

**GOOD GOVERNANCE AND GOVERNMENT SECTOR
PERFORMANCE AT
MAJLIS PERBANDARAN SEBERANG PERAI**

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**GOOD GOVERNANCE AND GOVERNMENT SECTOR PERFORMANCE AT
MAJLIS PERBANDARAN SEBERANG PERAI**

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Abstract

Good governance is a basic management principle to strengthen government administrations in partnership with stakeholders. This implies that government administrations shall continuously change and develop to a more open, transparent, accountable, equitable, cost-effective and responsive form of governance to gain trust from the public. This study intends as a guide to help personnel in the government sector to understand and apply common principles of good governance and performance at each level of the organization in order to bring about improvement. Through a quantitative approach, this study involved 1,890 staff from 15 departments of Majlis Perbandaran Seberang Perai (MPSP) aims to examine the relationship between good governance and performance.

A total of 364 personnel responded to the survey. Analysis using software Statistical Package for Social Science (SPSS) version 20.0 has found five principles of good governance were significantly positive correlated with performance. Information and decision support was strongly correlated to the organizational performance while four other elements namely accountability, leadership, strategy management and performance monitoring and transparency were moderately correlated.

A significant impact emphasized good governance principles are the key to enhance performance. It shows that good governance plays an important role in the allocation of resources and management staff to improve service delivery to the citizens. This will lead to building trust between government and citizen. A value added in the performance would also support and enhance the development and economy of the nation.

Keywords: good governance, accountability, leadership, strategy management and performance monitoring, transparency and performance

Abstrak

Tadbir urus yang baik adalah prinsip pengurusan asas untuk mengukuhkan pentadbiran kerajaan dengan kerjasama pihak-pihak berkepentingan. Hal ini menunjukkan bahawa pentadbiran kerajaan akan terus berubah dan berkembang kepada bentuk yang lebih terbuka, telus, bertanggungjawab, adil, kos efektif dan tadbir urus responsive untuk mendapatkan kepercayaan daripada orang ramai. Kajian ini bertujuan sebagai panduan untuk membantu kakitangan dalam sektor kerajaan untuk memahami dan mengamalkan prinsip-prinsip asas tadbir urus dan prestasi yang baik di setiap peringkat organisasi untuk membawa penambahbaikan. Menerusi pendekatan kuantitatif, kajian ini melibatkan 1,890 kakitangan dari 15 jabatan Majlis Perbandaran Seberang Perai (MPSP) untuk mengkaji hubungan di antara tadbir urus yang baik dengan prestasi.

Seramai 364 kakitangan telah member maklum balas kepada kajian ini. Analisis menggunakan perisian Pakej Statistik untuk Sains Sosial (SPSS) versi 20.0 mendapati lima prinsip tadbir urus yang baik mempunyai hubungan ketara dan berkorelasi positif dengan prestasi. Elemen maklumat dan sokongan keputusan didapati berkorelasi tinggi manakala empat elemen lain iaitu akauntabiliti, kepimpinan, pengurusan strategi dan pemantauan prestasi dan ketelusan berkorelasi sederhana dengan prestasi organisasi.

Kesan ketara menekankan prinsip-prinsip tadbir urus yang baik adalah kunci untuk meningkatkan prestasi. Ini menunjukkan bahawa tadbir urus yang baik memainkan peranan penting dalam peruntukan sumber dan kakitangan pengurusan untuk meningkatkan penyampaian perkhidmatan kepada rakyat. Situasi ini akan membawa keadaan ke arah membina kepercayaan antara kerajaan dengan rakyat. Nilai ditambah dalam prestasi akan juga menyokong dan meningkatkan pembangunan dan ekonomi negara.

Kata Kunci: tadbir urus baik, akauntabiliti, kepimpinan, pengurusan strategi dan prestasi pemantauan, ketelusan dan prestasi

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CHAPTER 1 INTRODUCTION

1.0 Introduction

This chapter is about the concept of good governance in government sector performance, background of the study and problem statement. It further explains about the study objectives and questions, scope, significant and definition of key terms.

1.1 Background of the Study

The government administration is part of the country's economy providing various services not provided by the private sector. The public or government sector is one of the largest sectors in the country (Business Dictionary.Com, 2014) and comprises the central government, state government, local government, government agencies and chartered bodies (George, 2005). The local government represents the third level of government after federal and state with agencies like City Hall, City Councils, Town or Municipal Councils and District Councils. The functions of the government administration is to implement policies and projects for the benefit of citizens, to improve the honesty aspect of local, state and federal government personnel and to bring forth a productive civil service delivery system in Malaysia. This sector represents the heart of the country to spearhead continuous development. The main duty of the government is to eradicate corruption, increase efficiency and improve service delivery and is receiving public interest (Cooper, 1998). Therefore, the strength of the government depends on the effectiveness of this sector.

The government sector faces extensive criticism on issues of transparency, accountability, lack of good financial management and good governance. As a measure to improve, the government has upgraded public services through various policies, rules and regulations, for example, the introduction of Key Performance Indicators and Performance Assessment to improve services. Government sector transformation was initiated to increase the performance of government agencies. Improvement in government sector transformation has been insignificant for a long time (Khalid, 2010). Significance on this subject was only recognized in the World Development Report (1983) for The World Bank. The report studied management in development which focuses on the efficiency and effectiveness of the market (Turner & Hulme, 1997).

The failure of the government to develop was no longer blamed on unproductive policy, but was instead set on the government department's poor service performance. The main debate was that government sector has to be leaner and more dynamic in order to be productive. Therefore, organizations need to be efficient and effective in providing goods and services and value for money (Turner & Hulme, 1997). The present Auditor General of Malaysia, Tan Sri Dato' Setia Ambrin Buang highlighted a case where a total of 23 out of 47 government companies for the period of 2008 to 2010 recorded a pre-tax profit for three consecutive years amounting to RM255.83 billion. Of these companies, nine suffered accumulated losses amounting to RM2.4 billion for three consecutive years. Inefficiency, wastage and low productivity is often associated with government linked companies (Ahmad & Saad, 2012).

Another negative activity that is frequently associated with public officers is corruption. Corruption often occurs when there is an abuse of power. This gives a negative picture of government officers. Anti-corruption steps taken by the government over the years has improved the nation's standing in the latest Corruption Perception Index (CPI) as in the Table 1.1. In 2013, Malaysia recorded 50 points ranked 53 out of 177 countries surveyed compared to the year 2012 points of 49 and ranked 54 out of 176 countries. In 2012, Malaysia's CPI standing was up 6 slots from 60th position in 2011. This is considered a good improvement. In 2013, Malaysia was third among ASEAN after Singapore, followed by Brunei but ahead of Philippines, Thailand and Indonesia.

Table 1.1
World Ranking of Corruption Perception Index 2001 - 2013 across ASEAN Countries

Year	Malay sia	Singa pore	Bru nei	Laos	Myan mar	Viet nam	Indo nesia	Thai land	Cam bodia	Philip pines
2001	36	4	-	-	-	75	88	61	-	65
2002	33	5	-	-	-	85	96	64	-	77
2003	37	5	-	-	129	100	122	70	-	92
2004	39	5	-	-	142	102	133	64	-	102
2005	39	5	-	77	155	107	137	59	130	117
2006	44	5	-	111	160	111	130	63	151	121
2007	47	4	-	168	179	123	143	84	162	131
2008	51	4	-	151	178	121	126	80	166	141
2009	57	3	39	158	178	120	111	84	158	139
2010	56	3	38	160	177	122	113	84	154	138
2011	60	5	44	159	181	117	105	85	164	132
2012	54	5	46	160	172	123	118	88	157	105
2013	53	5	38	140	157	116	114	102	160	94

Source: Transparency International 2001-2013. Corruption Perception Index of ASEAN 2013

The number of government and civil personnel caught and charged for corruption in Malaysia almost doubled from 546 in year 2006 to 918 in year 2011. In 2006 and 2007, the number of government servants detained for corruption is more than that of civilians but this trend reversed from 2008 onwards, where the number of civilians charged for corruption is greater as is shown in Table 1.2 (Penang Monthly, 2012). Even though this report has indicated that corruption in the government sector is less compared to non-government sector, corruption remains one of the main issues in Malaysia. Most government servants charged with power abuse and taking bribes were personnel from the support group. The Malaysian Anti-Corruption Commission in 2012 achieved an 80 percent prosecution rate compared to 75 percent in 2011 (MACC, 2012). Even though the CPI ranking of Malaysia has improved, corrupt practices must be erased from the governance activities in government sector agencies in order to gain trust from the public.

Table 1.2
Government and Civil Persons Arrested for Corruption Crime Index 2006 - 2011

Sector	2006	2007	2008	2009	2010	2011
Top Management	1	2	5	2	8	3
Profession Management	52	54	60	29	37	91
Support Group	224	247	217	159	248	229
Total Government Servants	277	303	282	190	293	323
Private	148	159	169	107	102	145
Public	118	129	148	180	545	447
Politician	3	-	6	23	4	2
Council Member	-	-	-	-	-	1
Total Civilians	269	288	323	310	651	595
Grand Total	546	591	605	500	944	918

Source: Malaysian Anti-Corruption Commission 2006-2011. Corruption Crime Index, Penang Monthly 2012

The Malaysian government is serious in the war against corruption with steps leading to the implementation of good governance concept in the government sector administration. Good governance was given much prominence in the administration of former Prime Minister, Tun Dr. Mahathir Mohamad who promoted the Clean, Efficient and Trustworthy Policy in 1982. This was followed through by Dato' Seri Abdullah Ahmad Badawi who succeeded him. A National Integrity Plan was formulated in 2004 and integrity institutions were set up to improve integrity among government servants (Malaysian Institute of Integrity, 2004). Many improvements were made and this continued with Datuk Seri Najib Abdul Razak, the present Prime Minister. The Transformation Program by the government was initiated in 2009 to strengthen the Malaysian Civil Service through an efficient and effective public sector. However, there are still many weaknesses in the government administrative machinery. Public complaints ranging from inefficiency, ineffectiveness, corruption and abuse of power continues to be an issue (Siddiquee, 2014).

At present, good governance role is an important function in the establishment of confidence and trust of citizens in public sector organizations. It is looked at, as the main basis that draws attention to non-government sector investments for the economic growth in the country (Badawi, 2005). These beneficial elements of good governance are to be exercised in daily work practices of every public sector employee and are valuable. Therefore, the government sector in Malaysia should realize that they have to improve and strengthen good governance in order to carry out service delivery all the time (Mohd Sidek, 2007). A complete change of attitude, mind set and honesty values of government

servants is very important because this group forms the biggest service sector in Malaysia playing a crucial role in the nation's development (Malaysian Institute of Integrity, 2004).

Government sector governance is about the way public servants implement policies and make decisions. The most essential factor in government sector governance is the mutual understanding of responsibility and link between the organization's stakeholders and operational managing team (Barrett, 1997). For example, Cadbury Report (1992) introduced 3 basic standard elements of corporate governance, namely honesty, transparency and answerability. This later becomes the pioneer government agencies governance model by British Chartered Institution of Public Finance and Accounting (CIPFA, 1995). The advantages of the concept of government sector governance focus more to the growth of the principles or characteristics for good governance (Engku Ali, 2010). Therefore, delivery system can be improved when the organizations management implements better services without adding excessive red tape in the process. This is where the public demand for services and products may be delivered by civil servants in a skilled manner without waiting for a long time to fill forms or are requested to return later (Hodges, Wright & Keasey, 1996).

Such situations may give a picture of non-performing government and that there are tight rules and red tape (Frant, 1993; Hodges, Wright & Keasey, 1996). There is significance for the government agencies to use model of good governance elements to improve the delivery system. Barrett (1997) stated decisions can effectively take place in governance rather than in a managed sense. Therefore, dispensing high grade products and services to

the people is an important angle to be addressed by the government sector (Audit Commission United Kingdom, 2003). The application of good governance in the government sector enhances the lives of citizens, maximizes resources, increase accountability, improve management, service delivery and performance as emphasized (International Federation of Accountants, 2001). When good governance builds up and when good governance is significant in the government sector, the public will believe that their aspirations will be fulfilled.

The government sector has to embrace two important elements of good governance to qualify as practicing good governance. The Australian National Audit Office concluded that performance and meeting the specified standards are vital. Organizations in government sector should implement it within the principles of managing risk. These two requisites strengthen one another and enable government servants to apply good governance practices and procedures in their everyday work (ANAO, 2003). These two approaches are how an organization in the government sector can apply good governance details. The first approach is called performance where the good governance contributes to the general function and the dispensing of merchandises and services or implementation of activities. The other approach is the organization has to obey the rules, laws, standards regulations and people's hope for integrity, accountability and openness defined as meeting specified standards (ANAO, 2003; Tricker, 1994). Edwards and Clough (2005) points out that the Royal Commission Report reported that good governance practices may provide a good environment by structures and systems, but finally it is the citizens that will certify whether governance purpose was achieved or not.

Furthermore, the government sector has to accommodate to the demands of the general community rather than select groups within society which the government sector approach is geared towards citizen centered management. For this reason, the local government has given more importance to relationships and partnerships as when compared to the past (Ismail, Bayat & Meyer, 1997). The United Nations Development Program also recognized that good governance assists and encourages change utilize knowledge, increases skills and benefits citizens (UNDP, 2007). Governance implies the affairs of a nation that exercise political, economic and administrative authority where governance is also a complicated process that involves citizens, non-government organizations (NGO) who execute their rights under the law and settle their differences (Sakiko & Richard, 2002).

