just ordinary. Probably, these staff are recruited because they have influential family members who also work here. As a result, many staff work just as they wish, not as they should (Interview No. 28, 19/12/00).

This in turn also demoralises the dedicated and qualified staff who get frustrated because their achievements are only rewarded similarly to or even sometimes less than achievements of the staff who perform minimally but have patrons. Another division head in the Clean Water Company expressed the condition in this way.

I have been working here for 12 years. I understand that previously this company had a transparent and standardised system of career advancement for staff. But what we see now is really different. There are a number of senior and qualified staff who are intelligent and have shown their achievements but do not enjoy career advancement without reasonable explanations. The transparent and standardised system of career advancement for staff is not applied anymore. Therefore, staff feel that their career advancement is uncertain. They become demoralised, disoriented and tend to be egocentric. The staff then become self-interested because they think there is no guarantee they will be rewarded if they put the clients first and perform well (Interview No. 25, 13/03/01).

In contrast, the recruitment and selection processes in the Bank, the most satisfactory performer in the case studies, was more transparent and involved a three-month probationary period to assess whether the applicants were qualified and suitable for the positions. Applicants successful in the probationary period were then employed on a contract basis and at the end of
their contracts their performance was reassessed before a new contract was granted (FGD No. 6, 03/03/01). Besides selecting the most qualified applicants, the probationary period was also used by the Bank to introduce tasks that the applicants had to perform if they were successful in the recruitment and selection processes. The probationary period was also used to familiarise new staff with the organisational culture in which they would be working. This really helped the new recruits to settle and perform well because they had understood, well in advance, the goals they had to achieve. A similar inference, that is, an application of a probationary period encourages good performance, is also found in a comparative study of public sector capacity in Bolivia, the Central African Republic, Ghana, Morocco, Sri Lanka, and the United Republic of Tanzania (Hilderbrand and Grindle 1994:50-1).

This same comparative study of public sector capacity in a number of countries in South America, Africa and Asia asserts that in most cases recruitment functions best to improve organisational performance when it is managed by the organisation rather than by the public service or some other public sector entity. It is argued that decentralised recruitment procedures allow individual organisations to attract the most appropriate personnel for particular activities, while centralised recruitment processes, which are generally undertaken by a national public service recruitment institution, place considerable distance to respond to the individual organisational needs.
However, the findings in the current study show that this assertion is not applicable unless decentralised recruitment procedures are applied on a meritocracy basis by the individual organisations. For example, being considered as for-profit institutions, both the Clean Water Company and the Bank enjoy relatively more decentralised recruitment procedures compared to the two other institutions in the case studies. However, the impact of these decentralised recruitment procedures on organisational performance differed enormously. Being applied more on a merit basis, decentralised recruitment procedures in the Bank led to a better organisational performance, while decentralised recruitment procedures in the Clean Water Company, spoiled by nepotism and other corrupt practices, lead to even worse organisational performance. This confirms Nunberg's (1992:20) conclusion that decentralised public service management, including recruitment, is prone to fraud and patronage. Therefore, Nunberg (1992:20) recommends that governments in developing countries should apply a centralised approach in recruiting public servants, although it cannot be assured that by doing so corrupt practices will not exist.

9.2 Staff Utilisation

Studies in many countries also find that often the problem of people management in organisational effectiveness is not so much the availability of
well-prepared personnel but how they are utilised once they are recruited into government institutions. Based on their studies, Hilderbrand and Grindle have argued that while recruitment and training are important aspects of developing capacity of public sector organisations, effective utilisation of personnel within organisations is the most important factor in determining whether public officials are productive or not (Hilderbrand and Grindle 1994:51; Hilderbrand and Grindle 1997:53). In the Clean Water Company, the least satisfactory performer in the case studies, the minimal utilisation of staff was observable in two different instances. First, the placement of personnel in many cases did not consider the skills and knowledge of staff. A general measure of this can be taken from their educational backgrounds. It was noticeable that a number of staff with technical or engineering educational backgrounds were posted in sections which were responsible for administrative tasks, while staff with accounting or economic educational background were placed in technical sections or in chemical laboratories. This kind of misplacement may make some staff feel that they are not being utilised well by their company because they can accomplish tasks in their current placements without maximally using their expertise. These staff may then consider themselves and their expertise as less meaningful and so may become less motivated to work, which in turn contributes to poor performance of their organisation. This was certainly the case in the Clean Water Company where focus group participants commented as follows:
As in the case of recruitment, we have not got any clear procedures how to place the staff. We have not yet implemented the so-called the right man in the right place. I do not think we have a kind of staff analysis. Therefore many staff are not able to work maximally because some having technical or engineering educational expertise work for administrative tasks. Some others have accounting or economic educational background but are placed in chemical laboratories. If there is staff transfer, we can not predict where we will be transferred. We just know where we are moved to when we receive the letter of transfer from the personnel unit (FGD No. 3, 02/02/01).

These staff comments were comparable to what has been suggested in other studies, that the motivation of qualified officials is greatly affected by whether their jobs are noteworthy and suitable to the level of skills and knowledge gained from their previous training and education. To the extent that employees believe they are using their talents to carry out tasks they consider meaningful, they are more motivated to contribute to the organisations (Hilderbrand and Grindle 1997:53). Furthermore, a case study in Swaziland's Ministry of Health reveals that matching staff's skills with their jobs, so that they can make good use of their abilities to perform their jobs, is an important determinant of staff satisfaction. Being satisfied with their jobs, these staff perform better and as a result the performance of the organisation also improves (Yoder and Eby 1990:160).

Secondly, the minimal utilisation of personnel in the Clean Water Company was evident in the use of third parties or contractors to perform a number of auxiliary services such as checking water metering records and bill payments. The use of third parties may be considered as a sign of minimal utilisation of personnel because the staff who used to perform these auxiliary services
remained in the organisation and many of them were idle and frustrated because they had no newly designated tasks to perform. Since these staff are almost impossible to dismiss in the current public servant employment system, the company becomes overstuffed. For that reason many staff, including middle level managers, believed that the auxiliary services contracted to the third parties should be taken back because the company not only had the staff to deliver the services but also the company could deliver these services better (Interviews No. 28, 19/12/00; No. 29, 06/12/00; No. 31, 19/12/00 and FGD No. 3, 02/03/01). This argument is supported by the survey result in which most of the services contracted out to third parties were rated poorly by the respondents in the case studies. This included such simple problems as inaccuracy in water metering records and the high frequency of moving counters for bill payments without informing the clients affected (see Chapter Five). Therefore, in the case of the Clean Water Company, the transfer of auxiliary services has achieved neither service quality improvement nor cost efficiency as the general arguments for contracting out (Hatry 1983:15; OECD 1987:51-2; Osborne and Gaebler 1993:87-9).

The immediate impact of these contractors' poor performance has contributed not only to the increase of overdue water bill payments but also to the overall unsatisfactory performance of the Clean Water Company. In addition, the Clean Water Company staff argued that because of nepotism practices the
Company was already overstaffed, even before these auxiliary services were transferred to the contractors (Interview No. 28, 19/12/00 and FGD No. 3, 02/02/02). This also weakened the ability of the company to improve staff welfare. Thus by taking back these services, the fee paid to the contractors could be utilised as incentives for staff to improve their performance.

The problem of overstaffing, as in the case of the Clean Water Company in this study and which leads to inability to remunerate sufficiently in the public organizations, is also found in many other countries because many government officials see the public service more as a means for combating unemployment and for providing social welfare for loyal followers rather than as an instrument for performing useful tasks (Oluwu and Smoke 1992:12). For example, Nunberg and Nellis (1995:7) argue that not because public servants were highly paid but because of the overstaffing resulting from rapid expansion of government employment wage bills for the public service in many African countries in the early 1980s accounted for more than half of total government revenues. The International Labor Organisation also estimated that in 1976 overstaffing in Egypt was close to 42 per cent of the total public service employment as a result of an excessive increase of three-quarters of a million government employees occurring from 1960 to 1976 (Hansen and Radwan 1982:207). Another study also showed that 6,000 out of a staff of 6,800 in the central offices of two ministries in a West African country were identified as redundant in the early 1980s (Ozgediz 1983:7).
Besides receiving minimal remuneration, the abundant amount of government spending on public servants' wages also sometimes results in a common situation of teachers without books, doctors without medicine, and postal workers without stamps to sell (Nunberg and Nellis 1995:7; Werlin 1991b:198).

### 9.3 Retaining staff

By contrast, problems of staff retention did not seem to be a major issue in these Makassar case studies, with one exception. This was an incident in which one of the experienced middle managers in the Clean Water Company decided to leave the organisation because of dissatisfaction with the politicised promotion of staff. Despite dissatisfaction with a number of aspects in their organisations such as insufficient pay, working conditions, and organisational culture, most staff in the case studies wanted to maintain their employment as public servants and showed no intention of leaving the service. This finding contrasts with many other studies which argue that developing the institutional capacity of the public sector in many countries has also been constrained by difficulties in retaining qualified personnel, either because the highly trained and skillful staff in the public sector move to the private sector or because they emigrate to other countries in search of better jobs (see, for example, Rosselli et al. 2001; Franks 1999; Blokland and Warner 1997; Lefort 1994; World Bank 1983).
This brain drain phenomenon has been documented for decades and mostly benefits the developed countries while disadvantaging developing countries. For example, in the late 1970s and early 1980s the capacity of public institutions in Turkey to implement the domestic energy program was severely curtailed as a result of the movement of experienced professionals, such as engineers and technicians, to private companies or to other countries (World Bank 1983:16). In 1991, Times Magazine reported that between 1980 and 1990 more than 30,000 highly skilled Africans emigrated and worked outside the continent (cited in Ogunniyi 2000:402). Similarly, Rosselli et al. (2001:809), quoting the American Medical Association (AMA), reported that in January 2000 there were about 2,515 Colombian-trained medical doctors licensed to practise in the United States. This was equivalent to six percent of physicians working in America nationally. The brain drain phenomenon has also hampered the sustainable development of the water and sewage sector in Vietnam and in a number of former Soviet Union states such as Kazakhstan, Kyrgyzstan, Tadjikistan, Turkmenistan, and Uzbekistan (Bloklanland and Warner 1997:21-2). In short, Lefort (1994:7) estimates that every year between 50,000 and 100,000 of the top scientific researchers, engineers, technicians, and doctors migrate from developing countries to developed countries.