Good governance has always been a center of dispute, especially by non-government agencies, academicians, individuals and the political parties. In Malaysia, there is a growing burden on this matter (Haniffa & Hudaib, 2006; Shakir, 2004). This was supported by Khatri, Leruth and Piesse (2002) which stated that performance of the government sector is related to good governance practices. Study on World Bank in 1999 by Kaufmann, Kraay and Zoido-lobaton supported the fact that there exist a link between good governance and development outcome, emphasizing that good governance is very valuable and necessary for continued sustainable development. Scarce resources in the country will be properly utilized with the application of good governance together with accountability and transparency and will enhance good governance management in the government sector. This will refine performance and service delivery, which in turn will

improve customer satisfaction. Being effective and efficient is important in gaining public confidence and in meeting their desire. Sendt (2002) explained that government sectors all over the world face high failure rates when they are unable to perform efficiently in managing government sector organizations.

Therefore, instilling good governance in the government sector especially the local government authority is in response to the many issues of indiscipline, wastage and abuse of power in the system of government administration, even though much has been done to address this problem from becoming worse. The report of government sector inefficiency has given rise to a lack of confidence of the public towards services provided by the government (Utusan Malaysia, 2000). A significant factor in government sector governance is responsibility and understanding between operational management and stakeholders. Every staff member must understand and be very clear about the functions of good governance, their own roles and being responsible for others. They need to understand and consistently follow the rules (March & Olsen, 1995; Mayntz, 1998; Mazmanian & Sabatier, 1983; O'Brien, Goetz, Scholte & Williams, 2000) as the public acknowledges the importance of good governance in public sector (George, 2005).

1.2 Majlis Perbandaran Seberang Perai

Since the aspect on good governance is important and necessary in the Malaysian Government Sector, an appropriate organization, the Majlis Perbandaran Seberang Perai (MPSP) or the Municipal Council of Seberang Perai was chosen for the study. MPSP which is a local government authority is a third tier government sector and closest to the

citizens and play an important role in the society (Khalid, 2010). Local governments are given powers to carry out, plan and the authority to appoint and assign duties in a local area. Local governments are empowered to provide social facilities according to the Local Government Act 1976. MPSP is financially autonomous and have the powers to make decisions in their administrative area and like all local authorities in the country, is governed by the Local Government Act 1976. MPSP can be deemed as a close service department. Guidelines on the role and responsibilities of MPSP are contained in the Local Government Act 1976. The goal of MPSP is to provide good client services and enhance core business within the boundary of the municipality. The federal government cannot directly interfere in the affairs of the local government but through the Ministry of Housing and Local Government works closely with the state and local government on matters pertaining to local government issues. The National Council for local government was set up to coordinate and resolve various issues at the local government level. These include streamlining and implementing national policies in all local governments including MPSP.

MPSP is indirectly controlled by the state government because the appointment of the President and all Councilors in MPSP is the prerogative of the state. MPSP deals in public health and safety, managing of solid waste, planning of urban structure, protection of the environment, development in the social and economic field and maintaining the urban infrastructure within the municipality boundary. The main focus of the study is the structure of the organization within MPSP consisting of 15 functional departments which have 1,894 personnel and 6 Council Committees headed by 24 councilors. The Chief

Operating Officer of MPSP is the Municipal Secretary. The Chief Operating Officer assists the President of MPSP to supervise and co-ordinate the daily operations of all the departments. They are Management and Human Resource, Legal Services, Treasury, Valuation and Property Management, Town Planning, Building, Engineering, Urban Services, Health Services, Enforcement Directorate, Community Services, Licensing, Corporate and International Relations, Commissioner of Building and Landscape Department as shown in Figure 1.1.

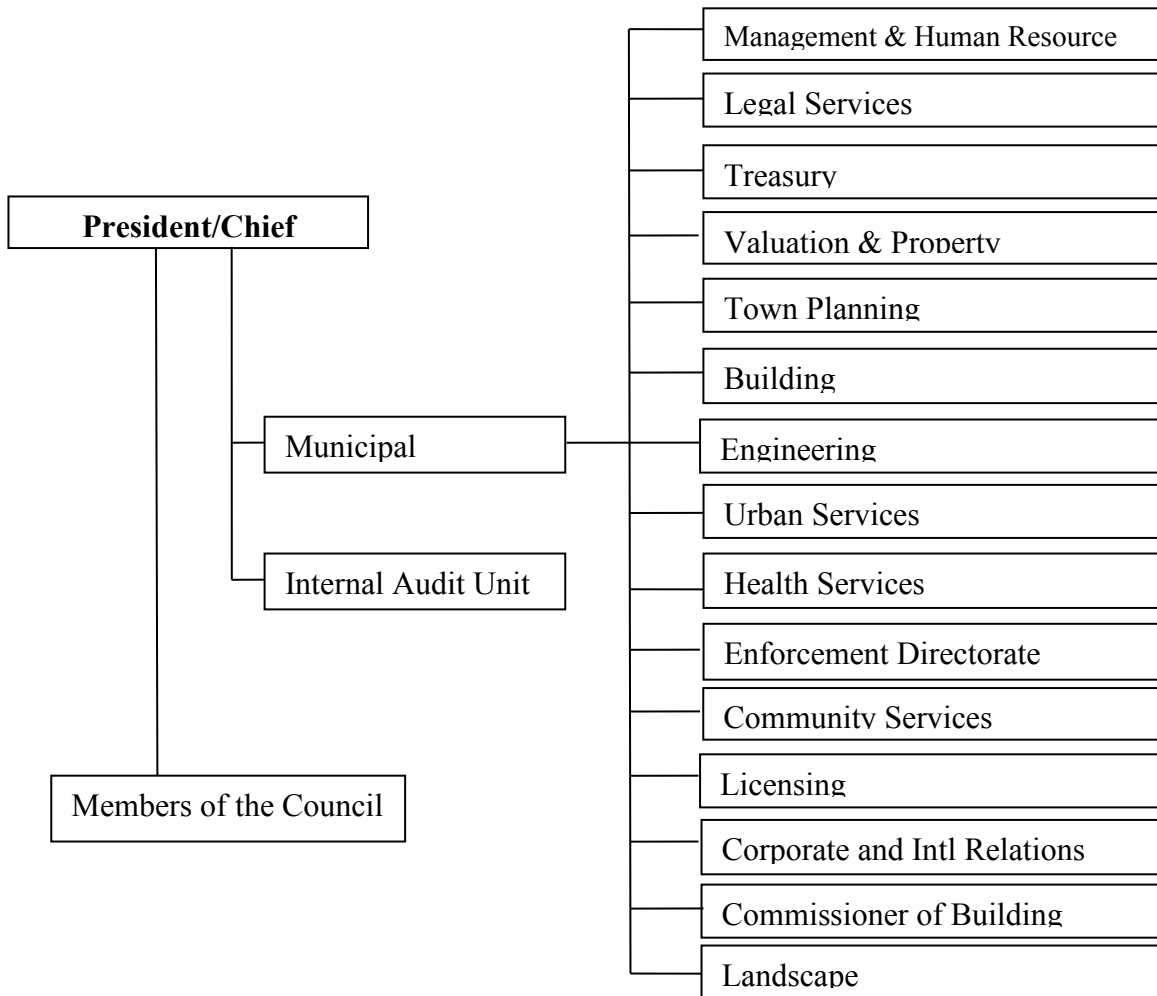


Figure 1.1
Organizational Chart
 Source: MPSP

1.3 Problem Statement

In the early years of the new millennium, MPSP was on a deficit budget and its financial standing was questionable. For the year 2000 until 2007, the financial status of MPSP was bad incurring losses of RM230 million (The Sun Daily, 2009) with reserves plunging from RM225 million in 2000 to RM6.4 million in 2008. However, MPSP financial standing improved in the year 2008 for the amount of RM29 million compared from RM26 million in the year 2007 (The Sun Daily, 2008). It was because there is a change in leadership at the state level where the new government practices competency, accountable and transparency (CAT). Table 1.3 and Figure 1.2 show the financial report of MPSP.

Table 1.3
Total Income and Total Expenditure of MPSP 2000 - 2013

Year	Total Income (RM)	Total Expenditure (RM)	Surplus/Deficit (Net) per Annum RM
2000	108,187,293	113,245,596	(5,058,303)
2001	109,963,370	141,530,031	(31,566,661)
2002	113,073,683	149,739,601	(36,665,918)
2003	109,624,073	148,665,349	(39,041,276)
2004	122,976,622	171,914,589	(48,937,967)
2005	130,993,325	188,070,612	(57,077,287)
2006	148,707,717	154,108,323	(5,400,606)
2007	140,773,594	145,877,988	(5,104,394)
2008	146,285,627	143,267,338	3,018,289
2009	157,400,632	142,829,494	14,571,138
2010	167,669,222	144,633,151	23,036,071
2011	173,654,700	160,057,042	13,597,658
2012	178,571,221	174,424,152	4,147,069
2013	199,811,771	197,069,228	2,742,543

Source: MPSP Treasury Department 2000-2013.

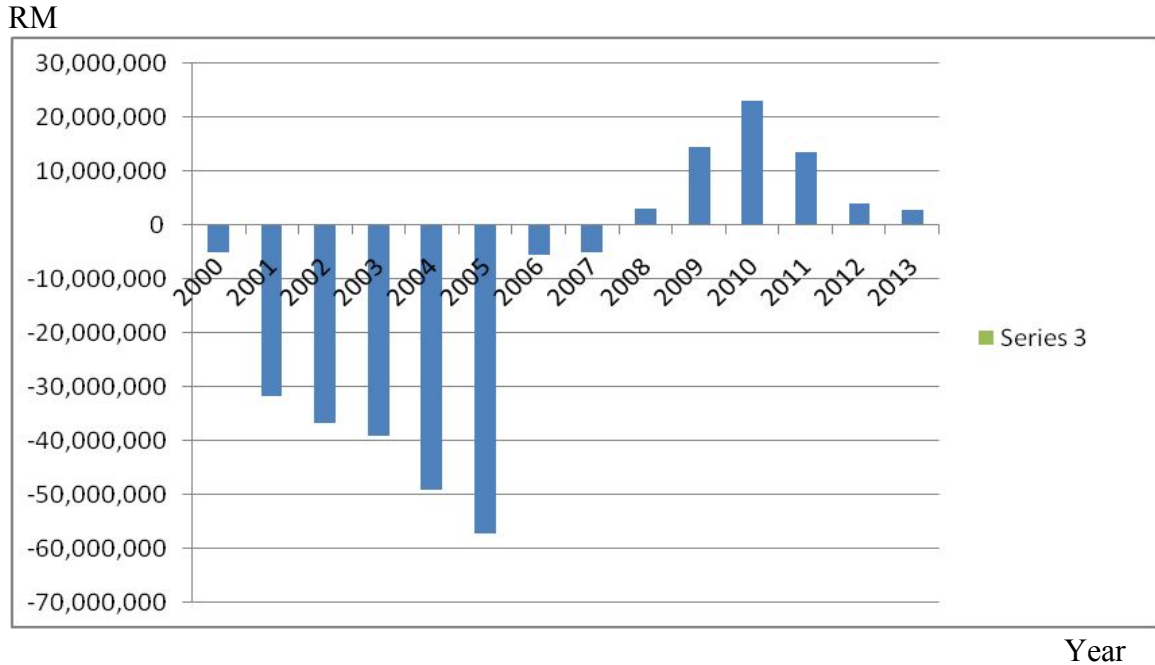


Figure 1.2
Total Income and Total Expenditure of MPSP 2000 - 2013
 Source: MPSP Treasury Department 2000-2013

Even so, cases of complains from the public against local governments generally increases yearly. According to the Penang Public Complaints Bureau and Penang Information and Complaints System (e-PINTAS) as compared with all other government departments and agencies (*refer Appendix 2*), the two local authorities received the most complaints for the period 2009 to 2013 as in Table 1.4.

Table 1.4
Yearly Statistic Cases of Complaints on MPSP & MPPP 2009 to 2013

No.	Agencies Received Complained about Local Government (MPSP/MPPP)		Year				
			2009	2010	2011	2012	2013
1.	Penang Public Complain Bureau	MPSP	34	98	74	91	40
		MPPP	42	87	76	65	53
2.	Penang Information and Complains System(e-PINTAS)	MPSP	75	156	225	218	228
		MPPP	180	263	245	252	304

Source: Penang Public Complaints Bureau and Penang Information and Complaints System (e-PINTAS) 2014

From the statistics above, the government sector is often criticized for not practicing good governance and for this reason, this study was undertaken to evaluate on how far good governance was adopted and practiced in MPSP (Khalid, 2010). It is important that every government sector practice the concept of good governance, as a country's economy also depends on the products and gains from the government sector (Nicholl, 2006). At present, there is an increase in awareness and concern about governance around the world (Ryan & Ng, 2000). This include concerns regarding the organization structure, operational and administration to accomplish strategic goals, returns to the shareholders, customer services and employees relationship. Nevertheless, in the government sector, governance issues are of wider range. It is about Parliament, the government sector, boards, management, administration and authority in assuring that the best delivery systems are offered to the public (The Independent Commission UK, 2004).

Barrett (1997) opines, government agencies manages in a limited and complex surrounding and touches on a vast political, economic and social aims. Public sector roles largely touch on initiating programs based on policies and regulations economically. In doing this, a good outcome is achieved for the people. Langlands (2005) expressed a need for good governance in the government sector which plays an important economic function. In order to give guidance to a government, more disclosure and practices of governance issues need to be probed. Good organization performance as a result of good governance was discussed and gained acceptance in both government and private sector. Parekh (2007) revealed managers, researchers, policy makers and renowned personality in the academic field are interested in the link between good governance and organization

performance. Langlands (2005) stresses the main role portrayed by the government sector in the economy to justify the importance of good governance practices. Poor governance in the allocation of the country resource will bring about wastage, inefficiency, low productivity and these will lead to a low quality of life.

This study was also undertaken for the reason of scarcity in studies about governance in the government sector, specifically in the usage and competence about governance (New South Wales Office, 1997a, b). According to Ryan and Ng (2000), literature review on issues of governance and examining the government sector as a whole is limited. Understanding governance concept is the key to initiating good governance in the government sector. The governance framework must be spelled out with an adaptable way across the varied government agencies. The researchers also claimed that there is limited information for application on governance and dissimilarity in the government sector. Ryan, Stanley and Nelson (2002), Kloot (2001) and Skelcher and Mathur (2004) admitted some research on public sector governance was carried out, but the scope is rather limited. Ryan and Purcell (2004) noted that governance literature by the government sector focus more on developing the model and best practices by the professionals and researchers, but explicit exposing of issues pertaining to governance is rare in government sector.

This study hopes to provide an insight into the work of MPSP officials and to gauge their understanding of the concept of good governance and their perception of good

governance practices applied in the government sector. This is a mechanism that can be used to assess the performance of public agencies that will give the best services to customers. Officers can make their own assessment of the services they provide to their customers in carrying out their job. This study was done to analyze the extent to which MPSP personnel understand and evaluate the application of good governance and performance in local government administration.

1.4 Research Question

1. Does good governance (accountability, leadership, strategic management and performance monitoring, information and decision support and transparency) have a link with performance?

1.5 Research Objective

1. To examine the relationship between good governance (accountability, leadership, strategic management and performance monitoring, information and decision support and transparency) and performance.

1.6 Scope of the Study

Majlis Perbandaran Seberang Perai (MPSP) was chosen in this study. Personnel from 15 departments were chosen to evaluate the link between good governance and performance. They faced challenges by giving good service delivery such as reducing cost of government expenditure, outsourcing and improving efficiency to maximize value for the citizens.

1.7 Significance of the Study

Every government sector in the world will encounter a greater possibility of loss if it fails to manage government sector organizations in an efficient manner (Sendt, 2002). Having excellent ties with people helps improve the economy with better outcomes in development (Kaufmann, Kraay & Zoido-lobaton, 1999). Poor governance results in bad services and financial loss (Audit Commission UK, 2003; Carmichael & Kaufmann, 2001). The provision of services and products of high standards to people is an important aspect the government should recognize (Audit Commission UK, 2003). Improvement of delivery system to be upgraded without having much red tape (Hodges, Wright & Keasey, 1996) and gaining trust from the public (Audit Commission UK, 2003) will definitely picture better governance and performance (George, 2005).

Failure in getting public support has a damaging effect on the country's economy resulting in a disinterest to vote or to help in economic development. This causes investment outflow. Therefore, an implementation of management of good governance framework is necessary when the government sector fail to admit their mistakes and seems to have lack of control. Building faith from the government sector is crucial as it gives an impression that the government is being open, honest and transparent in line with people's aspirations (Audit Commission, UK, 2003). Governance is critical to the government sector where it helps to deliver in the interest of the people, not forgetting its duty, honesty, accountability and aims (Langlands, 2005). The government sector has to display such good values to people as government servants are paid through tax payer's

money. In another words, the government sector when dealing with good governance issues are certain to publicly show good relationship and performance (George, 2005).

George (2005) also acknowledged that good governance is important both in the corporate as well as in the government sector. Skelcher and Mathur (2004) argued that the studies done on government governance is very limited in this area, therefore researching the link of organization performance with good governance can help the following:

- This study will provide added knowledge on good governance for MPSP and other government agencies.
- There should be an expansion and addition of more research writing in the study of good governance in government sector in the Malaysian context.
- To provide knowledge, information and alert public officers regarding the consequences and importance of good governance in government agencies.

From the above given information, this research will benefit the government sector in Malaysia as a whole and in particular MPSP. Findings of this study will help the government sectors, particularly the authorities in local governments to exercise good governance at all times so that citizen's satisfaction will always comply and be in par with the standard set. In this era, customer satisfaction is viewed as an important requirement in the government sector (DAC, 1/2005). An order was given by the federal government in 2005 requiring all government organizations to use Key Performance Indicators and related standards. Key Performance Indicators are recognized tools to

empower the government sector as recommended in the 9th Malaysia Plan. By 2010, it is compulsory for all government agencies in Malaysia to implement this requirement (EPU, 2006). In fact, application of a culture based on performance is a benchmark to make sure that Malaysian government would attain international class position (DAC, 2/2005). Therefore it is necessary for this study to investigate good governance and performance that will provide important information regarding governance to all government agencies as a whole since there is involvement of civil personnel.

1.8 Definition of Key Terms

Good Governance – method in which influence is applied in the management of a country's social and economic resource for development (World Bank, 1992).

Accountability or Answerability –a duty to respond to choices and actions made on behalf of stakeholders (Brennan & Solomon, 2008; Oakes & Young, 2008).

Leadership – a person inspires others to achieve an objective and leads the organization in a manner that make it more consistent and clear (Sharma & Jain, 2013).

Strategic Management and Performance Monitoring – a picture of how each worker affects team, division and agency goals and working closer to these goals help to achieve agencies' priorities (Murphy, 2007). Monitoring performance is to plan and monitor to the effectiveness and competencies of an organization (ANAO, 2003).

Information and Decision Support – access information to attain knowledge required to support policy decision in accord to situations and development and also doubt (Walker, 2000).

Transparency or Openness – being open to all the decisions and actions are taken (Chapman, 2000).

Performance – Delivering goods and providing services in an efficient and effective manner (APEC, 2011).

CHAPTER 2 LITERATURE REVIEW

2.0 Introduction

This section explains performance measurement and good governance according to the previous scholars. It also includes principles, procedures and practices of good governance in the government sector. The link between governance and performance together with theoretical framework and hypothesis development are also discussed.

2.1 Performance

Performance as an outcome that contributes to strategic goals of an organization, economic outcomes and client satisfaction (Rogers, 1994) and according to Otley (1999), it is more of result orientated and doing work. Performance in the government sector is defined as an accomplishment of a planned outcome (Drucker, 1990; Radnor & McGuire, 2004). The writer explains that performance is the satisfaction degree of expectation of the shareholder (Bovaird, 1996). Some researchers agreed that there exist a wide range of meanings, points of view and application (Carter, 1991; Downs & Larkey, 1986) and getting a consensus on government sector performance among researchers is a difficult task. Campbell (2002) and Mauhood (1997) also conclude that performance viewed in the government sector is a not an easy idea to define. There are three ranges of performance that is important in the government sector. Firstly, it is the recommendation of the individual entity. Next are the types of service system and finally customers or people (Bovaird, 1994). Performance literature that relates to three E's that is effectiveness, efficiency and economy are based on the output and input model of the organization (Carter, Klein & Day, 1995; Flynn, 1997; Rouse, 1999).

2.2 Government Sector Performance Measurement (PM)

At present, there is an increase in attention given to PM and evaluation in the government sector (OECD, 1996; Power, 1997). Although PM in the government sector is considered new but there are large amount of literature written about PM since 1970s (Boland & Fowler, 2000). Even though there are many theories written about PM, there is little that has been known in operational practice in the government sector context (Boland & Fowler, 2000). In the government sector, the main concern is on the social needs of citizens and not on maximizing profit because there is little or no income generated. However, a new benchmark has been developed which deals with reporting, collection and appraising performance (Holloway, 1999; Rouse, 1993).

PM is a method of upgrading programs effectiveness, motivation, define goals, to improve accountability, promote innovation, reduce wastage and promote citizen's support for the programs (Thompson, 2000). Wholey (1999) sees it as a regular measurement of specific as inputs and outputs, intermediate or outcomes of activities. Performance is measured in terms of achieving goals, where the departments want their individual staff to achieve the organizational goals (Hatinen, 2004). PM acknowledges the issues on operational performance in organizations and government systems (Atkinson, Waterhouse & Wells, 1997). Halachmi and Bouckaert (1996) stated that in government, PM is a combination that contains components, systems or methods, guide lines, process and criteria that govern the need of input and output (outcome). The United States General Accounting Office (1992) states that government sector PM of productivity is a regular collection of data report of input or efficiency which is made up

of staff, material and cost, where effectiveness is the activity of work level produced and finally the products or services is the outcome. Sorber (1996) explained PM is an objective illustration of component of a policy, product or budget process. PM begin from performance indicators that measure effectiveness, efficiency, quality, time and accessibility (OECD, 1996) and an important element in monitoring, improving and controlling the government services (Bouckaert, 1996). This is also supported by Skelcher and Mathur (2004) that stated PM is connected to being efficient, effective, service of quality and in agreement with normative guideline. Yacuzzi (2005) on the other hand states that it is a process of quantifying activity advancing to performance. While OECD (1996) states that the fundamental aim of PM in the government sector is to provide good decisions and to improve results for the community.

The first step to measure departmental performance is to determine what the organization is trying to attain and other basis on how to determine the achievement or failure of departments (Hatinen, 2004). The second step is to define PM and their goals. They are valuable to performance targets and measures which demonstrate effectiveness, efficient policy, program and process (Phang, 2006). There are three main elements used to assess performance which are economics, efficient and being effective to determine whether arranged goals were reached by the government sector or otherwise (Pollitt, Girre, Lonsdale, Mul, Summa & Waerness, 1999).

Obtaining the right resources from an adapted standard with the minimum cost is known as economy or cost (Campbell, 2002). These economy measurements are commonly used

in the government sector such as budgeting, costing and staffing while the result can be compared with similar organizations using this measurement as cost for each service, the quantity and different class of personnel employed. This measurement can be interpreted as staff and student ratio, cost for a patient, number of employed skilled and professional personnel. These changes in the PM picture the economy of the organization but there is little knowledge provided regarding working processes in the organization (Boland & Fowler, 2000).

Efficiency means the ability to achieve results with effort, natural resources, money and time. According to Boland and Fowler (2000) for a given input, an increase in the number of output shows how efficient resources are converted into products by an organization but little is given about the output value or effectiveness. However, Phang (2006) states the amount of the standard service production is at the minimum cost then efficiency is considered achieved. Sorber (1996) declared that public sector performance measurement include elements of efficiency, effectiveness and productivity or service delivery.

Effectiveness is about the output involvement in organization which involves the demands and requisite ability to measure the work task results, which is consistent to organization goals and objective, harmonizing with the mission and vision. The author agrees that measuring effectiveness is complex (Boland & Fowler, 2000). Bovaird (1996) implies PM in the government sector can be based on productivity that is the ratio of input and output, where effectiveness shows achievement, efficiency measure quality and budget is the cost per unit of the output and input.

According to Drucker (2001), without efficiency there is no effectiveness. The way is to do well in what that has been planned (effectiveness) than doing well in something that is not basically concerned. This shows that the relationship between efficiency and effectiveness is important. Mandl, Dierx and Ilzkovitz (2008) in an article written on effectiveness and efficiency in public spending, acknowledged that effectiveness and efficiency research is based on the correlation between entries or input, results or output and effects or outcome.

According to Bovaird (1996) PM in the government sector should always observe the total sum of aspects, the form and the contents in its frameworks. On the other hand, Bouckaert (1996) describes the model for PM in government sector which consists of citizen satisfaction, efficient and being effective for productivity showing the relationship between the government sector and citizen satisfaction. Greiner (1996) explained that government sector measurement is made up of the economy, resources, task and customer satisfaction.

Performance indicators are established to measure performance in the government sector, for example in the federal government, local government and agencies like in departments and training centres (Bovaird & Gregory, 1996). Furthermore, Booth, Dawes and Kigbo (2004) explained that performance indicators are values used for measuring output. This involves measuring effectiveness of the services which is output and efficiency which is productivity and client satisfaction. Performance indicators are instruments measuring organization strategy, resources, management, motivating

education in government organizations (Bovaird & Gregory, 1996). Campbell (2002) explained that performance indicators are for measuring performance in the government sector and they were refined in the direction of the outcome of the services, customer fulfillment, input and output product and services.

2.3 Hindrances in Performance Measurement (PM)

Campbell (2002) on the other hand, states that there are four hindrances to performance measurement in government sector. Firstly, the resources are scanty and limited and this has resulted in constrain in the performance evaluation process in the government sector. This is because of the lack of funds (Campbell, 2002) and limited evaluation scope in the government sector (Washington, 1999). Secondly, the structures and processes set by the government are given less recognition by the shareholders (Berman & Wong, 2000) and the appraisal of performance is made up of the electoral cycle. Thirdly, it involves the interest of various shareholders in the government sector and is accountable to various groups like the tax payers. They will be keen to know the area of measurement of performance regarding the cost effectiveness and efficiency where else the politicians are more interested about the social outcome. Finally, it is about the measurement and methodology reacting to government sector performance. The reasons are because there are no clear organization policies and objectives within the framework of the government sector. According to Wholey (1983), the government sector organization functions in a multiple political environment, whereby the organization aims and regulations are being used all over to the advantage of the stakeholders. This has resulted in failures in

developing indicators that are reliable and credible and in agreement to the objectives and policies.

2.4 Government Sector Performance Measurement (PM) Framework

Framework is usually referred to as a model or structure and some literature refer to it as the PM process from the description of objectives and an advancement of indicators. There are different models used for the government sector PM and reporting indicators model which share the common features in the aspect of performance (Boyne, 2002; Mackie, 2008). According to Boyne (2002), government PM framework is based on two models that are 3E model and IOO model. The 3E model consists of economy, efficiency and effectiveness. This model complies with the consecutive steps in the government service organization process. Economy means cost of the services, where else efficiency shows how well the resources are used. Effectiveness is to realize the objectives and aims of the government, which are the crucial elements of 3E framework.