At the national level, social, economic and political instabilities in the countries of origin are the most common explanations for an alarming increase of the brain drain phenomenon in developing countries, whereas
causes at the organisational level include limited career advancement, excessive workload, and unreasonably low wages (Rosenblatt and Sheaffer 2001:410-6; Ogunniyi 2000:403-4; Sopova 1999:31; Russel 1995:3-5). For example, in 1983 Ghanaian senior public servants were earning only about twice as much as unskilled public servants (compared with a ratio of 10:1 in the private sector), and mid-level public servants found themselves below the poverty line. The effect of these low wages on low retention rates was seen in the Ghanaian Water and Sewage Corporation which failed to prevent its accountants leaving the organization, and in 1984 it could only retain 20 out of the 90 engineers it had in 1979 (Werlin 1991a:248). In the late 1990s, Cohen and Wheeler (1997a:320-1) revealed that low salaries and benefits due to the inability of government to allocate more resources to recurrent salaries and benefits, as well as the unwillingness of government to ‘top-up’ salaries for those holding critical professional posts, contributed to the difficulties in building sustainable professional capacity in African public sectors.

The finding of these Makassar case studies showed that staff retention did not seem to be a major problem despite staff dissatisfaction with insufficient pay, working conditions, and organisational culture. Although this finding was in contrast with the findings of other studies noted earlier, this is consistent with the results of other studies. For example, Lippincott (1997:116-8) found that retention rate of staff who held Master and Doctoral degrees among Indonesian ministries administered under the Indonesian Ministry of Finance
and World Bank projects was more than 90 per cent. Relative job security, cultural or traditional attitudes in which government work is regarded as more respectable than private sector work, and lack of alternative employment because there are many educated people in the society competing for the most desirable private sector jobs, are probably some of the reasons why retaining good personnel is not a serious problem in Indonesia (Lippincott 1997:116-8). A similar situation is found in Mongolia in which the inability to retain good staff is often a sign of mismanagement rather than low wages. In fact, societal respect towards government officials is one explanation why the Mongolian public service has a relatively high retention rate despite the insufficient pay individuals receive by working in government agencies (Bikales 1997:455).

9.4 Training and development

Apart from staff recruitment, utilisation and retention, the role of training and development of staff on the institutional capacity of local government agencies was another aspect within the human resources dimension investigated in the case studies. What is meant by training in this study is a systematic process to develop an individual’s knowledge, skills and attitudes in order to be able to perform adequately a given task or job, as defined by Armstrong (1977:126). In many developing countries, training and institutional development have been very closely linked. Blunt and Collins
even argued that many practitioners and agencies in the
development community consider management training and development as
the primary ingredient of institution building. They believe that the key to
achieving better organisational performance lies in creating harmonious and
effective groups or teams within organizations, which can be achieved
through training (Blunt and Collins 1994:113). It is also believed that training
personnel is an important issue in public organisations because, no matter
how well qualified a person may be at the time of recruitment, becoming an
effective and efficient public servant must be taught and inculcated rather
than assumed (Hope 1987:137). Not surprisingly, international aid donors
place a very high priority on staff training, and development projects are
frequently asked to include an extensive training component within their

However, despite the dramatic increase in public administration and
management training, public service management in the Third World has
improved remarkably little over the decades (Reilly 1987: 25). Probably, one
of the reasons for the failure of training to improve institutional capacity of
public organisations is that donors and public servants in developing
countries frequently view the importance of training from different
perspectives. For example, Catlett and Schuftan (1994:160) argue that donors
in general view training as a critical component in capacity building and
therefore relate training to the needs of institutions. Donors also believe that
without technical skills, institutions in developing countries cannot sustain work initiated by the projects funded by the donors, or cannot actively participate in development. On the other hand, the public servants see training more in a personal context as the basis for obtaining a promotion and therefore they are most interested in undertaking training in an institution which will provide them with a certificate of completion, a diploma or a degree (Catlett and Schuftan 1994:160). Whether the course will in any way enable them to be more productive in their jobs may be incidental.

In the Makassar case studies, the importance of training was commented on by both management and staff across all institutions. Surprisingly, however, it was apparent that none of the organisations studied had a significant policy on training to develop either technical or managerial capabilities of personnel which would help improve the performance of the institutions. On the other hand, the need for such training was obvious as staff in the Clean Water Company who participated in the focus group discussions described in the following way.

We do not understand the policy of our organisation in terms of training and development although we can see that staff training and development is needed. For example, right now we still employ those who [because of their age] should have been retired because their skill and knowledge is still needed by the organisation. There is no regeneration. Also, we have modern equipment, rusted but never used because no staff are able to operate it (FGD No. 3, 02/03/01).

Because sponsorship from their organisations was unlikely, only a small
number of staff could afford to pay their own costs to attend training outside. However, most of the staff who were able to pay for their own training attended formal training in an institution, mostly tertiary institutions. This offered them a degree but there was little consideration to whether the course they attended would enable them to be more productive in their jobs or not.

For example, a number of staff in the Clean Water Company had been attending a tertiary institution which would grant them a degree in public administration. These staff thought that the knowledge and skills they acquired from this institution may not have been directly applicable to their day-to-day tasks, but the degree they obtained would certainly improve their grade in the organisation (Interview No. 31, 19/12/00 and FGD No. 3, 02/03/01). It seems that these staff understood well that as Indonesian public servants their grade was determined not by their skills but by their years of service and the status of their formal qualification.

The kinds of training attended by the staff in the case studies noted earlier may be regarded as management education which is mostly designed to inculcate generic knowledge, skills and abilities (Blunt and Collins 1994:114). Although management education may contribute to the attainment of organisational goals, this is not necessarily the case because management education is not designed with such specific purposes in mind. Blunt and Collins (1994:114) point out that rather than such general education what the
staff in many public organisations in developing countries urgently need to receive is specific management training and development. In designing this kind of training the needs of the organisation must be considered first and then the generic knowledge, skills and abilities may be imparted in that context (Blunt and Collins 1994:114).

Because there was no clear policy on staff training, the course attended by staff in the case studies was decided by the staff themselves. With little consideration as whether the training would enable them to be productive in their jobs, it was doubtful that the training the staff attended would positively improve the performance of their organisation. This kind of weak or negligible relationship between training and performance of public organisations was identified in other developing countries and Carter (1991:31) makes a claim that it is perhaps one of the worst kept secrets of organisational life that the measurable improvement in performance resulting from attendance at a management training course, over any given period, is all too often zero.

Apart from irrelevance between the knowledge and skills offered in the training and the knowledge and skills needed by the organizations, as found in the Makassar case studies, other reasons identified included mismanagement of training, corruption, and mistaken policies. For example, for many years USAID and other donors funded extensive training programs
in Liberia, although most of this effort was wasted because of the persistent patrimonial administrative system. This resulted in the wrong people being trained, or the trained people being overlooked for promotion (Werlin 1990:256). In Somalia USAID staff discovered that public servants were being paid so little that they had no incentive to take training seriously. In Ghana, Haiti, and Egypt, to name only a few countries, most of those trained to be medical doctors eventually left for other countries because of the low salaries paid to government doctors (Werlin 1991b:202). Therefore, in many cases the brightest and most industrious of the newly trained public servants tended to take their qualifications and market them outside the ministry which trained them. Paradoxically then, if the intent is to strengthen the government institutions, project sponsorship of formal training programs often has quite the opposite effect (Catlett and Schuftan 1994:160).

### 9.5 Conclusion

This chapter has analysed determinants of institutional capacity of local government agencies in Indonesia in terms of the human resources dimension. It has been revealed that a number of factors within this dimension have influenced the capacity of local government agencies in the case studies. Some of the factors confirm findings of previous studies while some others contradict earlier findings. This study confirms other studies which conclude that practices of nepotism and patronage in recruiting staff
have negative impacts on organisational capacity. On the other hand, transparent and merit-based recruitment practices with a probationary period to enable organisations to select the best available staff positively affected the institutional capacity of the agencies. However, the assertion from other studies that a decentralised recruitment system contributes to better organisational performance, because the individual institution is allowed to attract the most appropriate personnel, is not confirmed because of nepotism and other corrupt practices.

In terms of staff utilisation, this study also confirms previous studies concluding that staff are less motivated to work, which in turn contributes to unsatisfactory organisational capacity when staff are assigned to positions not matching to their expertise. On the other hand, staff will become more satisfied and motivated with their work when they see their appointments are suitable to the level of skills and knowledge gained from their previous training and education. However, findings in other studies which conclude that public sector organisations face difficulties in retaining qualified staff because of minimal remuneration are also not supported by this study. Besides the difficulty in finding alternative employment, the public service in Indonesia is still regarded as a favourable place of employment, with public servants afforded social respect and because of the high level of job security.