The IOO model shows the input, output and the outcome. This framework follows a series of government management process by analyzing the input or resources used, followed by the output that is the services provided and the outcome or result of the government service delivery (ANAO, 2004). According to Boyne (2002), this framework also contains all the components of the 3Es output and results to be openly separated into sub-measure in order to gauge the equity and quality of the service, input and the result measures related as indicators for the value for money (cost effectiveness). The author concludes that these dimensions are without questions 3E model. Equity is the necessary

measurement for performance of the government sector. The government sectors are expected to allocate resources following the criteria of needs and fairness.

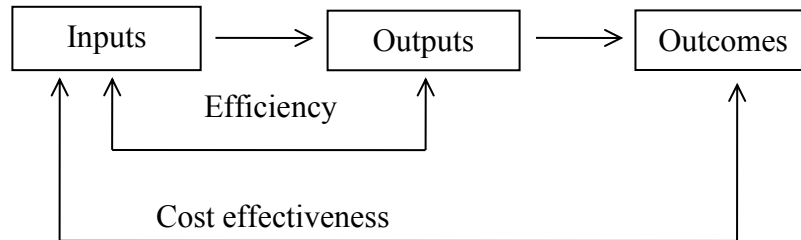


Figure 2.1
The IOO Model: Inputs, Outputs and Outcomes
Source: Boyne (2002)

The United States General Accounting Office (1992) states PM are about dollars, staff and material which is the input (efficiency), workload, products and organization activities means effectiveness where else result or outcome is client satisfaction and productivity. Sorber (1996) concludes that PM in government is associated through the components of productivity and policy involving efficiency and effectiveness, while client satisfaction is related to the consequences of society. Bouckaert (1996) implies that PM in the government sector includes customer satisfaction, productiveness and the principle that decisions taken at local level measures the relationship between government sector and public. Greiner (1996) stated that government sector performance measurement consists of money and other resources which represent the economy and input which is workloads and customer satisfaction. Bovaird (1996) outlined PM is measured in terms of productivity rate (in input and output ratio), effectiveness as achievement; efficiency is measured as cost, quality management and customer

satisfaction. Mandl, Dierx, Iizkovitz (2008) expressed that efficiency and effectiveness is an established link between entries, results and effects. Efficiency is determined between technical efficiency and allocative efficiency. Technical efficiency indicates the relationship between input and output while allocative efficiency needs a cost benefit ratio. Effectiveness indicates the relationship between output and outcome. Profiroiu (2001) opines that government sector performance refer to a connection between objectives, means and results. Therefore, performance means efficiency, effectiveness and budget, where the performance measurement is to differentiate between the means used, the process, product and effect achieved.

2.5 Malaysian Government Sector Performance Measurement (PM)

Key Performance Indicator (KPI) was proposed for use by the Malaysian Administration Modernization Management Planning Unit (MAMPU). MAMPU developed a model for the use of the KPI for the government sector. The efforts shown by the government to institute the practice of performance indicators for government sector including local government is a continuous process. KPI helps government departments know how good they are operating in agreement to strategic purpose and targets. In other words, KPI provide important information regarding performance that enables organizations or stakeholders to be on the right track. In 2005, the government circulated the performance measurement criteria to start KPI and enforce performance appraisals at government departments and agencies. The order was given to all government sectors and agencies to implement performance indicators to enhance the government sector services (DAC, 2/2005). The benefit of the indicators is a visible device that will enhance government

sector institutes and operational capacity. It also serves as a tool to increase the efficiency and effectiveness in the government sector. All government sectors are to apply the KPI system by year 2010 (EPU, 2006).

The performance indicator criteria should have SMART (specific, measurable, achievable realistic and time bound) characteristics. Report on KPI is only for inside usage and as a benchmark of government sector performance. Besides PM, the government sector including local councils, also set up the internal audit and quality department. The council also acquired International Standard Organization (ISO) 9001:2008 certification where the work flows are documented and the process regarding the key performance indicators will be easier to measure.

The important goal is to raise the quality of the services in the Malaysian Government Sector and agencies for citizens, politicians, shareholder and others. The KPI system defines three rating systems to be introduced, monitor and evaluate the ways that has to be put into operation (DAC, 2/2005). The measurements are the efficiency and effectiveness of services. Secondly, are about human resources and cost productivity and final evaluation criteria are about client satisfaction.

Table 2.1 below outlines the performance indicators and its appraisal standard for performance measurement of organizations, being efficiency and effectiveness as components of productivity, cost and client satisfaction as principle indicators in measuring performance in Malaysian government agencies. Performance assessments

through process base model of the government agencies and ways of setting KPI in Malaysian PM is illustrated in Figures 2.2 and 2.3.

Table 2.1

Performance Indicators and Evaluation Components in Malaysia

1. Performance Indicators for Efficiency and Effectiveness.

- The evaluation benchmarks are customer time waiting at the counter.
- The duration of time to respond to customers.
- Period when receiving service.
- The percentage of error in delivering services to client.
- The output amount in a period of a time.
- Cycle time of service delivery.

2. Productivity and the Amount of Human Resource Financial Cost.

- It is measured as an individual or as group productivity.
- The cost used in generating the service.

3. Performance to Measure Customer Satisfaction towards The Service Received.

- Evaluate using customer satisfaction form.
 - A survey to measure customer satisfaction.
 - Complaints taken action and feedback within the time fixed.
 - Complaints solve within the time fixed.
-

Source: DAC 2/2005

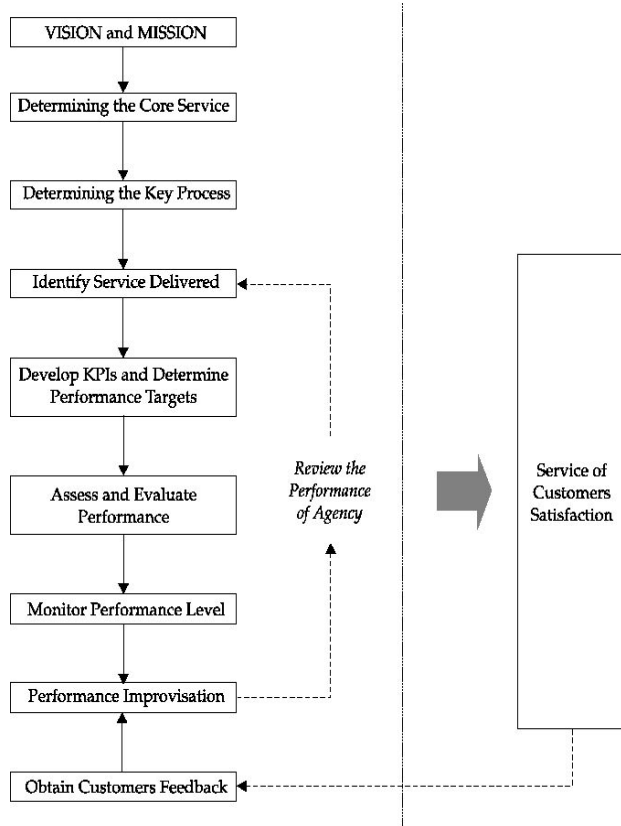


Figure 2.2
 Process of Performance Assessment Model for Malaysian Government Organization
 Source: DAC2/2005

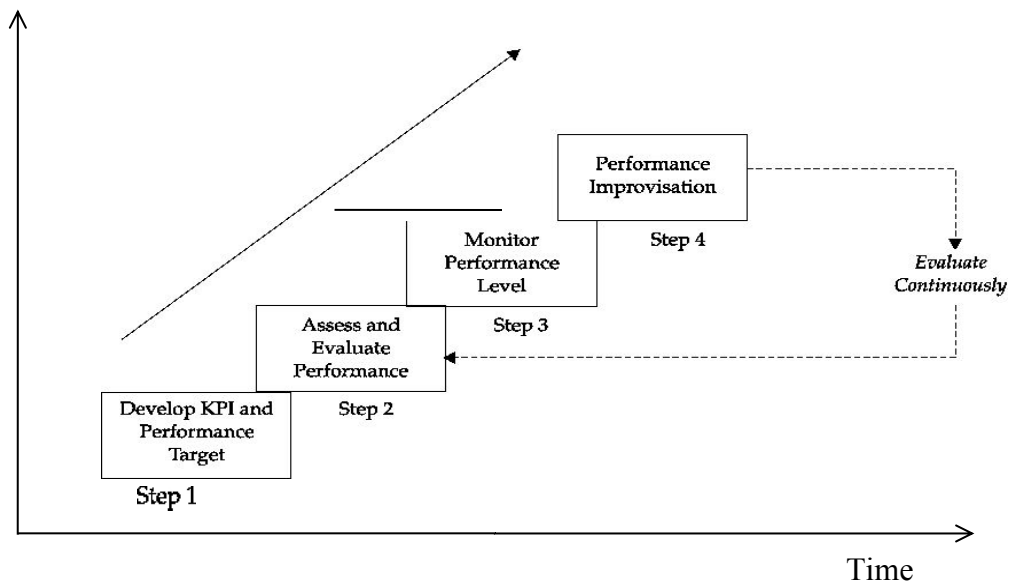


Figure 2.3
 Steps in Development of KPI and Implementation of Performance Assessment in Malaysian Government Organization
 Source: DAC 2/2005

2.6 Non-Financial Performance Measurement (PM)

Besides this, there are also components in evaluating performance in the government sector that are not financial in nature. Drucker (1990) defined that measuring non-financial performance can be accomplished by strategically planned outcome in meeting the standard of satisfaction and trust from numerous shareholders. Government sector comprise of component like procedures, outline and standards which will require results (Halachmi & Bouckaert, 1996). The important goal of the performance appraisal in the government sector is to have good decisions in developing better quality services (OECD, 1996).

Hatinen (2004) states performance in the government sector is appraised according to how well goals are attained. Greiner (1996) confirms that some government sectors have limits in their PM that is within the government sector and choose to only measuring efficiency and effectiveness or quality or client fulfillment. Boland and Fowler (2000) stated that measuring PM in government sector has no standard rules. Actually, there is no global model of PM which has important information for policy creators and professionals (Bovaird, 1996). Likewise, Mcnamara and Mong (2005) disclosed that individual department should create their own measurement and system as there is no one system that fits all organizations. These literatures are the prior researches which apply the tools of performance indicators components of being efficient, effective, productive, cost and client contentment. Nevertheless, the examples in the evaluation were customized according to government agencies and research of PM in government departments (Bovaird, 1996; Campbell 2002; McNamara & Mong, 2005; Phang, 2006).

2.7 Government, Governance and Good Governance

Government and governance may sound and seem alike, but actually differ in meaning. Government refers to a group of people who makes policies and this is different from those actually enforcing the policies. Government sector concerns more of how institutions are administered. The main focus is on aspects such as structures, strategy, processes, values and policies. The key functions of government are to provide political steadiness and a helpful economic condition.

Governance comes from the Greek word *kybernan* and *kybernates* which means to guide or to be in control from the top. Governance may also be seen as how power is used to manage a nation's economic and social wealth for national development. Governance is not how a government runs business the way it does, but rather how it connects with non-governmental organizations and institutions that shows the interests and will of citizens (ANAO 2003). The main issues of governance are who is in power and for whom (Clarke & Clegg, 1998). Governance is the official and not official arrangements that decide how citizens decision are made, how public activities are carried out while preserving a country's constitutional values. Public organization is a constituent support of governance (UNDESA, 2007). Therefore, governance is how government and public organizations intermingle and relate to the people (Graham, Amos & Plumpre, 2003) but European Commission (2003) in United Nations Department of Economic and Social Affairs (2007) explained that it is the state's ability to serve citizens, public functions performed, public resources managed and regulatory powers exercised. Epstein (1996) concludes that governance is concerned more with internal aspects and encompasses the

management, the people being managed and how best organizations within the government sector are managed for the interest of the public at large. However, three main types of governance are generally accepted; political, economic and social (Nzongola-Ntalaja, 2003).

It can be said there is good governance when it is not only able to provide for the people, but also administer a country's wealth despite encountering many problems. A country is said to be administering with good governance when goods are provided in an efficient manner and good quality services of acceptable standards are given. Human Development Report (2002) states good governance as a fair way when citizens are able to practice their rights and contribute their ideas and suggestions in decision making that will ultimately affect them; when society is rid of corrupt practices and when the government is accountable for their actions (Nzongola-Ntalaja, 2002). Good governance contributes to equality of different sexes, a sustainable environment, freedom of speech and mobility and helps reduce dispossession, scarcity, worry and brutality (Cheema, 2005). In the eyes of the United Nations, good governance is clear, accountable and there is involvement by stakeholders as well as non-government organizations (NGO) and should be appraised according to the standards with the amount of goods and services enjoyed by the citizens (Rotberg, 2005).

2.8 Principles and Guidelines of Government Sector Governance

The Nolan Committee Report (1995) of England emphasized the guidelines for the governing board members and senior management staff to achieve the highest attitude in

government. The guideline concerns the seven elements of the Nolan Report namely; unselfishness, integrity, objectivity, answerability, openness, honesty and leadership. Unselfishness refers to decisions made by government servants in the interest of the citizens and not in the interest of the government servants, family or their friends. This is followed by integrity, whereby government servants cannot allow themselves to be in a situation that may compromise the performance of their official duties resulting in benefits to an outside party. Objectivity focuses on governing board members and senior management in making choices of merit for example awarding contracts and making public appointments. Accountability refers to the ability of civil servants to justify their decisions and actions. Principles of openness means civil servants must disclose relevant information to the public when needed. Honesty means the holder of government positions should avoid conflict of importance in discharging their duties as government servants, while leadership remains the vital aspect in the government sector governance framework.