Although recognising its important role in organisational capacity, none of
the local government agencies studied have principal policies relating to the training and development of their staff. Since organisational-sponsored training is limited, only a few staff can afford to attend training, sometimes without considering whether or not the training attended will enable them to be more productive in their job.

Since this chapter is the final analysis chapter, the next chapter will present conclusions and implications that can be gathered from this study.
Conclusion and Implications

This study focused on the capacity of government institutions to provide services to the public. The main objective of the research was to compare the capacity of different local government agencies in Makassar, Indonesia, to deliver services to the public, and to examine how internal and external factors determine the service delivery capacity of public organisations. Internal factors refer to the organisation and human resources dimensions of the government organizations, whereas external factors refer to the degree of bureaucratic and political accountability as well as the level of competition experienced by government agencies. Therefore, this study has carried out two main tasks; that is, firstly, it has assessed the capacity of the government agencies and, secondly, it has analysed why the capacity of these agencies is as it is.

Apart from increasing our understanding of how the capacity of government institutions is weakened or strengthened by internal and external factors, studying public institutions is also important because of the strategic role played by public institutions in the functioning of governments in all countries. International agencies such as the UN, the World Bank, the UNDP, and the ADB acknowledge that unless the public institutions in a country function effectively, social, economic and political change and development in the country will never become a reality (Deolalikar et al. 2002; Fukuda-Parr et
al. 2002; World Bank 2000, 1998; United Nations 1982). Development theorists and practitioners also believe that although successful development is determined by a number of interrelated factors, public institutions are the most decisive and principal factor because economic and human resources for promoting development are utilised and managed by public institutions (Cheema 1980a; Korten 1980:496; Rondinelli and Ingle 1980).

As explained in Chapter One, in this thesis the term ‘institutional capacity’ is defined as the ability of government organisations to pursue their objectives to deliver quality services as assessed by their clients. Therefore, the study used subjective measures, that is, the level of client satisfaction towards the quality of services received from the local government agencies, to assess the capacity of the local government agencies in Makassar. As presented in Chapter Three, despite the continued dominance of objective indicators, such as efficiency and effectiveness, to assess the capacity of public sector organisations, the application of subjective measures is in line with global trends over the last 20 years (Office of Public Services Reform 2002; Girishankar 1998; Peters 1998; NCC 1986; Thomas and Palfrey 1996; Palfrey et al. 1992; Winkler 1987; DHSS 1979; Rosentraub et al. 1979:302).

In relation to the second part of the study, that is, the analysis of factors affecting the capacity of public institutions, the research applied a systemic or comprehensive approach which differs from the individual organisation
analysis approach used during the 1950s to the 1980s. In particular, the study applied the framework developed by Hilderbrand and Grindle in which the factors that affect the capacity of government agencies are grouped into five dimensions. These dimensions (discussed in detail in Chapter Two) are the action environment, the public sector institutional context, the task network, the organisation, and human resources (Grindle 1997a; Hilderbrand and Grindle 1997, 1994; Grindle and Hilderbrand 1995). However, within the limited resources available, the study was not able to investigate all contributing factors in these five dimensions. Instead, as guided by research questions set out in Chapter One, the study only investigated the following factors.

First, within the public sector institutional context, the study investigated the relationship between the capacity of the government agencies in Makassar and the degree of administrative and political accountability they experience. Secondly, within the task network dimension the study investigated the relationship between the capacity of the local government agencies in Makassar and the degree of competition they experience. Thirdly, the study investigated more comprehensively factors within the organisational and human resources dimensions that affect the capacity of Makassar local government agencies to deliver services as assessed by their clients.

As discussed in Chapter Four, the study utilised qualitative and quantitative
approaches. For the first part of the study, which investigated the capacity of the local government agencies in Makassar, clients of the agencies were surveyed to obtain their perceptions of the capacity of the agencies to deliver services, and both questionnaires and short interviews were utilised. In-depth interviews and focus group discussions were the main approaches used to collect data and information for the second part of the study. These interviews and focus group discussions were undertaken with staff and management of the local government agencies studied, with high level bureaucrats of the Makassar local government, with a number of non-government organisations and business associations, and with members of the local parliament or the DPRD Makassar.

Chapter Four also notes that the research findings should be viewed in terms of the limitations of the study including constraints faced during field research. For example, only four local government agencies were selected as case studies and the number of questionnaires distributed was relatively small compared to the total number of clients served by these agencies. However, although these groups of clients may not be representative of all clients in each agency, it can still be argued that they represent an indicative sample of views that may be obtained from the service receivers in general.

### 10.1 Summary and discussion of research findings

Having summarised the objectives of the study, the measures used to assess
the capacity of local government agencies, the framework applied to analyse factors affecting the capacity, the methodology utilised to collect data, and the limitations of the study, the following sections present the research findings and the implications of those findings.

10.1.1 Institutional capacity of Makassar local government agencies

As noted in the introductory chapter, the first part of this study investigated the institutional capacity of the local government agencies measured by the ability of the agencies to deliver quality services as assessed by their clients. Four Makassar local government agencies were used as case studies in this research; that is, the Revenue Office, the Bank, the Clean Water Company, and the Registrar Office. Clients of these agencies were surveyed to determine their expectations and perceptions of service quality delivered by the four local government agencies along five quality dimensions. Based on the gap score between the quality of services the clients expect to receive (expectation) and the quality of services the clients saw themselves as actually receiving (perception), the study concludes that the overall institutional capacity of local government agencies studied was relatively low or unsatisfactory.

For all four agencies (as presented in Chapter Five), the tangibles dimension which relates to the appearance of physical facilities, equipment, personnel, and communication materials of the agency consistently received the lowest score, followed by reliability, responsiveness, assurance, and empathy.
dimensions. Based on the total gap scores of the five dimensions obtained, only the Bank obtained a positive gap score, meaning only the Bank was able to deliver quality services higher than the level expected by its clients. The institutional capacity of the four local government agencies studied can be ranked in the following order; that is, the Bank has the most satisfactory institutional capacity, followed by the Registrar Office and then the Revenue Office. The Clean Water Company obtained the lowest score and, therefore, has the least satisfactory institutional capacity.

Some previous studies have indicated that age, gender, occupation, income and marital status correlate to citizen satisfaction with the delivery of different public services, while some other studies revealed opposite results. However, measured by the Spearman's rho correlation coefficient, this study found that the different gender, age, marital status, and education backgrounds of the clients surveyed did not affect their expectations and perceptions of service quality. Therefore, it may be inferred that this study was relatively accurate in measuring the different institutional capacity of local government agencies studied without the influence of respondents’ demographic differences.

10.1.2 Accountability and institutional capacity

Having summarised the findings relating to the capacity of local government agencies in Makassar, the following sections will outline findings relating to
the internal and external factors that may affect the capacity of those agencies, beginning with the relationship between the degree of accountability and the institutional capacity of the local government agencies. Amongst the different definitions of accountability, this study adopts the concept of accountability in the public sector as ‘the methods by which a public agency or a public official fulfils its duties and obligations, and the process by which that agency or the public official is required to account for a sanction’ (Dwivedi and Jabbra 1989:5). Based on this concept, the accountability mechanisms can then be administrative or bureaucratic or organisational, legal, professional, political, or moral. Accountability is significant for this study because of the argument that it relates to the performance of public sector organizations, so the higher the degree of accountability of a public organisation, the better its performance will be. Accountability in the public sector is considered to contribute to efficiency in utilising public resources and prevents public officials and agencies from ‘non-feasance’, ‘malfeasance’, and ‘over-feasance’ (Mukhopadhyay 1983:474).

This study adopts Romzek and Dubnick's views that the existence of authoritative actors, inside or outside public agencies, to define and control expectations, and the degree of control that these actors have over agency decisions and activities, are two critical factors shaping the accountability of public organisations (Romzek and Dubnick 1987:228). As the Revenue Office, the Bank, the Clean Water Company, and the Registrar Office are all
Makassar local government agencies, the Makassar Mayor as the chief executive is one of the internal authoritative actors in this study. In the case of the Bank and Clean Water Company, which are regarded as for-profit local government companies, boards of supervisors or *Badan Pengawas* (BP) (similar to a Board of Directors in commercial corporations) are another internal authoritative entity to which these two agencies are accountable. The *Dewan Perwakilan Rakyat Daerah* (DPRD), or the local parliament, which has the responsibility to decide, supervise and politically control all decisions and policies by the Mayor and the Makassar local government, is the only external authoritative actor in this study. Based on the nature of supervision and control conducted, the accountability mechanism involving the Mayor and the BP can be regarded as administrative or bureaucratic or organisational accountability, whereas the accountability mechanism involving the DPRD can be regarded as political accountability.

The study utilised two measures to assess the degree of accountability to the Mayor, the BP, and the DPRD. The first was the strength of authoritative actors to influence the agency, which was analysed from the interaction patterns between the Mayor, the BP and the DPRD, and the agencies, the frequency with which the Mayor, the BP and the DPRD used sanctions or incentives, and the frequency with which the agencies anticipated the views of the Mayor, the BP and the DPRD towards the policies to be made. The second dimension was the quality of the communication system between the
authoritative actors and the agency, which was analysed by looking at the quality and the quantity of information about the agencies received by the Mayor, the BP and the DPRD and the level of scrutiny the Mayor, the BP and the DPRD applied to the information they received.