Openness, integrity, and accountability principles defined by the Cadbury Committee were accepted by the Chartered Institute of Public Finance Accountancy (CIPFA) of England (1995). These principals were important as they showed how an organization should be managed and governed in the correct way. Openness gains trustworthiness from stakeholders towards the organization. Financial reports honestly prepared, reflects integrity and they show a balanced view of the organization's financial affairs. Finally, the third element of accountability is reflected in when the management is answerable to their shareholders for the value information provided and action taken.

In Nigeria, Diamond (2005) conference paper entitled Democracy, Development and Good Governance: The Inseparable Links confirms good governance results from a number of elements intertwined to one another. According to Diamond, there are five principles in good governance. Firstly, good governance is the capacity of the state to work for the well-being of the people. Public servants have to be knowledgeable of state rules, regulations and policies to be of assistance to the government so as to be able to operate in an effective and efficient manner. Secondly, leadership element in good governance shows how well civil servants perform their roles in giving services to the public. Thirdly, it is essential that government business be carried out in an open and honest way. Fourthly, accountability, also an element of good governance is closely linked to openness. Lastly, rule of law, also an element of good governance is linked closely to openness and accountability.

In Australia, ANAO (2003) in an article entitled Public Sector Governance suggested different ways of implementation to aid different organizations in the Australian Public Sector to improve methods, practice and the general governance model. ANAO core principles of government sector governance consist of five principles. Integrity is acting fairly and honestly and in the interest of the department and not wrongly using information gained from an entrusted position in public office. Stewardship means using all ways to add value to public property and institution under an officer's responsibility. Accountability is to take responsibility for their decision and action and to follow the rule exactly by standards in the agencies. Top leaders committed to the agency need to set the policy from the top. Finally, transparency is about the organization having clear roles,

responsibilities, procedures and information for making decision and exercising their powers.

The ANAO (2003) report on House of Governance Framework was established to show governance in the public sector have seven elements. Leadership, moral and way of life are the foundations. The relationship of stakeholders consists of both internal and external. The government sector need to understand the various responsibilities, accountability and needs of the shareholders. The organization need to improve their ability, strengthen, stakeholders relationship, support effectiveness and success. Management of risk has to identify analyses, address monitors and communicate risk that prevents the organization from achieving its objective. Accountability refers to both internal and external accountability. Planning and performance monitoring support the efficient and effectiveness performance of the organization. Information and decision support are important components of information management to meet the organization objectives. Finally is to review and evaluate the organization performance and operations.

In the United States, The International Federation of Accountants (IFAC) Study 13 initiated a report on governance in the government agencies in August 2001. This study used the model for government service entities from Chartered Institute of Public Finance and Accountancy (CIPFA) in 1995 and accepted the principles of the Cadbury Report in 1992 and the Nolan Report in 1995. The principles include elements like transparency, honesty and accountability (Cadbury, 1992) and think of others, honesty, reality, accountability, transparency and leadership (Nolan, 1995). The study use the principles in

the aspect of structures and processes in the organization, controls inside it, report and behavior level.

The Finance Ministry of the Netherlands developed a set of rules entitled Government Governance in 2000. Government governance was used in this guideline to clearly describe the Netherlands government sector governance. The principal objective of this system is to protect the policy and aims of the organization. The four elements of importance in government governance are managing, controlling, supervision and accountability. The managing aspect involves with designing the structure of the organization such as human resource policy development and process implementation. Control involves rules and best practices so as to ensure organizations are well governed to achieve organization aims. Supervision is the policy, everyday operations and affairs of the organization in fulfilling objectives. Finally, accountability points to the burden of a person invested with power to work on an assigned task. The organization should give enough information on reporting by staff and the responsibility aspect. The paper showed the importance of relationship among the four elements to make better governance in the government sector of the Netherlands.

2.9 Malaysian Principles and Guidelines of Governance

Good governance in Malaysian government organizations is not something new. This concept was in existence in pre and post-independence times. This issue only attracted greater attention amidst the Asian financial crisis in 1997 (Ghazali & Manab, 2013).

A circular entitled *Effort in Improving Governance in the Public Sector* was circulated to all government departments and agencies in March 2007 by the *Ketua Setiausaha Negara* or Chief Secretary to the Federal Government, Tan Sri Mohd Sidek Hassan. This circular focuses on the Malaysian government delivery system that needs improvement, stating good governance is pivotal to attain higher performance in service delivery. The circular was accompanied by a guideline on good governance in government departments and agencies. The guideline aims to remind all government departments and agencies to implement good governance in their respective organizations so as to increase output in order to achieve national mission (*refer Appendix 3*).

The Malaysian government named nine principles. The first guideline stated four principles namely integrity, accountability, transparency and stewardship as moral rules of good governance in Malaysian government departments and agencies. This was followed by five other principles of good governance in government departments and agencies as contained in the guideline. These principles are leadership, relationship of stakeholders, internal and external accountability, strategic management and performance monitoring and risk management. This guideline was similar to the House of Governance Framework from Australian National Audit Office (ANAO, 2003) which has seven principles. ANAO stated that requirements in conformity and output are important aspects in attaining good governance in government organizations.

2.10 Link between Governance in Government Sector Performance

This study reviews the relationship between governance and performance. Nevertheless, a study of governance in the government sector is lacking in areas of admission, practices and governance elements on effectiveness (New South Wales Audit office, 1997). The Audit Commission of UK (2003) came out with a report entitled Improvement and Trust in Local Services. This research studied the link between good governance and performance concerning quality services provided by the local government sector. It also concluded that an organization practicing good government sector governance is able to give good performance and good quality service. The UK Audit Commission also studied three different government organizations; Local Government, Department of Health, Constabulary and Prison. Four items of governance were appraised; management and financial, management in risk and control from inside, committees on audit and checks done internally and quality level of conduct. Information on performance supplied by government departments, inspections, auditors and councils was the basis to measure performance. A case study of thirty two governments sector agencies were taken from local government, health department, police and prison. Statistical study of data method using Comprehensive Performance Assessment was employed. The results revealed a strong link between good governance and performance of government departments and agencies performance in service provision.

OECD (2001) and ODPM (1999; 2005) also reported that the main factors are government and leadership leading to hopeful socio-economic reforms at the provincial level. The British Civil Service in a report stated how well Britain's economy performs

hinges on local governance. ODPM strategize a five year plan for Vibrant Local Government to refer to on matters pertaining to future local governments. The strategy outlined the importance of good governance and leadership that makes a difference in determining outcomes of economic importance. Stone (1989) added that cities succeed because mayors and captains of industries provided good leadership that was needed. This research was backed by an article in the Times Magazine 8 May 2005 which reported on the role mayors played in bettering the economic prosperity of big cities thus establishing a link between governance and performance (Marshall, 2005).

Furthermore, Skelcher and Mathur (2004) conducted a research with the title governance arrangement and government service performance with the aim to establish a link between governance and government sector performance. For this study, a sample size of fifty one people was used. The researchers chose government service to highlight the relationship between two variables. Two (2) performance measurement; organization and performance were the general idea of the research. The independent variables used were agency, appointed or nominated, single purpose, compliance on successful projects. Performance by the organization was quantified using yield and result, lawfulness, approval and answerability. Governance Assessment Tool and questionnaires were also used. Interviews that were structured were conducted with management, officers, and personnel in two different agencies. One was a long time established agency, while the other was a recently established agency. This was done to show the relationship between the two agencies. The results show governance arrangements in government sector agencies have a positive effect on performance.

Similarly, there exist a link that is positive between the variables; governance arrangement and organization performance. Nevertheless, a direct cause and effect link exist between governance and the level of income was the outcome of a World Bank study by Kaufman and Kraay (2003). This conclusion was derived from a study on many individual perception of governance taken from 25 sources in 18 individual organizations conducted from 1996 until 2002. The study concluded economic success or performance of an organization hinges on policies that strengthen governance.

Alexander and Lee conducted a research in 2006 at non-profit making hospitals in the US and gathered that there was a fair link between good governance practices and performance of non-profit hospitals. The researchers establish the elements of management effectiveness in governing non-profit hospitals as the governance aspect. Elements of usage, efficiency, admissions after adjustments, share of market and cash flow were used as measuring tools when hospital performance was measured. Data collected were from the period 1985 until 1994. Questionnaires were used for data collection. The study with a response rate of 57 percent was done at the American community hospitals. Data source were from American Hospital Association, Bureau of Health Professions and Medicare Cost Report concerning village level demographic, resources in health care, economic, size of hospitals, system membership, type of ownership and information on financial performance. The results reveal that there is positive link between good governance practices and performance of non-profit hospitals.

Therefore, it can be concluded that government departments and agencies that practice good governance will result in value addition to the organization in terms of management being more efficient, allocation of asset better, better policies made from better decisions (Claessens, 2006). Many other researches (Bebchuk, Cohen & Ferrel, 2005; Brown & Caylor, 2006; Gompers, Ishii & Metrick, 2003) conclude at the level of the organization, good governance results in equity having high rates of return and valuation and profits and sales growth that are higher.

Australian Public Service Commission (2005) governance allows agencies to carry out their outcome effectively and accomplish high levels of performance with the application of legal and policy obligations. It is important for all government sectors to use the idea of good governance as the economy of a country hinges a lot on the result and productivity of government departments and agencies. Poor quality services and unsuccessful financial ventures are the outcome of poor governance. Reports and researchers such as Audit Commission of United Kingdom (2003), ANAO (2003), World Bank (1999), Alexander and Lee (2006), Diamond (2005) and Skelcher and Mathur (2004) indicates a positive link between good governance and performance by stating that good governance ensure state's ability to work for goods and services for their citizens.

H₁: There is a significant positive link between good governance and performance.

2.10.1 Accountability

Answerability is a duty to respond to choices and actions made on behalf of stakeholders (Brennan & Solomon, 2008; Oakes & Young, 2008). It also involves openness, transparency, information and the agreement of accountability for one's actions. For answerability, when related to information dissemination would improve resources allocation enhance efficiency and increase the prospects for economic growth (Vishwannath & Kaufmann, 2001). The view of answerability takes into consideration all accounting and actions of governments (Barton, 2006; Humphrey, Miller & Scapens, 1993; Mayston, 1993) in all levels in the whole organization of government departments and agencies (Cochrane, 1993; Rivenbark & Allison, 2003). So government institutions, organizations in the private sector, non-government organizations (NGO) must be made accountable to their stakeholders as well as to society (Page & Simons, 2000; Rohdewohld, 1995).

Yahaya (2006) argues that government service is a tool to control and guide every section of society. The author notes that whether a country succeeds or fail is mostly rested with the government service. Government service has a big responsibility in the development programs of a country. This is due to the fact that other institutions get their licenses and approval to operate from government departments. All allocations from the government to society passed through government departments and agencies. In short, all institutions depend on government service or department to exist and to operate (Phillips, 1990). Internal or external decisions taken by any organization will in the end settle who is to be accountable and to whom. In general, any entity will need to explain and be accountable

to people affected by its action. This principle relates to law because it involves enforcing fines or actions against those who have deviated resources from purposes it was originally intended (Institute of Internal Auditors, 2006). In order to enforce accountability, there must be in place an environment of openness and a set of laws (UNESCAP, 2008). Accountability principles in the government sector is made simple by way of practice, intended paths to take and through various systems to make sure all products and actions synchronize with the vision and things to achieve (Armstrong, 2005).

Haladu (2004) observes that accountability aims at ensuring honesty and integrity on the part of public officers so as to guide against abuse and misuse of office. Accountability is an integral part of governance which is shown by predictable open policy making that is transparent, a bureaucracy filled with professional ethics and an accountable executive arm of government and a strong civil society discharging duties with all conducting themselves in accordance with the rule of law (World Bank, 2001). Peters (2007) defined that accountability is a main component of the governing and giving direction to the society. The government has to know its own governing strength and weakness and to learn from that. Government staff has to acknowledge that a department needs to perform its work as it should and to be open to see it as a chance, to provide better services to people. Auditor General of Malaysia, Tan Sri Dato' Setia Haji Ambrin Buang observes that the failure of a project at the implementing and monitoring stage, relates to a lack of accountability (The Star, 2010).

Diamond (2005) and Nolan Report (1995) added that government personnel have to give an account and are responsible for their decision and actions if public demands an investigation. IFAC Study 13 (2001) stated that answerability means government agencies are answerable to the citizens and should ensure that public funds and resources are properly safeguarded and used economically.

Mohd Sidek (2007) states that conforming to answerability element of government sector governance shows that the staff of the organization possess knowledge on the subject and are honest. Apart from that, the agencies have an excellent communication system to help make decisions and taking actions which enhances organization performance.

H_{1a}: There is a significant positive link between accountability and performance.

2.10.2 Leadership

Leadership in the government sector refers to determining priority as the focus, where government sector leaders advocate and promote good governance through leadership by example. Leadership such as this is pivotal to realizing a top down good governance organization (APEC, 2011). Leadership remains the most important element that has an effect on other facets of governance. Leadership refers to the management board, chief executive officer (CEO), senior management officers that have a big impact on an organization's way of life, focus and administration. Leadership influences the processes of making decisions, formulating strategies in business as well as in the monitoring and implementing process including supervisory and administrative posts in operations of

business nature. The focus is provided at the very top and this is essential for good governance. The way of life of an organization, leader's good values and behavior are required in good governance (ANAO, 2003).

Good leadership, values and ethics in government departments backs up an entire organization. Leadership that is lacking in an organization would not permit any development on the governance foundation (Office of Auditor General of British Columbia, 2008). Leadership is described by the guideline as the single most essential aspect of good governance in the government. This is due to the head that makes sure of successfully carrying out and making good structure and process of good governance in an organization. This is done by being a role model showing good behavior and performance. It also show leaders that are effective, have skills such as thinking strategically, influence in communication, show good behavior and honesty, getting good outcomes and achieving a productive work environment with other employees (ANAO, 2003).