Based on these measures, the study revealed that, in general, the degree of accountability of the city government agencies in the case studies was relatively weak. The Mayor, the BS and the DPRD had a relatively low level of influence in terms of important decisions made by the agencies, and the quality of communication between these actors and the agencies was relatively poor. Most of these authoritative entities had little influence on important decisions due to a lack of interaction in the decision-making processes between the entities and the management in the agencies, the absence of sanctions, and no anticipatory reactions from the agencies. The communication system between the Mayor, the DPRD, and the BP with the agencies was generally also poor, because although these authoritative actors possessed an abundant quantity of information about the agencies they lacked the interest and capability to scrutinise that information.

Only the BP in the Bank was potentially influential because of the existence of a more effective communication system between the lower level staff and the managers, and because in making important decisions the Bank always anticipated the reactions of the BP. In general, however, the study revealed
that the degree of administrative and political accountability in all of the four agencies was low. Therefore, it can be inferred that the degree of accountability of the Makassar local government agencies in the case studies does not have a significant impact on the agencies' performance because, despite having a similarly low degree of accountability, their performance varies greatly. In other words, the organisational performance of Makassar local government agencies is primarily determined by factors other than the degree of accountability.

10.1.3 Competition and institutional capacity

The relationship between the degree of competition experienced by the government agencies and their capacity to deliver quality services to their clients was another question investigated in this research. The main justification for investigating this relationship was the orthodox economic argument that agencies which are monopolistic are less likely to deliver a high level service to the public. On the contrary, it was argued that competition, or the existence of a significant number of providers, creates market pressure, which forces government agencies to be more responsive to the public. The result is that for many public administrators, competition is viewed as essential to organisational efficiency, effectiveness and to the overall performance of organizations, because without competition efficient and high quality services will not be achieved.
Although a number of conditions must occur before a situation can be called a perfectly competitive market, this study defines competition simply by the existence of more than one organisation or person providing or supplying the goods or services. Based on this notion, of the four agencies studied only the Bank experiences competition from other individuals and organisations that offer similar services to its own. The Bank competes with national government and provincial government banks, with private banks, with cooperatives, and with illegal money usurers to provide banking and financial services to the public in Makassar. The Clean Water Company and the Revenue Office are monopolistic agencies because services offered by these two agencies are not obtainable from any other organisation.

Even though most of the public believes that the Registrar Office is a monopolistic agency, services delivered by this agency can be obtained from any other registrar office throughout Indonesia regardless of one's domicile. Therefore, the Makassar Registrar Office is in fact competing with other registrar offices in Indonesia, especially with the registrar offices of the local governments in neighbouring cities and regions. Since people do not realise this possibility, services delivered by the Registrar Office were regarded as monopolistic for the purpose of this study.

Based on the evidence collected in the case studies, this study concludes that the competitive or monopolistic environment in which the local government
agencies operate does affect the capacity of the agencies to serve their clients. The Bank, which experiences the highest competitive environment, was rated as having the most satisfactory capacity to provide services to its clients. Operating in a very competitive environment caused the Bank to introduce a number of innovative policies to improve the quality of its services. The evidence from the study also showed that even the threat of competition is sufficient to generate incentives for improving the performance of government agencies, as shown in the case of the Registrar Office. The management and staff of this agency were aware that their agency competes with other registrar offices in other local government areas, even though most of its clients believed that this agency is a monopoly. Accordingly, the management and staff created policies to improve their services. One result was that the Registrar Office was ranked second behind the Bank in terms of client satisfaction with services delivered.

The relationship between the competitive or monopolistic environment in which the local government agencies operate, and their capacity to serve their clients, was also evident in the case of the Clean Water Company and the Revenue Office. These agencies are monopolies and were rated by respondents as having a poor capacity to deliver services to their clients. Although the staff challenged the view that the poor quality of services that their agencies deliver relates to the monopolistic condition in which their agencies operate, they believed that the existence of competitors would force
their agencies to improve their performance or otherwise their agencies would disappear. This study also revealed that there was a tendency for staff in the monopolistic agencies to take active steps to maintain the monopolistic status of their agencies or to decrease the degree of competition.

10.1.4 Organisation dimension and institutional capacity

Within the organisation dimension, there is a number of factors revealed in this study that differentiate between satisfactorily performing local government agencies and local government agencies performing unsatisfactorily. Firstly, in the agencies having a satisfactory capacity to deliver services, the staff had clearer objectives and standards to achieve compared to staff in the agencies having an unsatisfactory capacity to deliver services. Therefore, role ambiguity because of unclear objectives about what tasks they had to perform was experienced more by staff in the local government agencies which perform unsatisfactorily than by the staff in agencies that perform satisfactorily.

Secondly, the organisational structure and decision-making processes within the local government agencies that perform poorly are more hierarchical and there is little or no staff participation in decision-making processes. The staff possess less control and flexibility in carrying out their tasks and in making decisions in dealing with their clients. On the other hand, the agencies performing satisfactorily implement a less-hierarchical management style.
The research showed that, in these agencies, vertical communication between lower level and managerial level staff is intense but harmonious and intimate. Lower level staff are willing to interact and exchange views with, and communicate their ideas to, the higher level staff.

Thirdly, the study revealed that lack of horizontal communication, coordination and teamwork between staff, was identified more often in the local government agencies that were considered unsatisfactory performers. Management commitment to deliver quality services also differs in the satisfactorily and unsatisfactorily performing agencies. The management in the agencies performing satisfactorily constantly show their commitment to improving performance not only by talking but also by acting, whereas in the unsatisfactorily performing agencies the staff perceived that management commitment to organisational performance is only rhetorical.

Fourthly, the study demonstrated that the relationship between incentives in terms of monetary rewards and performance is mixed. The wages of the staff in the two for-profit agencies in the study are relatively higher than the wages of staff in the two other agencies. However, of these two for-profit agencies, the Bank performs satisfactorily but the Clean Water Company is rated by the clients as the worst amongst the four agencies studied. The study also reveals that besides monetary incentives, non-monetary incentives such as promotion affect the capacity of the agencies to deliver quality services, as does the
existence of disincentives for poor performance and a clear link between performance and incentives.

Fifthly, similar to the findings on the impact of monetary incentives on the capacity of the agencies to deliver quality services, the study also revealed mixed results regarding the relationship between the availability of physical resources and the performance of local government agencies. Having the poorest office building and lacking basic office amenities such as desks and utensils, the Revenue Office also has an unsatisfactory capacity to deliver quality services. However, the performance of the Clean Water Company was the most unsatisfactory despite having the best physical resources both in terms of quantity and quality. The study showed that it is the appropriateness of facilities to the abilities of staff and the services being provided, rather than the quantity and modernness of the facilities, that contributes to the capacity of the agencies to deliver services. For example, the Clean Water Company still manually detects and positions leaking pipes because none of the staff are able to operate the underground pipe-leaking detectors the agency possesses, whereas, the staff at the Registrar Office believed that it is quicker to prepare the registrar certificates with a manual typewriter than with computers because pre-printed forms for registrar certificates are easier to adjust in a manual typewriter than in the computer printer.

10.1.5 Human resources dimension and institutional capacity
Finally, the study also investigated whether the capacity of the local government agencies to deliver quality services to their clients is affected by the quality of their human resources and the way these agencies recruit, utilise, retain, train and develop their staff. Judging from the educational background of the staff in the four agencies studied, the staff of the agencies having an unsatisfactory capacity to deliver services have a relatively lower educational background. These agencies still hire a significant number of staff who have finished only junior high school or primary school. In contrast, only one staff member in the agencies having a satisfactory capacity to deliver quality services has a junior high school background.

In terms of staff recruitment, the study found evidence of nepotism and patronage in recruiting staff. The practices were widely admitted by both staff and management in the Clean Water Company. However, in the Bank (the most satisfactorily performing agency) the recruitment and selection processes are more transparent and involves a three-month probationary period to assess whether the applicant is qualified and suitable for the position. After successfully finishing the probationary period, staff are then employed on a contract basis and regular performance appraisals are undertaken before contracts are renewed.

This study revealed at least two instances of under-utilisation of staff in the most unsatisfactorily performing agency (the Clean Water Company). In this
agency, the staff are often placed without considering their skills and knowledge, which can be approximately determined from their educational background. Some staff become unmotivated because they have a technical or engineering educational background but are told to perform administrative tasks, while staff having educational backgrounds in accounting or economics are required to do technical work or operate machines. Furthermore, the under-utilisation of personnel is evident in the use of third parties or contractors to perform a number of auxiliary services, without terminating or re-designating the staff whose jobs or functions have been contracted out. Improvements in service quality and cost-effectiveness are often cited as two benefits to be gained from the use of contractors rather than permanent employees. However, in the case of the Clean Water Company, neither benefit was achieved. Clients rated the services performed by the contractors as unsatisfactory and cost savings were not made because permanent staff whose functions had been contracted out were not assigned other duties.

Similar to other studies, this research found that retaining personnel is not a major issue in the Indonesian public sector. Therefore, although staff are sometimes dissatisfied with a number of aspects in their organisations, they want to maintain their employment as public servants and they indicated that they had no intention of leaving the services. Relative job security, cultural or traditional attitudes, and lack of alternative employment, were sometimes quoted as the reasons why retaining personnel is not a serious problem in
Indonesia (Lippincott 1997:116-8). Finally, despite acknowledging the importance of training, none of the local government agencies studied have a clear policy on training to develop both the technical and managerial capabilities of their personnel.

10.2 Policy and research implications

This study has shown that the capacity of local government agencies in Indonesia to deliver quality services to their clients is generally unsatisfactory. Some might argue that this study arrives at this conclusion because the institutional capacity of the local government agencies is assessed with subjective measures based on the client satisfaction of the quality of services they receive from the agencies, whereas the performance of public sector institutions in Indonesia is usually assessed by objective indicators, especially in monetary terms and based on the data and information provided by the institutions themselves. For example, in terms of spending, public institutions in Indonesia are regarded as successful when they are able to spend the budget allocated to them in each financial year. In terms of revenue, the success of public institutions in Indonesia is usually determined by whether or not the institutions are able to meet the target set at the beginning of each financial year.

Because measures of success are dominated by objective indicators, the public receiving the services have not been involved in assessing the performance of
public sector institutions in Indonesia. In other words, the public does not have any influence in determining whether or not a public sector institution is deemed to be performing satisfactorily. Therefore, it can be argued that public sector institutions in Indonesia do not have an incentive to deliver quality services as expected by the public receiving the services. The public sector institutions do not care whether or not they deliver the quality services their clients expect as long as they can spend their allocated budget or collect their targeted revenue because these are the criteria against which their performance is measured.

Based on this finding, the first policy implication of this study is that if the quality of public service delivery in Indonesia is to be improved, the general public must be involved in determining whether or not a public sector institution is regarded as delivering a satisfactory level of services. Paul (1994) argues that because of the monopolistic environment in which most government agencies operate, exit (looking for alternative service providers) is not a realistic option for people, but the voice of the public can be used to improve the performance of public service agencies. For example, a study of the irrigation sector in Indonesia showed that feedback from the water users and irrigation customers improved the public accountability of the irrigation authority and contributed to better service outcomes (Paul 1994). The use of a report card in which clients record their satisfaction with the quality of various public services in Canada, Denmark, Ghana, India, Sweden, Ukraine,
the United Kingdom, the United States and the Philippines also demonstrates that public sector agencies in both developed and less developed countries can improve their performance and become more responsive if the clients are involved in evaluating the performance of the agencies (Shah and Wagle 2001; World Bank 2001; Paul 2000; Paul and Sekhar 2000; Gopakumar 1998).

A number of studies indicate that the degree of accountability correlates positively with the performance and responsiveness of government agencies in delivering services, and the existence of authoritative oversight institutions is a prerequisite for improving accountability. For that reason, many academics and practitioners argue that the unsatisfactory performance of most government agencies is related to the weakness of both administrative and political accountability. Consequently, they advocate that to improve the capacity of Indonesian government agencies to deliver services, the degree of public accountability must be strengthened. Therefore, it is not surprising to find policy proposals to strengthen the capacity of the local parliament to carry out its functions.

For example, the Gesellschaft für Technische Zusammenarbeit (GTZ) or the German International Cooperation Agency and United States Agency for International Development (USAID), based on their study of the capacity of local governments and legislatures, put forward a policy proposal and recommended a number of interventions at the system, institutional, and
individual levels to strengthen the capacity of local parliaments in Indonesia. These recommendations include the establishment of standards or minimum requirements to assess the local parliament’s performance, a better recruitment system by political parties so that their members in the local parliament have the capacity equivalent to or better than the capacity of the executive members they have to oversee (GTZ and CLEAN 2000; Rohdewohld 2000). These international agencies believe that by implementing these recommendations, the capacity of local parliament can be improved, and the accountability of the local government agencies can be enhanced, which will in turn improve the responsiveness and the capacity of local government agencies to deliver quality services as expected by their clients.

The policy proposal to strengthen the capacity of local parliaments, put forward by the GTZ and USAID, is apparently supported by the Indonesian people. Liberated from a 32-year authoritarian regime, one of the demands for many Indonesians today has been to improve the public accountability of the government by, amongst other things, improving the authority of both national and local parliaments to enable them to oversee the executive. They believe that since members of the parliament are elected and, therefore, representative of the people, a high degree of political accountability will encourage the executive to improve the capacity of government agencies and, therefore, the people will receive better quality public services (Imbaruddin 2002; Harian Kompas 2002, 2001c, 1999a). The introduction of the new
Autonomy Law Number 22/1999, to some extent, has significantly improved the capacity of the local parliament to oversee the government activities. However, as shown in this study, the existence of authoritative oversight institutions such as the local parliament or the DPRD has not effectively strengthened the degree of accountability of the local government agencies. Furthermore, the high degree of political control exercised by the parliament has not necessarily resulted in a better quality of public services because members of the parliament exercise the powerful authority they now have for their own individual benefit. The accountability of the members of the parliament towards their constituents or towards the people who elect them is still weak or unclear (Harian Kompas 2001b, 2001c).

Therefore, in the case of Indonesia, attempts to improve the capacity of government agencies to deliver quality public services by improving the capacity of parliament to politically oversee the executive (improving the degree of political accountability), as recommended by the GTZ and USAID, may not be the best and most effective alternative, although the policy to improve the degree of accountability needs to be maintained as popularly demanded by Indonesian constituents. As described earlier in this chapter, one of the findings of this study is that the capacity of local government agencies to deliver quality public services is determined by factors other than the degree of accountability.
Rather than focusing the resources on improving the degree of political accountability, in the case of Indonesia the study suggests that a more effective strategy to improve the capacity of government agencies is to improve the internal organisational mechanism and the quality of the staff, such as, setting standards and objectives for staff to achieve, empowering the staff to enable them to take important decisions, improving the commitment and capacity of managerial staff to deliver quality public services, and providing necessary and appropriate facilities for the staff to perform their tasks.

Through the UNDP, the United Nations has successfully applied the strategy in three local governments in Indonesian as a pilot. For example, in Kendari, an integrated one-stop service office was built by improving the internal organisational mechanism of a local government agency, with a computerised network, and standardised and simplified procedures for more than 13 kinds of public service. The development has been praised by the local people as very innovative and responsive (Indas 2000a, 2000b), although it can be assumed that the degree of accountability in this local government is similarly weak as in other local governments in Indonesia. Furthermore, this initiative or policy was created by the local government bureaucrats without pressures from local parliament.

Without a doubt this study showed that the local government agencies
competing with other organisations or individuals are judged by their clients as delivering services more satisfactorily than those local government agencies enjoying monopoly status. The study also revealed that even the threat of competition positively affects the quality of services delivered by the agencies, and the monopolistic local government agencies believe that their capacity to deliver quality services would be improved if they had to compete with other organisations and individuals. Therefore, another implication arising from this study is that to improve the capacity of government agencies in Indonesia to deliver quality services there is a need to introduce competition into the delivery of public services.

Ascher (1987:6) argues that of the many approaches to introduce competitive pressures into the delivery of public services, contracting out is one of the best alternatives that can be adopted at local government level to solve particular localised service problems. Contracting out is considered the least controversial form of privatisation because government authorities are still involved in planning and financing the services. In addition, contracting out has also been practised by many government agencies in Indonesia. Therefore, this approach may be the most suitable to adopt in the local government agencies in Indonesia to introduce competitive pressures into the delivery of public services.

However, contracting out, or other policies to introduce competition into the
delivery of public services, must really create competition and be implemented in a merit-based and transparent manner so that the objective of improving the quality of public services can be achieved. Otherwise, the introduction of contracting out will achieve neither improvement in service quality nor the reduction of costs, as identified in one of the local government agencies studied.

The results of this study are consistent with the results of many other studies that organisational performance is dependent on aspects within the organisational level and the individuals managing and operating the organisations. Therefore, the most effective interventions to improve the capacity of local government agencies in Indonesia may be those taken within the organisational and human resources dimensions of the agencies.

This study shows that the staff in the agencies delivering unsatisfactory services do not fully understand what they are supposed to achieve in their organisations. If this is to be reviewed then management in these agencies needs to communicate to staff not only what is expected from them but also what the agencies are trying to achieve. The management also needs to give feedback to staff about their performance so that the staff understand how well they have performed compared to the standards and expectations the organisation sets for them. In addition, the relationship between staff performance and monetary and non-monetary incentives must be clear and
transparent. Since the current performance appraisal system for government employees in Indonesia is not sufficient to differentiate between good and poor performers, a new performance appraisal scheme must be established based on the merit principle.

Empowering staff and strengthening vertical communication between staff and management can also improve the capacity of local government agencies. However, if it is to be effective then staff must also be given the opportunity to participate in training so that they feel confident and competent to make decisions that can help improve the capacity of the agencies to deliver quality services to their clients. To facilitate communication, the management also needs to build a less hierarchical relationship with their staff, and the staff members need to be given greater flexibility to carry out their tasks to maximise employee contributions to organisation objectives. Management also needs to facilitate horizontal communication, coordination and teamwork between staff. Staff need to see the management in the agencies show its commitment to improving agency performance not only by talking but also by acting. Finally, to improve their capacity to deliver quality public services, the local government agencies should ensure not only that they have the necessary physical resources but also that the technology is appropriate to the tasks to be performed and to the competency of staff.

In relation to the management of human resources at the local government
agencies, a number of interventions in the recruitment, utilisation, and retention of staff could be implemented so that the capacity of the agencies to deliver quality services can be strengthened. For example, unless the practices of nepotism and patronage in recruiting staff are diminished, the local government agencies may not be equipped with the most capable staff available in the market force. Similarly, the local government agencies must also be able to post their staff to the most appropriate positions in the agencies so that staff can utilise their skills and knowledge.