ANAO (1997) states the importance of leadership of board members and CEO in determining the running and functioning of the whole organization. The effectiveness of an organization is seen by the way the organization works under direction of the CEO and top management. Senior officers provide good governance by coming together to provide leadership and direction to an organization. The efficiency government officers perform is closely connected to good governance as this is their responsibility to the public. Good leadership and values nurtures government servants to discharge their duties

with greater efficiency and effectiveness. There are suggestions that a government department be set up to monitor and discipline officers who have not discharged their duties up to the expectations of the public. This study is not to resolve the many theories in leadership or which leadership theory fits the government sector; but rather how the government sector sees leadership in the area of government sector governance (Diamond, 2005). According to the present Auditor General of Malaysia, leadership is important. This is because, as the staff changes, there may be a discontinuity of policies and actions at department level. Senior officers are responsible to make sure policies and actions are continued and followed through (The Star, 2010). When leadership is effective, work of local government officers gets better (Svara, 1988; 1990).

Mohd Sidek (2007) explained leadership is the most vital component of good governance because leadership acts as good examples with reference to behavior and performance in government departments and agencies. IFAC Study 13 (2001) conducting themselves in accord with high standards of behavior within the agencies. APEC (2011) stated that leaders promote and support good governance by leadership and example. Leadership elements also play a very crucial role to make sure leaders give enough attention to the intention and aims of the agencies they provide service and work, out of concern for the public (The Independent Commission UK, 2004) and ANAO (2003) agreed leadership is the single most important component of good governance elements when carried out that results in better group performance, in government departments and agencies. Ryan and Ng (2000) agreed by listing leadership as an influential element of all government sector governance models and strong leadership traits and values results in better performance

where leadership and performance are concerned (Whiteoak, 1996). Marshall (2005) also indicated a positive correlation between cities leadership (mayors) and performance.

H_{1b}: There is a significant positive link between leadership and performance.

2.10.3 Strategic Management and Performance Monitoring

The guideline indicates that governance model and process is vital in an organization to ensure an organization manages well in realizing its objectives and policies. It also provides efficient services to people apart from effective economic key performance indicators for monitoring and performance appraisal (ANAO, 2003). Agencies in strategic planning should have a connected model for business planning which ranges from strategic to divisional priorities. This would enable each employee to picture how each of their work affects team, division and agency goals and how working closer to these goals helps in achieving an agencies' priorities (Murphy, 2007).

Monitoring performance and appraisal cover the good delivery of government policies and objectives apart from internal running of the agency. Guidance in detail can be sought from documents in performance reporting under outcomes and output in the Department of Finance and Administration of Australian Government (2003). Monitoring in planning and performance helps effective and efficient performance of an organization in realizing its answerability both internal and external. The organizations that are reviewed and answer to planning and performance monitoring are viewed as being more effective and competent (ANAO, 2003).

An organization's governing body should think of adopting these good practices for planning and performance monitoring process in the plan and budget. It should also be sure to issue a clear notice of the organization's aim and that it is used for planning purposes (The Independent Commission UK, 2004). Budgeting and planning shows the destination of an organization and the means of getting there. Such activities make use of understanding derived from other elements of the model, making sure management in risk and answerability both internal and external are adopted in a suitable way. Plans should involve the whole organization down to individual performance and agreement with the condition value for money is attained. Requirements for the government sector organization service plans are set out in the Budget Transparency and Accountability Act. When undertaking monitoring work, the governing body has to ensure suitable structures and processes are there to monitor financial and non-financial performance and compared with the organizations plan. Performance monitoring helps the effective and efficient use of resources in an organization. It provides early warning when organization deviates from its objectives. The governing body is viewed as an effective and suitable part of an organization if it is able to quickly act to changes in the organizations environment (ANAO, 2003).

Reporting relevant performance measures shows all resources have been purchased at a fair price and being used in an efficient and effective manner. It is not possible for government sector organizations to plan allocations for resources in an efficient manner without data or information pertaining to things being delivered, cost of input as against output and to attain targeted outcome. Organizations in the government sector must be

accountable for money for safe keeping and for results attained. Both internal and external users need performance measures. To enhance efficiency and quality in an organization, internal users need information on the organization's effectiveness.

On the other hand, external users need information to appraise how well an organization has attained its objectives in an effective manner and use resources available efficiently and prudently (The International Federation of Accountants, 2001). An organization has to decide on how to measure quality of service (QOS) for users and ensure it possesses the necessary information to check on quality service effectively and on a regular basis (The Independent Commission UK, 2004).

Monitoring element ensures the organization functions well, so as to meet policy and objectives of performance (ANAO, 2003). Monitoring becomes an important element in helping administrator better plan and implements their policies (Kusek & Rist, 2004) which have direct bearing on development (Farazmund & Pinkowski, 2006; Weiss, 2000). Governance means going beyond the legal control and implicitly implies that there is a need for sound monitoring and evaluation to achieve results. Doing business in an effective manner is realizing the objectives of an agency (Ryan & Ng, 2000). Mohd Sidek (2007) states that the element of overseeing is very important to ensure performance in the government sector is perpetually at the highest level.

H_{1c}: There is a significant positive link between strategic management and performance monitoring and performance.

2.10.4 Information and Decision Support

To ensure timely right information, board members and senior officers need the important information and decision support system. As such, an organization must possess good file maintenance, record of meetings, information technology to manage information so that senior officers can make good decisions (ANAO, 2003). Barrett (1998) argues that good models, information and decision support in the government sector can lead to better outcomes. Information management is a very important support for an organization and for the staff in meeting the organization's target and responsibilities in an effective and efficient way. This support cannot be underestimated. Management of decision support is the sole responsibility of the organization.

The organization should adopt such good practices in their information and decision support systems. Governors do not need to be concerned with details because that is not their role but at the same time they must provide careful watch. Models of design and decision support represent both internal and external accountabilities and are also big decisions made by the organization. These support models need to take into consideration how and where to source for information for suitable staff to help in decision making. However, technology plays an important role. For example, an organization's internal information support is through the intranet while support for external information comes through the internet (The Independent Commission UK, 2004).

A proper file management system provides easy access to information and enables effective information delivery. Therefore, organizations need to invest in a good file

management system. Changing technology continues to provide new products to support file management systems. System design must take into account objectives of an organization and internal as well as external accountabilities. Clear justifications for each decision have to be explained. The benchmark, reasons and contemplation and finally the effects and magnitude of decisions have to be explained clearly by the organization. The organization must be sure that it is supplied with suitable information according to functions of the organization and not on operational issues which in general should not be the concern of the organization (ANAO, 2003).

Main information should contain vigorous analysis and not be hidden by too many details. There must be suitable information when needed to make decisions quickly and also objectives clearly explained on issues involving technical aspects as well as implications from them. There must also be professional legal and financial advice and these be used accordingly in decision making throughout the organization, as these decisions may have significant legal and financial implications. The organization must freely use resources for information and advice needed to enable good governance to be practiced. However, there should not be illogical requests for unnecessary or inappropriate information for the organization (The Independent Commission UK, 2004).

Information and decision support is also an important element to satisfy needs pertaining to performance and conformance. It is important for the government department to put in place good record keeping, filing management system and influence new technology to support information management (APEC, 2011). ANAO (2003) implies that professional

people have given advice on all legal and financial matters and that professional advice is used accordingly in decision making throughout the organization especially in decisions that have legal or financial implications for the organization. While Barrett (1998) states that better outcomes in performance in government departments and agencies can be attained by possessing a good system for decision making. Good structures and processes need information and support to make a good decision. It is certain that information and support in decision making have a link with performance in the department (The Independent Commission UK, 2004).

H_{1d}: There is a significant positive link between information and decision support and performance.

2.10.5 Transparency

Governmental transparency can be explained as having knowledge of what is happening inside the government (Piotrowski & Van Ryzin, 2007). Transparency has been generally supposed to make institution and their office-holders trusted and trustworthy (O'Neill, 2002). Decisions taken and enforced are done that follows rules and regulations (Lynn, 2001). Transparency or openness is required to make sure all stakeholders have faith in the process of decision making and actions of government sector organizations in managing activities and personnel (ANAO, 2003).

Openness is an aspect of good governance. Government affairs need to be executed in an open and fair way and the way it operates be subjected to scrutiny by other government

agencies as well as by the public. Openness as a vital component of good governance needs information freedom and access so that citizens have a right to access any information with regards to the way the state is managed. It is hoped that openness will reduce corruption and finances of civil servants be open for inquiry when needed (Diamond, 2005). The openness principle in government answers to the people's right of information about government actions and the process in making government decisions (Armstrong, 2002).

Commonwealth Procurement Guidelines shows openness rules in the same way but stress the need to follow with suitable laws and policies as follows: Openness gives faith that processes in procurement by agencies are fair and honest and that rules and regulations are adhered to. Openness means agencies taking measures to enable proper audit of activity pertaining to procurement (Department of Finance and Administration of Australian Government, 2005). Transparency needs to show openness in practice. Openness in government is supported by performance reporting that is effective, thus the decision process and reasons for decision made are clearly explained. In early of 2000, the Senate Finance and Public Administration References and Legislation Committees explain contracts given and the fixing of performance goals. Accrual accounting is a financial process to show openness (ANAO, 2004). In corporations owned by the government, openness is regularized by preconditions for boards to decide on all issues having important effects, coming up with official procedures to carry out business and making sure the minutes of meetings are written accurately (New South Wales Audit Office, 1997). Openness is contained and protected in many government processes under

full disclosure classification. However, national security and law enforcement activities can be left out in such cases of reporting. In the same way, trade secrets and other classified information can be withheld from being released to the public. Matters may not be so transparent in court proceedings because information freedom laws do not fully give instructions on what or what not can be disclosed (Gault, 2011).

The need for secrecy must be justified in the interest of the public. Governments sometimes have to show proof that certain information is secret before depending on defenses of confidential nature. Such a way was recommended in an inquiry regarding accountability in government contracts by the Senate Finance and Public Administration References and Legislation Committee. A practical way in which the committee has dealt with is most claims declaring commercial secrecy or public interest immunity however explained are not likely to be believed. This is because in the past, they were used to hide usage of public funds in an incompetent, wasteful and inefficient or worst ways (Senate Finance and Public Administration References and Legislation Committees, 2000). Governments are unlikely to depend on the argument that information on a project cannot be disclosed because such information is classified (ANAO, 1994). Such an answer is less justified for a project that is already completed because there is very little information of commercial sensitive nature left. The current model for openness in the Australian Government looks sufficient especially at national level. Influence from the mass media, opposition political parties, pressure groups and the electoral process helps in making the public sector more open (Blanchard, 1997).

When an organization's actions are open to public inspection, there is an existence of openness within the organization. By this, stakeholders, and everyone including staff can have full, accurate and clear information regarding the organization's decision. Good governance needs openness, so that everyone has faith in the decision-making process and actions of government sector organization. Openness is not an option to make sure that stakeholders have faith in the processes of decision making and actions of government bodies, in the administration of their activities and the people inside them. When an organization is open, and meaningful engagement are held with stakeholders, communication of full, accurate and clear information will result in effective and timely actions that can stand up to necessary inspection (ANAO, 2003). Openness principle is the answer to people's right to information about activities of the government and how decisions are made (Armstrong, 2005). Effective public inspection and oversight at all levels in the government enables a good functioning government sector and allows the people to have faith in the government (APEC, 2011). Heald (2006) wrote that transparency is positively connected to performance because exposure to public view works as stimulus. Transparency will strongly influence the relationship between benefits and costs.

H_{1c}: There is a significant positive link between openness and performance.

2.11 Theoretical Framework

The theoretical framework shows the link between variables in this study (Sekaran & Bougie, 2010). The setting up of this framework is carried out right after literature assessment as mentioned in the earlier subheading which dwell on the theories and concepts of such issues as good governance, performance measurement and also experiential research on good governance and performance in the government sector. The theoretical framework consists of several independent variables and dependent variables. In this research, performance is the dependent variable while the independent variable is good governance. The good governance consists of five elements that are accountability, leadership, strategic management and performance monitoring and information and decision support.

Figure 2.4 shows the relationship of the two variables of this study; the relationship between good government sector governance and its dimensions (IV) and the department performance (DV). The figure below shows six direct relationships: First relationship is the independent variable of good governance and the dependent variable of performance. The second relationship is each of five dimensions in the good governance with performance. From the literature, it is proven that the application of accountability, leadership, strategic management and performance monitoring, information and decision support and transparency of good governance results in better performance (dependent variable).

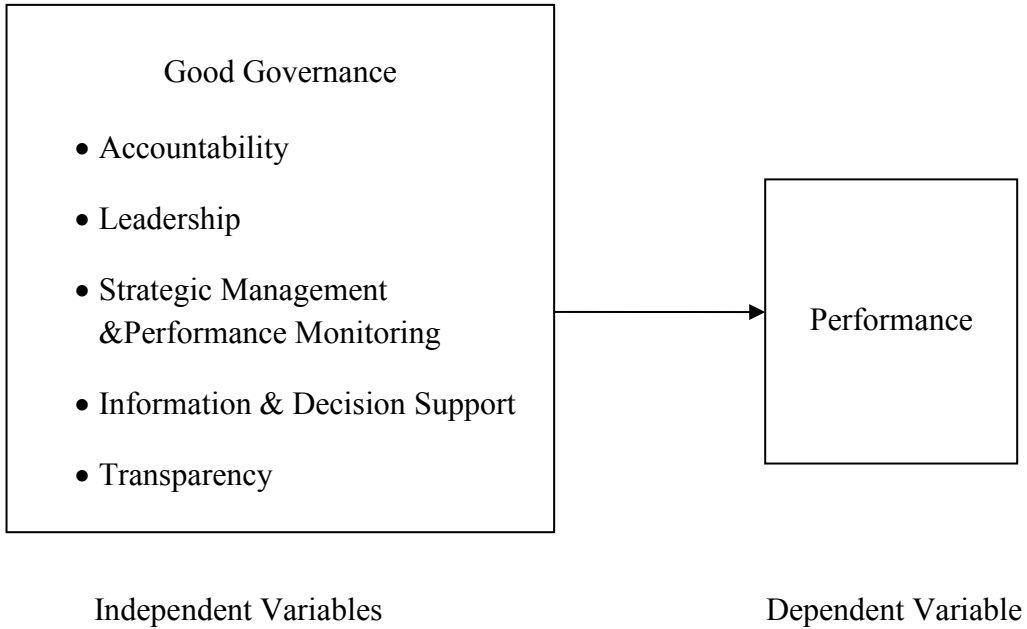


Figure 2.4
Research Framework

CHAPTER 3 METHODOLOGY

3.0 Introduction

This section explains the methodology used in this study. This includes research designs, population and sample, data collection administration, measurement and data analysis techniques.