In terms of the research implications, several issues need to be researched further because of limitations of the study as described in the methodology. First, further research in which capacity is measured by objective indicators needs to be undertaken to see whether or not the results using subjective indicators to assess the capacity of local government agencies in this study correspond to the results using objective indicators. A number of studies in the 1970s and 1980s indicated that subjective measures in the form of citizen views do not reflect the actual outputs or services delivered by the government agencies (Brown and Coulter 1983; Brudney and England 1982a; Stipak 1979). However, a number of other studies found that subjective measures such as citizen evaluation are closely associated with objective measures (Ostrom 1974; Rossi and Berk 1974; Schuman and Gruenberg 1972). Involving service receivers in the assessment of the capacity of government
agencies to deliver services to the public can improve the responsiveness of
government agencies and the quality of public services they deliver. Since this
practice has not been exercised in Indonesia, further research is needed to
untangle the most effective mechanism for involving clients in examining
whether a government agency can be regarded as a success in delivering
public services.

Since this research only focused on four agencies operating in the Makassar
local government area, with a limited number of respondents, further
research involving not only local government but also central government
agencies with a larger number of respondents needs to be undertaken. This
research is needed to comprehend whether the unsatisfactory capacity of
government agencies in delivering services, when assessed by their clients, is
a general phenomenon in Indonesia. Also, such research could be beneficial to
uncover whether factors affecting the capacity of local government agencies
found in this study are applicable across all sectors and government levels in
Indonesia.

To conclude, the capacity of local government agencies in Makassar to deliver
public services is generally unsatisfactory, and therefore the receivers of
public services are dissatisfied with the quality of the services they receive
from the local government agencies. Several lessons are evident from the
Makassar local government agencies for other local and central government
agencies in Indonesia, and in other countries with similar conditions to Indonesia that are trying to improve the responsiveness and the capacity of government agencies to deliver quality services to the public. The most important lesson is that involving the general public in assessing service quality and introducing competitive pressures to the delivery of public services can make government agencies more responsive and deliver better public services.

The study also showed that another effective strategy to improve the capacity of government agencies to deliver quality public services is to introduce competition, rather than focusing resources to improve the degree of political accountability. However, since this kind of strategy would be a relatively new phenomenon for the Indonesian public service, an extensive study is needed to find the best strategy to implement such a policy.

Finally, the dynamics between internal factors such as internal organisational mechanisms and human resources, and external factors such as competition, perhaps, should be brought into alignment for greatest impact to improve the quality of public service delivery in Indonesia.
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Appendix A Questionnaires and questions asked on follow-up interviews

A. Pengantar dan latar belakang responden

Pengantar

Kuesioner ini didesain untuk mengetahui bagaimana penilaian Anda dan pelanggan lainnya terhadap kualitas pelayanan (Perusahaan Daerah Air Minum (PDAM), Bank Pasar, Kantor Catatan Sipil dan Dinas Pendapatan Daerah). Data yang terkumpul akan memberikan informasi yang dibutuhkan untuk mengetahui harapan dan persepsi para pelanggan mengenai kualitas pelayanan pada organisasi ini.

Agar tujuan tersebut di atas dapat tercapai, sangat diharapkan agar Anda dapat menjawab setiap pertanyaan dengan jujur sesuai dengan penilaian Anda sendiri. Karena yang diutamakan adalah pendapat Anda maka semua jawaban adalah penting. Tidak ada jawaban yang benar atau salah.

Saya berjanji dengan sesungguhnya bahwa jawaban Anda terjamin kerahasiaannya. Semua kuesioner yang telah diisi akan dibawa untuk diproses di Australian National University, Canberra, AUSTRALIA. Tak seorangpun dari instansi ini yang dapat melihat kuesioner yang sudah terisi.

Sebelumnya saya mengucapkan terima kasih banyak atas kerja sama dan bantuan Anda.

Hormat saya,

Amir Imbaruddin
**Latar belakang responden**

<table>
<thead>
<tr>
<th>Pertanyaan</th>
<th>Jawaban</th>
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<tbody>
<tr>
<td>Jenis kelamin</td>
<td>a. Wanita</td>
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<td></td>
<td>b. Pria</td>
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<tr>
<td>Umur</td>
<td></td>
</tr>
<tr>
<td>Status perkawinan</td>
<td>a. Sudak Menikah</td>
</tr>
<tr>
<td></td>
<td>b. Belum Menikah</td>
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<tr>
<td>Pekerjaan</td>
<td></td>
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<tr>
<td>Pendidikan terakhir</td>
<td>a. Tamat Sekolah Dasar</td>
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<td></td>
<td>b. Tamat Sekolah Menengah Pertama</td>
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<td></td>
<td>c. Tamat Sekolah Menengah Atas</td>
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<td>d. Sarjana</td>
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<td></td>
<td>e. Strata Dua</td>
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<td></td>
<td>f. Strata Tiga</td>
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</tbody>
</table>

**Wawancara Lanjutan**

Saya **bersedia/tidak bersedia** berpartisipasi dalam wawancara lanjutan.

Bagi yang bersedia, tolong tuliskan dengan cara apa kami dapat menghubungi Anda untuk megatur pertemuan wawancara tersebut.

**Nama:**

……………………………………………………………………………………………

**Alamat/Telepon:**

……………………………………………………………………………………………..

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B. Kuesioner harapan pelanggan


(Perusahaan Daerah Air Minum (PDAM), Bank Pasar, Kantor Catatan Sipil dan Dinas Pendapatan Daerah) dapat dikatakan memberikan pelayanan berkualitas kepada pelanggannya apabila:

<table>
<thead>
<tr>
<th>No.</th>
<th>Ciri-ciri</th>
<th>(1) Sangat Setuju</th>
<th>(7) Sangat Setuju</th>
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</thead>
<tbody>
<tr>
<td>1.</td>
<td>Memiliki peralatan moderen.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Memiliki fasilitas yang kelihatan menarik.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Pegawainya berpenampilan menarik.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Memiliki bahan-bahan yang berhubungan dengan pelayanan (seperti pamlet dan brosur) yang kelihatan menarik.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Selalu menepati janjinya.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
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<tr>
<td>6.</td>
<td>Selalu memperlihatkan keinginan untuk membantu jika pelanggannya menghadapi masalah.</td>
<td>1 2 3 4 5 6 7</td>
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<td>7.</td>
<td>Selalu memberikan pelayanan yang benar/tepat sejak awal.</td>
<td>1</td>
<td>2</td>
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<td>8.</td>
<td>Memberikan pelayanan sesuai dengan waktu yang dijanjikan.</td>
<td>1</td>
<td>2</td>
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<tr>
<td>9.</td>
<td>Selalu menghindari terjadinya kesalahan (seperti kesalahan pencatatan).</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>10.</td>
<td>Pegawainya memberitahu pelanggan secara pasti kapan pelayanan tersebut akan diberikan/dikerjakan.</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>11.</td>
<td>Pegawainya memberikan pelayanan yang tepat kepada pelanggannya.</td>
<td>1</td>
<td>2</td>
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<tr>
<td>12.</td>
<td>Pegawainya selalu siap membantu pelanggan.</td>
<td>1</td>
<td>2</td>
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<tr>
<td>13.</td>
<td>Pegawainya selalu siap dalam melayani permintaan pelanggan.</td>
<td>1</td>
<td>2</td>
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<tr>
<td>14.</td>
<td>Tingkah-laku pegawainya membangkitkan rasa percaya diri pelanggan.</td>
<td>1</td>
<td>2</td>
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<tr>
<td>15.</td>
<td>Pelanggan mearasa aman dalam melakukan transaksi.</td>
<td>1</td>
<td>2</td>
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<tr>
<td>16.</td>
<td>Pegawainya selalu sopan kepada pelanggan.</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>17.</td>
<td>Pegawainya memiliki pengetahuan untuk menjawab setiap pertanyaan pelanggan.</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>18.</td>
<td>Pegawainya memberikan perhatian kepada setiap pelanggan.</td>
<td>1</td>
<td>2</td>
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<tr>
<td>19.</td>
<td>Jam kerjanya sesuai dengan kebutuhan semua pelanggan.</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>20.</td>
<td>Pegawainya selalu memberikan perhatian tulus atau sepenuh hati kepada pelanggan</td>
<td>1</td>
<td>2</td>
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<tr>
<td>21.</td>
<td>Selalu memperhatikan kepentingan pelanggannya.</td>
<td>1</td>
<td>2</td>
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<tr>
<td>22.</td>
<td>Pegawainya memahami bahwa kebutuhan</td>
<td>1</td>
<td>2</td>
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</table>
pelanggannya berbeda-beda.