3.1 Research Design

3.1.1 Types of Study

The objective of this study is to examine the relationship between good governance in perspective of performance, specify on competency, capability, working efficiency rate and client satisfaction. This study attempts to discover on whether government servants have performed significantly towards efforts to enhance good governance in a local government based organization like MPSP. The increases on good governance dimensions would lead to increases of performances. To identify this nature of relationship between both variables, hypothesis testing was undertaken (Sekaran & Bougie, 2010). This study is a quantitative based research since the both questionnaires and statistical analyses mainly entail numbers. According to Crowl (1993), quantitative study is measuring concept with scales that involve numeric description to represent the population studied. A correlation study was the statistical base. This type of investigation is crucial to evaluate variables' association with the problem arisen (Sekaran & Bougie, 2010).

3.1.2 Settings of Study

The survey was conducted without obstruction to the routine work flow. A little intervention by researcher is known as non-contrived setting. This field study provides comfort ability to the respondents (Sekaran & Bougie, 2010; Zainuddin, 2010). The data was collected within a month. This short term time and without a following extension period is acknowledged as a cross sectional study (Sekaran & Bougie, 2010; Zainuddin, 2010).

3.1.3 Sources of Data

Primary and secondary data were used to gain appropriate and needed information to assist this study in order to assess variables relationship. The secondary data entails literature review and existing database such as MPSP data bank, documents and records. This information was gathered in an earlier phase of study. The primary data was gathered through the distribution of questionnaires. The questionnaires are important to reach a large scale of respondents at once and also to reduce the cost and time (Sekaran & Bougie, 2010).

3.2 Population and Sample Design

3.2.1 Population and Sample Size

Population is important to identify the sample size. An appropriate sample selection would be able to generalize study result and minimize error. The population in this study involves the local government that is Majlis Perbandaran Seberang Perai (MPSP). MPSP consists of 15 functional departments with a total of 1,894 personnel. There are 71

personnel in the upper management level (grade 41 and above), 152 in the middle management level (grade 26 to 40) and 1,671 personnel in the operational level (grade 22 and below). This group of personnel as shown in Table 3.1 was chosen since they are the crucial contributors for the organizations' development. In accordance with the target population of 1,894, the chosen sample size based on research result generalization from scientific guideline provided by Krejcie and Morgan (1970) is 320. This sample size was suitable because it is more than 30 but less than 500. According to Roscoe (1975) in Sekaran and Bougie (2010), the sample size within the indicated range is most appropriate to avoid from committing an error that is the researcher is likely to accept the results instead of rejection. The unit analysis specify on individual level of data source. It is because the collected responses were treated as individuals (Sekaran & Bougie, 2010) to identify each respondent's level of governance headed for a higher performance.

3.2.2 Sampling Technique

This research had used probability sampling design because every element in the population has a known chance of being chosen as subjects in the sample. Probability sampling can be either simple random sampling or complex probability sampling. For this research, the technique applied was simple random sampling because it has the least bias and offers the most generalizability of results. There are 1,894 elements in the population and sample size chosen was 320. The probability of any one of them being chosen is one in the number of the population and each single element has the same or equal probability of being chosen (Sekaran & Bougie, 2010).

Table 3.1
Target Population of MPSP

No	Departments	Total Staff & Grade			Total Staff
		Grade ≥ 41	Grade 26 - 40	Grade ≤ 22	
1	Management & Human Resource	11	17	142	170
2	Legal Services	4	7	21	32
3	Treasury	5	9	84	98
4	Valuation & Property Management	5	21	18	44
5	Town Planning	6	8	67	81
6	Building	4	14	56	74
7	Engineering	13	13	157	183
8	Urban Services	2	10	458	470
9	Health Services	3	11	92	106
10	Enforcement Directorate	5	8	183	196
11	Community Services	3	3	35	41
12	Licensing	3	14	125	142
13	Corporate and International Relations	3	3	5	11
14	Commissioner of Building	-	4	19	23
15	Landscape	4	10	209	223
	Total	71	152	1671	1894

Source: MPSP 2014

3.3 Data Collection Administration

Questionnaires were used to meet the purpose of study and hypotheses testing. The design of the questionnaire was close ended questions which gives simplicity to the respondents for quick responds. It is also easy to code and to analyze the data collected. The questionnaires sequence was arranged accordingly from Section A for good governance, Section B for performance and Section C for respondents' demographic profile. The demographics involve respondents working tenure, qualification, gender, marital status, age and managerial level or grade.

Prior to the distribution, the researcher had obtained formal permission to undertake the research from the President of MPSP, through the office of the Director of Local Government Division of the Penang State Secretariat. The questionnaires were self-administered to the respondents at MPSP followed with a written cover letter. It gave a short explanation about the study purpose, request for cooperation, guarantee for confidentiality and anonymity as well. The researcher accompanied by the Director of the Local Government Division of the Penang State Secretariat met with deputy Director of Human Resources of MPSP to explain the contents of the questionnaires and related issues to ensure successful and fruitful feedback. The researcher together with the Director of the Local Government Division, the deputy Director and an officer of Human Resource department of MPSP visited the remaining 14 departments to explain and distribute the research questionnaires. The researcher received good cooperation from all department heads and personnel. The questionnaires were collected from all departments after a period of one week by the researcher accompanied by a staff from human resource department.

3.4 Measurement

3.4.1 Performance

The dependent variable focuses on local government sector's performance. The performance was measured by using the Development Administration Circular No.2/2005 Guideline that establishes Key Performance Indicators (KPI) and also Implements the Performance Assessment at Government Agency. The performance evaluation consists of 15 questionnaires which mainly focus on productivity and cost,

efficiency and effectiveness and customer satisfaction. This variable used 5 point of Likert Scale ranging from 1 for strongly disagree, 2 for disagree, 3 for not certain, 4 for agree to 5 for strongly agree.

3.4.2 Good Governance

Four entities that practices good governance which display principles of accountability, leadership, strategic management and performance monitoring and transparency were measured by using Malaysian principles of good governance (Letter of Instruction by Chief Secretary General, 2007) which is entitled “The effort to improve governance in Public Sector, Malaysia.” One principle was measured by using The House of Governance (ANAO, 2003) that is information and decision support. The element of information and decision support is important because right information is to be given to the right person in order to make a better decision and also to improve action plans that consequently increase performance level. Information technology also contributes to the quality and speed of performance.

The independent variable focuses on five indicators of good governance which consists of 40 questions. The information and decision support element poses 6 questions. The other four elements are accountability (11 questions), strategic management and monitoring (9 questions), leadership (6 questions) and transparency (8 questions). This variable used 5 point of Likert Scale ranging from 1 for strongly disagree, 2 for disagree, 3 for not certain, 4 for agree to 5 for strongly agree.

3.4.3 Operational Definition

Table 3.2 shows the operationalization definition for each variable and the complete list of survey questionnaire for the research can be found in Appendix 1.

Table 3.2
Variables Measurement

Good Governance	Operationalization Definition	Items	Scales	Adapted Sources
Accountability	To understand clear documentation and policy. To determine accountability internal and external accountability	7-13	Likert Scale 1-5	i. ANAO Public Sector Governance (2003) ii. The Independent Commission UK (2004) iii. Mucciarone & Neilson (2011) iv. Report of King Prajadhipok's Institute (2002)
Leadership	To practice ethic and organization culture. To evaluate communication skills.	14-19	Likert Scale 1-5	v. IFAC Public Sector Committee (2001) vi. Mavhivha (2007)
Strategic Management & Monitoring	To seek information about strategic management and monitoring.	20-24	Likert Scale 1-5	vii. Naidoo (2011) viii. Jali (2009)
Information & Decision Support	To identify and receive correct and concise information. To know the usage of internet and monitoring of information	25-30	Likert Scale 1-5	
Transparency	To capture the practices of organization transparency	31-38	Likert Scale 1-5	
Total		40		

Table 3.2 (Continued)

	Operationalization Definition	Items	Scale	Adapted Sources
Performance	To measure: a) Efficiency and effectiveness b) Productivity and cost c) Client satisfaction	1-15	Likert Scale 1-5	i. DAC 2/2005, Government Agencies Malaysia. ii. ANAO Public Sector Governance (2003) iii. Mucciarone & Neilson (2011) iv. IFAC Public Sector Committee (2001) v. Jali (2009)
Total		15		

3.5 Goodness of Measures

3.5.1 Pilot Test

It is important that a pilot test be carried out before the actual study in order to apply this study in the fieldwork and to anticipate any obstructions in an earlier stage which helps a researcher to make corrections (Van Teijlingen & Hundley, 2002). Sekaran and Bougie (2010) had stated that a pilot test is crucial step to confirm that the questions are valid and respondents are able to understand on the wording and scale in the questionnaire which in turn will enhance the goodness of study design. It was suggested that the total number of respondents from 25 to 100 are suitable for a pilot test (Emory & Cooper, 1991) and 35 respondents from Majlis Perbandaran Pulau Pinang (MPPP) were chosen as sample size for the pilot test.

To ensure all of the questions are reliable, the reliability analysis was used. Reliability is the accuracy of measurement on consistency and stability. Cronbach's alpha value is often used to find out the constructs' reliability. In other words, alpha indicates the extent level of each instrument correlate into each other (Sekaran & Bougie, 2010; Zikmund,

2000). Hair, Money, Page and Samuel (2007) suggested that alpha values scored 0.60 and below, 0.60 to 0.70, 0.70 to 0.80, 0.80 to 0.90 and 0.90 and above represents the reliability level as poor, moderate, good, very good and excellent respectively. The obtained responses from pilot test were analyzed by using the Statistical Package for Social Science (SPSS) Version 20.0 and it revealed that all of the variables were found highly satisfactory as the alpha value met the requirements by scoring 0.60 and above. The questionnaires were carried out for actual study in order to achieve study's objective.

3.6 Data Analysis Techniques

3.6.1 Descriptive Statistics

Descriptive statistics involving frequency was used to determine respondents distribution based on demographic profile such as experience, age, academic qualification, marital status, gender and position in organization. This analysis was also used to determine the central tendency and dispersion of good governance level and performance in MPSP by involving mean and standard deviation.

3.6.2 Inferential Statistics

3.6.2.1 Correlation Analysis

Correlation analysis was used to determine the direction, significance and type of association between two variables (Pallant, 2007). This is important to achieve the main objective of this study which is to evaluate the bivariate relationship among the variables (Sekaran & Bougie, 2010; Zikmund, 2000). Pearson correlation matrix provides the

related information by indicating the direction, significance and strength of relationship between good governance and performance in government sector.

3.6.2.2 Multiple Regression Analysis

Regression analysis was used to measure a linear relationship between two or more variables namely independent (good governance) and dependent (performance) variables. Multiple regression analysis allows a number of variables into the same category of regression equation and forecast a single dependent variable (Hair, Money, Samuel & Page, 2007). This analysis is important and determines the amount of variance in the dependent variables as explained by a set of independent variables (Cavana, Delahaye & Sekaran, 2001). A separate regression coefficient determines for each independent variable that defines its link with the dependent variable and as a final point, it would assess the relative influence of several independent variables on the dependent variable (Hair et al., 2007).

**CHAPTER 4
DATA ANALYSIS AND FINDINGS**

4.0 Introduction

This section consists of the findings of the study. The study gives a general view of the response rate and continued by the descriptive analysis on the respondents' profile and variables pattern. This is followed by the data result of reliability, correlation and regression findings.

4.1 Response Rate

A total of 320 respondents was the selected sample size from the population of 1,894 in MPSP. A total of 500 questionnaires were distributed to MPSP to ensure a good return response rate as shown in Table 4.1. From a total of 398 (79.6 percent) completed questionnaires, a total of 34 (6.8 percent) questionnaires were incomplete and only 364 (72.8 percent) questionnaires were found satisfactory for analysis. The collected response rate was considered acceptable as it reflects the target population in the present study (Sekaran & Bougie, 2010).

Table 4.1
Response Rate of MPSP

Number of Departments	Distribute	Receive	Incomplete	Total	Grade		
					A	B	C
15	500	398	34	364	47	97	220
Percentage (%)	100	79.6	6.8	72.8	12.9	26.7	60.4

Grade 41 & above = A, Grade 26-40 = B, Grade 22 & below = C

4.2 Descriptive Statistics

4.2.1 Profile of Respondents

The distribution of respondents profile as shown in Table 4.2 are experience, age, academic qualification, marital status, gender and position in the organization. The frequencies of respondents being employed below 1 year is 18.7 percent, within 1 to 5 years is 25.0 percent, within 6 to 10 years is 15.7 percent, within 11 to 15 years is 14.8 percent and above 15 years is about 25.8 percent. In addition, the frequencies of respondents' age are about 0.8 percent for below 20, 35.2 percent for 21 to 30, 32.4 percent for 31 to 40 and 31.6 percent for above 40. Meanwhile, respondents academic qualification frequencies is 0.3 percent for PhD, 2.7 percent for Master, 22.3 percent for Degree, 28.6 percent for Diploma and 46.2 percent for Certificate level. Marital status of respondents is about 26.1 percent single and 73.9 percent married that consists of 46.2 percent male and 53.8 percent female. As for respondents position in organization, the frequencies consist of 12.9 percent for management level, 26.9 percent for middle level and 60.2 percent for operation level.