C. Kuesioner persepsi/penilaian pelanggan


Menurut Anda, (Perusahaan Daerah Air Minum (PDAM), Bank Pasar, Kantor Catatan Sipil dan Dinas Pendapatan Daerah):

<table>
<thead>
<tr>
<th>No.</th>
<th>Ciri-ciri</th>
<th>(1) Sangat Tidak Setuju</th>
<th>(7) Sangat Setuju</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Memiliki peralatan moderen.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Memiliki fasilitas yang kelihatan menarik.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Pegawainya berpenampilan menarik.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Memiliki bahan-bahan yang berhubungan dengan pelayanan (seperti pamlet dan brosur) yang kelihatan menarik.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Selalu menepati janjinya.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>Selalu memperlihatkan keinginan untuk membantu jika pelanggannya menghadapi masalah.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Berarti</td>
<td>Penilaian</td>
<td></td>
</tr>
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<td></td>
</tr>
<tr>
<td>7.</td>
<td>Selalu memberikan pelayanan yang benar/tepat sejak awal.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>8.</td>
<td>Memberikan pelayanan sesuai dengan waktu yang dijanjikan.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>9.</td>
<td>Selalu menghindari terjadinya kesalahan (seperti kesalahan pencatatan).</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>10.</td>
<td>Pegawainya memberitahu pelanggan secara pasti kapan pelayanan tersebut akan diberikan/dikerjakan.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>11.</td>
<td>Pegawainya memberikan pelayanan yang tepat kepada pelanggannya.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>12.</td>
<td>Pegawainya selalu siap membantu pelanggan.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>13.</td>
<td>Pegawainya selalu siap dalam melayani permintaan pelanggan.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>14.</td>
<td>Tingkah-laku pegawainya membangkitkan rasa percaya diri pelanggan.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>15.</td>
<td>Pelanggan mearasa aman dalam melakukan transaksi.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>16.</td>
<td>Pegawainya selalu sopan kepada pelanggan.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>17.</td>
<td>Pegawainya memiliki pengetahuan untuk menjawab setiap pertanyaan pelanggan.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>18.</td>
<td>Pegawainya memberikan perhatian kepada setiap pelanggan.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>19.</td>
<td>Jam kerjanya sesuai dengan kebutuhan semua pelanggan.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>20.</td>
<td>Pegawainya selalu memberikan perhatian tulus atau sepenuh hati kepada pelanggan</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>21.</td>
<td>Selalu memperhatikan kepentingan pelanggannya.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>22.</td>
<td>Pegawainya memahami bahwa kebutuhan</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
</tbody>
</table>
pelanggannya berbeda-beda.

**D. Topics asked and discussed with clients during follow-up interviews**

1. Bagaimana pendapat anda tentang keadaan fisik kantor ini. Apakah peralatannya moderen, penampilan pegawainya, fasilitasnya dan bahan-bahan yang berhubungan dengan pelayanan, seperti pamlet dan brosur, yang kelihatan menarik?

2. Bagaimana pendapat anda tentang ketepatan waktu pelayanan di kantor ini. Apakah selalu menepati janjinya, memperlihatkan keinginan untuk membantu jika pelanggannya menghadapi masalah, memberikan pelayanan yang benar/tepat sejak awal, memberikan pelayanan sesuai dengan waktu yang dijanjikan, menghindari terjadinya kesalahan seperti kesalahan pencatatan?

3. Bagaimana pendapat anda tentang daya tanggap di kantor ini. Apakah pegawai selalu memberitahu pelanggan secara pasti kapan pelayanan tersebut akan diberikan, memberikan pelayanan yang tepat kepada pelanggannya, selalu siap membantu pelanggan dan melayani permintaan pelanggan?

4. Bagaimana pendapat anda tentang keterpercayaan kantor ini. Apakah tingkah-laku pegawainya membangkitkan rasa percaya diri anda, anda merasa aman dalam melakukan transaksi, pegawainya selalu sopan kepada anda, pegawainya dapat menjawab setiap pertanyaan anda?
5. Bagaimana pendapat anda tentang citra/empati di kantor ini. Apakah pegawainya memberikan perhatian kepada setiap pelanggan, jam kerjanya sesuai dengan kebutuhan semua pelanggan, pegawainya selalu memberikan perhatian tulus atau sepenuh hati kepada anda, selalu memperhatikan kepentingan pelanggannya dan memahami bahwa kebutuhan pelanggannya berbeda-beda?
Appendix B Topics asked and discussed during in-depth interviews and focus group discussions

A. On accountability

1. Kepada siapa kantor ini bertanggungjawab?

2. Bentuk interaksi atau pertemuan yang bagaimana saja yang biasanya dilakukan/diadakan oleh kantor ini dengan (Jawaban #1). Berapa sering pertemuan itu dilakukan (Mingguan, Bulanan, Tahunan, dll)?

3. Siapa dari kantor ini yang biasanya menghadiri setiap interaksi/pertemuan itu? Siapa yang biasanya berpartisipasi aktif dalam pertemuan itu?

4. Apa saja yang biasanya dibicarakannya dalam pertemuan tersebut? Informasi apa saja (tertulis dan tidak tertulis) yang biasanya diberikan/dipaparkan oleh kantor ini pada pertemuan tersebut? Pertanyaan atau komentar apa saja yang biasanya diberikan oleh (Jawaban #1) pada pertemuan tersebut? Apakah kantor ini menganggap informasi yang diberikan kepada (Jawaban #1) penting?

5. Jika terdapat ketidaksetujuan antara kebijakan kantor ini dengan keinginan dan tujuan (Jawaban #1), keinginan siapa yang biasanya diikuti dalam pembuatan keputusan?

6. Apakah ada sangsi jika kantor ini tidak mengikuti/menjalankan perintah (Jawaban #1)? Apa saja bentuk sangsi itu? Apakah ada insentif jika menjalankan perintah (Jawaban #1)? Apa saja bentuk insentif itu? Seringkah (Jawaban #1) menggunakan sangsi dan insentif itu?

7. Dalam membuat keputusan, apakah kantor ini selalu mempertimbangkan reaksi apa yang akan diambil oleh (Jawaban #1) atas keputusan tersebut? Apakah hal tersebut akan mempengaruhi keputusan yang akan dibuat?

8. Menurut Bapak/Ibu apa yang paling penting yang kantor ini harus lakukan? Menurut (Jawaban #1) apa yang paling penting yang kantor ini harus lakukan?

B. On policies, competition, and leadership

1. Menurut Anda, apakah penting kantor ini memberikan pelayanan yang berkualitas? Kenapa?
2. Bagamana Anda mendefinikan kualitas di kantor ini?


4. Apakah instansi Anda memiliki kebijakan tertulis yang menyangkut pelayanan di kantor Anda? Jika ya, apakah kebijakan tersebut sudah diimplementasikan? Jika belum, apa sebabnya?

5. Apakah kantor Anda mempunyai kebijakan tersendiri menyangkut kualitas pelayanan (seperti Client Charter)? Kapan kebijakan itu dibuat? Kapan kebijakan tersebut terakhir kali direvisi? Jika ya, apakah kebijakan tersebut sudah diimplementasikan? Menurut Anda, faktor apa yang saja yang penting agar kebijakan tersebut diimplementasikan? Jika Anda belum mengimplementasikan, apa sebabnya? Menurut Anda, hambatan apa saja yang dihadapi oleh kantor Anda dalam memberikan pelayanan yang berkualitas?

6. Jika kantor Anda tidak punya kebijakan tertulis tentang kualitas pelayanan, dengan cara apa Anda mengkomunikasikan ke staff dan pelanggan bahwa memberikan pelayanan yang berkualitas penting bagi kantor Anda?

7. Bagaimana kantor Anda mengetahui bahwa kebutuhan pelanggan sudah terpenuhi? Pernakah diadakan survey terhadap pelanggan selama tiga tahun terakhir ini?

8. Apa rencana Anda untuk meningkatkan pelayanan di kantor Anda?

9. Staf bagian apa saja yang berhubungan langsung dengan pelanggan (tatap muka atau telepon)? Apa persyaratan khusus bagi staf yang berhubungan langsung dengan pelanggan (front-line staff)? Bagaimana staff bagian ini direkrut?

10. Pelatihan apa saja yang behubungan dengan kualitas pelayanan yang sudah diberikan kepada pegawai di kantor Anda? Kapan dan bagaimana pelatihan itu dilaksanakan?

11. Apakah ada instansi lain (swasta atau pemerintah) yang memberikan pelayanan yang sama dengan pelayanan yang diberikan oleh kantor Anda?
Apakah kehadiran atau ketidakhadiran instansi ini mempengaruhi kebijakan di kantor Anda?

12. Apa yang 'baru' di kantor Anda selama tiga tahun terakhir ini (administrative, prosedur, atau teknologi)? Kapan inovasi ini diperkenalkan? Kenapa inovasi ini diperkenalkan?

C. Topics asked and discussed with the authoritative entities

On accountability

1. Kepada siapa (Perusahaan Daerah Air Minum (PDAM), Bank Pasar, Kantor Catatan Sipil, dan Dinas Pendapatan Daerah) ini harus bertanggung jawab?

2. Interaksi atau pertemuan apa saja yang Anda lakukan dengan (Perusahaan Daerah Air Minum (PDAM), Bank Pasar, Kantor Catatan Sipil, dan Dinas Pendapatan Daerah)? Kapan atau seseing apa pertemuan tersebut dilaksanakan? Seberapa penting setiap pertemuan itu bagi Anda?

3. Apakah Anda sering mengikuti pertemuan itu? Atau apakah Anda mengutus orang lain menghadiri pertemuan itu?

4. Dapatkah Anda gambarkan bagaimana proses pertemuan itu?

5. Apa saja yang dibicarakan pada setiap pertemuan itu? Informasi apa saja (lisan dan tertulis) yang sering diberikan oleh (Perusahaan Daerah Air Minum (PDAM), Bank Pasar, Kantor Catatan Sipil, dan Dinas Pendapatan Daerah) pada pertemuan itu? Hal-hal apa saja yang menarik perhatian Anda pada pertemuan itu?

6. Jika terjadi perbedaan antara kebijakan yang diinginkan oleh (Perusahaan Daerah Air Minum (PDAM), Bank Pasar, Kantor Catatan Sipil, dan Dinas Pendapatan Daerah) dengan keinginan Anda, pendapat siapa yang biasanya dijadikan dasar dalam pengambilan keputusan?


8. Menurut Anda, apakah memberikan pelayanan yang berkualitas penting bagi setiap instansi Pemda KMUP? Apakah memberikan pelayanan yang
berkualitas penting bagi (Perusahaan Daerah Air Minum (PDAM), Bank Pasar, Kantor Catatan Sipil, dan Dinas Pendapatan Daerah)? Kenapa?

9. Bagaimana Anda mendefinisikan pelayanan yang berkualitas pada (Perusahaan Daerah Air Minum (PDAM), Bank Pasar, Kantor Catatan Sipil, dan Dinas Pendapatan Daerah)?

10. Apakah Anda puas dengan kualitas pelayanan yang diberikan oleh (Perusahaan Daerah Air Minum (PDAM), Bank Pasar, Kantor Catatan Sipil, dan Dinas Pendapatan Daerah) saat ini?


C. Topics asked and discussed with the staff members

On policies, competition, and leadership

1. Apakah penting untuk memberikan pelayanan yang berkualitas kepada pelanggan? Kenapa?
2. Bagaimana Anda mendefinisikan pelayanan yang berkualitas di kantor Anda?

3. Apakah Anda puas dengan kualitas pelayanan kantor Anda saat ini?


5. Jika kantor Anda tidak mempunyai kebijakan tertulis yang mengatur tentang kualitas pelayanan, dengan cara apa pimpinan mengkomunikasikan kepada Anda dan kepada pelanggan bahwa kualitas pelayanan menjadi adalah penting bagi kantor Anda?


7. Apa rencana Anda untuk meningkatkan kualitas pelayanan Anda?

8. Apakah Anda berhubungan langsung dengan pelanggan (secara langsung atau melalui telepon)? Apakah ada persyaratan khusus bagi pegawai yang berhubungan langsung dengan pelanggan? Bagaimana pegawai seperti ini direkrut?

9. Pelatihan apa saja yang berhubungan dengan kualitas pelayanan yang pernah diberikan kepada pegawai? Kapan dan bagaimana?

10. Apakah ada instansi lain (pemerintah atau swasta) yang menyediakan pelayanan yang sama yang diberikan oleh kantor Anda? Apakah kehadiran atau ketidakhadiran instansi tersebut mempengaruhi cara kerja di kantor ini?

11. Apa yang baru di kantor ini dalam tiga tahun terakhir? Adminsitrasi, prosedur, teknologi? Kapan dan kenapa inovasi ini diperkenalkan?


13. Pimpinan banyak melakukan kegiatan yang berhubungan dengan peningkatan kualitas pelayanan.
14. Pimpinan memiliki komitmen terhadap kualitas pelayanan
15. Pimpinan sudah puas dengan kualitas pelayanan yang diberikan kantor ini sekarang
16. Pimpinan selalu menanyakan sampai hal-hal yang kecil yang berhubungan dengan kualitas pelayanan di kantor ini.
17. Pimpinan selalu menekankan agar pegawai memberikan pelayanan yang benar.
18. Pimpinan selalu bergaul/berkumpul dengan bawahan.
19. Pimpinan mau mendengarkan saran-saran dari bawahan
20. Pimpinan selalu mengatakan bahwa pentingnya memberikan pelayanan yang berkualitas.
21. Perilaku pimpinan konsisten dengan ucapannya mengenai pentingnya memberikan pelayanan yang berkualitas.
22. Pimpinan memiliki integritas.
23. Pimpinan di kantor ini dapat dipercaya.
25. Pimpinan memiliki pengetahuan untuk memimpin kantor ini.
27. Pimpinan mau mempertanggungjawabkan semua perbuatan bawahannya.
28. Pimpinan selalu memahami keinginan pegawinya.
29. Pimpinan di kantor ini sehat jasmani dan rohani.
Appendix C List of in-depth interviews and focus group discussions

The following table lists of interviews and focus group discussions referred to in the text. Except for the Mayor of Makassar city, the interviewees would have not participated in the research unless their anonymity was guaranteed. Therefore, neither the names nor the positions of the interviewees in their respected organisations or affiliations are presented in the list.

A. List of in-depth interviews

<table>
<thead>
<tr>
<th>Number</th>
<th>Date</th>
<th>Interviewee</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>17/01/01</td>
<td>The Mayor of Makassar city</td>
</tr>
<tr>
<td>2.</td>
<td>15/01/01</td>
<td>The Mayor's speech and responses to questions on the inaugural ceremony of</td>
</tr>
<tr>
<td></td>
<td></td>
<td>the Water Company's ‘Customer Forum’</td>
</tr>
<tr>
<td>3.</td>
<td>13/01/01</td>
<td>High rank public servant in the Mayor office</td>
</tr>
<tr>
<td>4.</td>
<td>15/01/01</td>
<td>A senior manager/head of an office in Makassar local government</td>
</tr>
<tr>
<td>5.</td>
<td>13/01/01</td>
<td>A middle manager of the Makassar local government</td>
</tr>
<tr>
<td>6.</td>
<td>07/01/01</td>
<td>A chairperson of a business association in Makassar</td>
</tr>
<tr>
<td>7.</td>
<td>26/03/01</td>
<td>A chairperson of a business association in Makassar</td>
</tr>
<tr>
<td>8.</td>
<td>17/01/01</td>
<td>A businessman. Owner of a hotel, a restaurant, and a karaoke pub</td>
</tr>
<tr>
<td>9.</td>
<td>01/03/01</td>
<td>A second chairperson of a non-government organisation in Makassar. The</td>
</tr>
<tr>
<td></td>
<td></td>
<td>NGO is concerned with the improvement and protection of consumers' rights</td>
</tr>
<tr>
<td>10.</td>
<td>29/11/00</td>
<td>A director in the Bank</td>
</tr>
<tr>
<td>11.</td>
<td>03/03/01</td>
<td>A member of BP in the Bank</td>
</tr>
<tr>
<td>12.</td>
<td>09/01/01</td>
<td>A senior manager of the Bank (marketing related affairs)</td>
</tr>
<tr>
<td>No.</td>
<td>Date</td>
<td>Position</td>
</tr>
<tr>
<td>-----</td>
<td>------------</td>
<td>----------------------------------------------------</td>
</tr>
<tr>
<td>13.</td>
<td>29/11/00</td>
<td>A senior manager of the Bank (supervision and monitoring related affairs)</td>
</tr>
<tr>
<td>14.</td>
<td>09/01/01</td>
<td>A senior manager of the Bank (general affairs)</td>
</tr>
<tr>
<td>15.</td>
<td>11/01/01</td>
<td>Head of the Registrar Office</td>
</tr>
<tr>
<td>16.</td>
<td>15/03/01</td>
<td>A senior manager in the Registrar Office (financial related affairs)</td>
</tr>
<tr>
<td>17.</td>
<td>11/01/01</td>
<td>A senior manager in the Registrar Office (customer related affairs)</td>
</tr>
<tr>
<td>18.</td>
<td>25/01/01</td>
<td>A senior manager in the Registrar Office (information related affairs)</td>
</tr>
<tr>
<td>19.</td>
<td>11/01/01</td>
<td>A middle manager in the Registrar Office (birth registration related affairs)</td>
</tr>
<tr>
<td>20.</td>
<td>22/02/01</td>
<td>Senior Manager of the Revenue Office</td>
</tr>
<tr>
<td>21.</td>
<td>17/01/01</td>
<td>Senior Manager of the Revenue Office</td>
</tr>
<tr>
<td>22.</td>
<td>16/01/01</td>
<td>Senior Manager of the Revenue Office</td>
</tr>
<tr>
<td>23.</td>
<td>19/01/01</td>
<td>Middle Manager of the Revenue Office</td>
</tr>
<tr>
<td>24.</td>
<td>06/12/00</td>
<td>A director in the Water Company</td>
</tr>
<tr>
<td>25.</td>
<td>13/03/01</td>
<td>A senior manager in the Clean Water Company (research and development related affairs)</td>
</tr>
<tr>
<td>26.</td>
<td>06/12/00</td>
<td>A senior manager in the Clean Water Company (public relations related affairs)</td>
</tr>
<tr>
<td>27.</td>
<td>06/12/00</td>
<td>A senior manager in the Clean Water Company (customer related affairs)</td>
</tr>
<tr>
<td>28.</td>
<td>19/12/00</td>
<td>A senior manager in the Clean Water company (financial related affairs)</td>
</tr>
<tr>
<td>29.</td>
<td>06/12/00</td>
<td>A middle manager in the Clean Water Company (water usage and registration related affairs)</td>
</tr>
<tr>
<td>30.</td>
<td>06/12/00</td>
<td>A middle manager in the Clean Water Company (administration and personnel related affairs)</td>
</tr>
<tr>
<td>31.</td>
<td>19/12/00</td>
<td>A middle manager in the Clean Water Company (financial related issues)</td>
</tr>
</tbody>
</table>
### B. List of focus group discussions

<table>
<thead>
<tr>
<th>Number</th>
<th>Date</th>
<th>Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>29/01/01</td>
<td>Four members of the Commission A of the DPRD attended the focus group.</td>
</tr>
<tr>
<td>2.</td>
<td>29/01/01</td>
<td>Four members of the Commission B of the DPRD attended the focus group</td>
</tr>
<tr>
<td>3.</td>
<td>02/03/01</td>
<td>Four staff members of the Clean Water Company from different units/sections participated in the focus group</td>
</tr>
<tr>
<td>4.</td>
<td>28/02/01</td>
<td>Four staff members of the Revenue Office from different units/sections participated in the focus group</td>
</tr>
<tr>
<td>5.</td>
<td>21/02/01</td>
<td>Three staff members of the Registrar Office from different units/sections attended the focus group</td>
</tr>
<tr>
<td>6.</td>
<td>03/03/01</td>
<td>Five staff members of the Bank from different units/sections attended the focus group</td>
</tr>
</tbody>
</table>