Table 4.2
Profile of Respondents

	Classification	Frequency (N=364)	Percentage (%)
Experience	below 1 year	68	18.7
	1 to 5 years	91	25.0
	6 to 10 years	57	15.7
	11 to 15 years	54	14.8
	above 15 years	94	25.8
Age	below 20 years	3	0.8
	20 to 30 years	128	35.2
	31 to 40 years	118	32.4
	above 40 years	115	31.6
Academic Qualification	PhD	1	0.3
	Master	10	2.7
	Degree	81	22.3
	Diploma	104	28.6
	Certificate	168	46.2
Marital Status	Single	95	26.1
	Married	269	73.9
Gender	Male	168	46.2
	Female	196	53.8
Position in Organization	Management level	47	12.9
	Middle level	98	26.9
	Operation level	219	60.2

4.2.2 Mean and Standard Deviation of Good Governance and Performance

The maximum value for each variable is 5 whereas the minimum values are different: accountability (3.18), strategic management and monitoring (3.11), information and decision support (3.00), performance (2.87), leadership (2.33) and transparency (2.25). In aspects of mean and standard deviation, the score range for each variable is within 4.00 to 4.13 and 0.32 to 0.41 respectively. The scores are significant to determine the relative importance of each of the constructs. Table 4.3 shows all constructs for mean were above the value of 4. In conclusion, all of constructs are of substantial to the study (Martey, 2014).

Table 4.3
Min, Max, Mean and Standard Deviation of Good Governance and Performance

Construct	Min	Max	Mean	SD
Accountability	3.18	5.00	4.1256	0.32192
Leadership	2.33	5.00	4.0760	0.41405
Strategic Management & Performance Monitoring	3.11	5.00	4.0568	0.32465
Information & Decision Support	3.00	5.00	4.1241	0.33667
Transparency	2.25	5.00	4.0034	0.36984
Performance	2.87	5.00	4.1029	0.33592

N=364

4.3 Reliability Analysis

Table 4.4 below shows that accountability, leadership, strategic management and monitoring, information and decision support and transparency scored 0.82, 0.81, 0.84, 0.76 and 0.76 respectively. Hair, Money, Page and Samuel (2007) had suggested the alpha values which are 0.60 and below, 0.60 to 0.70, 0.70 to 0.80, 0.80 to 0.90 and 0.90 to above would represent the internal consistent of instruments based on levels; poor reliability, moderate reliability, good reliability, very good reliability and excellent

reliability. Similarly, the good governance and performance that scored alpha 0.92 and 0.70 ensured the instruments are of high internal consistency.

Table 4.4
Reliability Analysis

Constructs	No. of Items	Cronbach's Alpha	Type of Reliability
Performance	15	0.700	Moderate
Good Governance	40	0.929	Excellent
Accountability	11	0.824	Very Good
Leadership	6	0.809	Very Good
Strategic Management & Performance Monitoring	9	0.838	Very Good
Information & Decision Support	6	0.761	Good
Transparency	8	0.757	Good

a. Dependent Variable= Performance

b. Independent Variables= Five Elements of Good Governance

4.4 Normality, Linearity and Homoscedasticity

The normality of distribution was also confirmed through the normality analysis using the skewness and kurtosis ratios. The ratios values are shown in Table 4.5. The value of 0 shown in skewness and kurtosis ratios indicate that the variables are normally distributed. According to Pallant (2007), skewness value is important to ensure the distribution is symmetry. The distribution is substantially skewed when the skewness value is larger than +1 or smaller than -1 (Jali, 2009). Kurtosis value is important to ensure the distribution is not too peak or too flat. The value shall not exceed +3 and neither be below -3 (Jali, 2009). For this study, both values confirmed a normal curve distribution.

Table 4.5
Skewness and Kurtosis Ratios

Variables	Skewness		Kurtosis	
	Statistic	Std. Error	Statistic	Std. Error
Accountability	0.691	0.128	0.560	0.255
Leadership	-0.197	0.128	2.008	0.255
Strategic Management & Monitoring	0.854	0.128	1.448	0.255
Information & Decision Support	0.574	0.128	0.944	0.255
Transparency	0.154	0.128	1.671	0.255
Performance	0.079	0.128	0.161	0.255

N = 364

Figure 4.1 shows the linearity, normality and homoscedasticity of residuals. Pallant (2007) stated about basic assumptions in regression analysis that shall not be violated. Accordingly, the variables were found not violating linearity, normality and homoscedasticity since there is no major deviations. The pattern shown in a reasonably straight in the normal probability plot was indicated for linearity. In other words, it confirmed for a linear relationship between good governance and performance. The similar variance for both variables that had pointed near instead major variability around regression line was indicated for a homoscedasticity. In addition, with most of the scores concentrated at the centre along to the 0 point in the standardized residuals' scatter plot emphasized the residuals were roughly rectangular distributed. These distributions indicate a normal curve as shown in statistic histogram which signifies that the data affirm to the normality assumption.

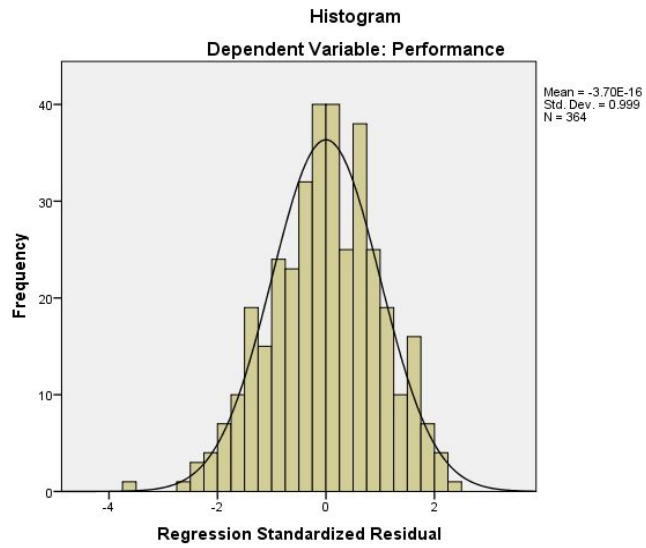
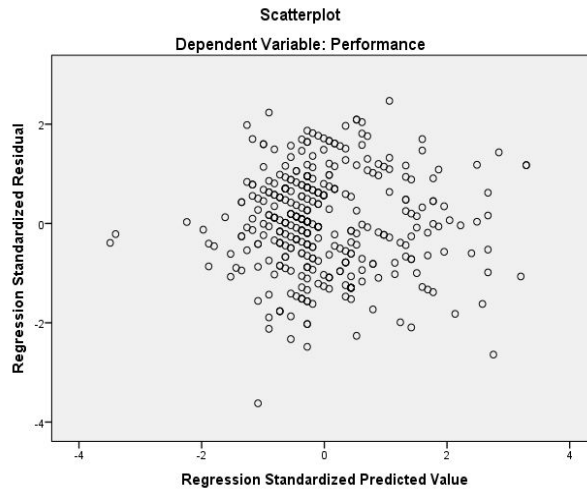
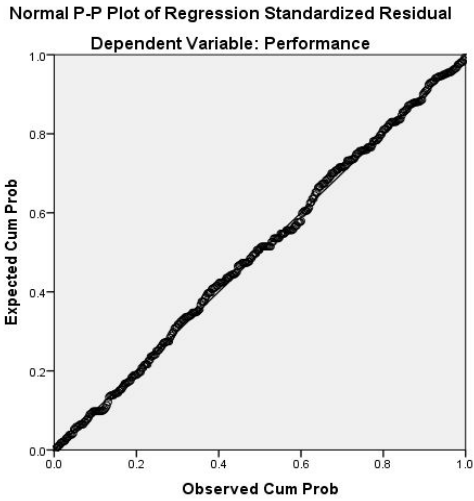


Figure 4.1
Normal P-Plot, Scatter Plot and Statistics Histogram of Residual

4.5 Inferential Statistics

4.5.1 Pearson Correlation Analysis

Cohen (1988) as cited by Pallant (2007) had emphasized the (r) value of 0.10 to 0.29, 0.30 to 0.49 and 0.50 to 1.00 towards the type of correlation, for example weak, moderate or strong relationship between two variables. However, the value of 0 is to be referred as no relationship exists. Table 4.6 shows the correlation between good governance and performance and followed by table 4.7 summarized the results of hypotheses. Despite the correlation between good governance and performance was a strong and positive significant ($r= 0.502$, $n= 364$, $p<.001$), the five dimensions were found with different values, however uphold with a positive significant correlation with performance. While, four dimensions of good governance indicated a moderate correlation; strategic management and monitoring ($r= 0.447$, $n= 364$, $p<.001$), accountability ($r= 0.378$, $n= 364$, $p<.001$), leadership ($r= 0.364$, $n= 364$, $p<.001$) and transparency ($r= 0.362$, $n=364$, $p<.001$), only one dimension was found with strong correlation, that is information and decision support ($r= 0.502$, $n= 364$, $p<.001$).

Table 4.6
Pearson Correlation Analysis

	PF	GG	AC	LS	SM	ID	TP
PF	1						
GG	.502**	1					
AC	.378**	.833**	1				
LS	.364**	.788**	.605**	1			
SM	.447**	.832**	.609**	.572**	1		
ID	.502**	.805**	.582**	.501**	.664**	1	
TP	.362**	.757**	.450**	.512**	.502**	.592**	1

$N = 364$

**Correlation is significant at the 0.01 level (2-tailed)

PF=performance and GG=good governance; AC=accountability, LS=leadership, SM=strategic management and performance monitoring, ID=information and decision support and TP=transparency

Table 4.7

Summary of Hypotheses Results using Pearson Correlation Analysis

Hypotheses	Descriptions	Results
H ₁	Good governance will have positive relationship with performance.	Supported
H _{1a}	Accountability will have positive relationship with performance.	Supported
H _{1b}	Leadership will have positive relationship with performance.	Supported
H _{1c}	Strategic management and performance monitoring will have positive relationship with performance.	Supported
H _{1d}	Information and decision support will have positive relationship with performance.	Supported
H _{1e}	Transparency will have positive relationship with performance.	Supported

4.5.2 Standard Multiple Regression Analysis

As a whole, good governance is significantly related with performance since all of the dimensions met below 0.05 of significant value (Pallant, 2007). Meanwhile, positive relationship with the beta value ($\beta=0.226$, $p<.05$) confirmed that one unit increase in good governance will lead to 0.226 increase in performance. The variance of performance is explained by good governance in about 25.3 percent which shown as 0.253 of R square in Table 4.8. Table 4.9 summarized the results of hypotheses. The information and decision support ($\beta=1.251$, $p<.05$) was found as the highest dimension in good governance that emphasized high increases in performance. Strategic management and performance monitoring ($\beta=0.770$, $p<.05$), leadership ($\beta=0.739$, $p<.05$), transparency ($\beta=0.616$, $p<.05$) and accountability ($\beta=0.537$, $p<.05$) were subsequently found led to performance increases. On the other hand, information and decision support, strategic

management and monitoring, accountability, leadership and transparency explained the variance of performance in orderly as 25.2 percent, 19.9 percent, 14.3 percent, 13.3 percent and 13.1 percent.

Table 4.8
Standard Multiple Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	R Square (R ²)
	B	Std. Error	Beta			
Good Governance	0.226	0.020	0.502	11.058	0.000	0.253
Accountability	0.537	0.069	0.378	7.761	0.000	0.143
Leadership	0.739	0.099	0.364	7.439	0.000	0.133
Strategic Management & P. Monitoring	0.770	0.081	0.447	9.497	0.000	0.199
Information & Decision Support	1.251	0.113	0.502	11.034	0.000	0.252
Transparency	0.616	0.083	0.362	7.378	0.000	0.131

a. N = 364, b. Dependent Variable: Performance

Table 4.9
Summary of Hypotheses Results using Standard Multiple Regression Analysis

Hypotheses	Descriptions	Results
H ₁	Good governance will have positive relationship with performance.	Supported
H _{1a}	Accountability will have positive relationship with performance.	Supported
H _{1b}	Leadership will have positive relationship with performance.	Supported
H _{1c}	Strategic management and performance monitoring will have positive relationship with performance.	Supported
H _{1d}	Information and decision support will have positive relationship with performance.	Supported
H _{1e}	Transparency will have positive relationship with performance.	Supported

CHAPTER 5 DISCUSSION, RECOMMENDATIONS AND CONCLUSION

5.0 Introduction

This section discusses the results with the justification on good governance and government sector performance, contribution, recommendations, limitations, suggestion for future research and conclusion of this study.

5.1 Recapitulation of the Study

The purpose of this study is to examine the relationship of good governance and performance in government sector and the findings solved the question posed in this study. It confirmed that there is a relationship between the two variables. 1,894 personnel of MPSP were the target population studied. A total of 364 samples were collected and the method used was through questionnaires. The findings from the correlation analysis supported all of the hypotheses which show a significant positive relationship between good governance with its five principles namely accountability, leadership, strategic management and performance monitoring, information and decision support and transparency with performance. The findings from the regression analysis show 25.3 percent of performance variance and was clearly described by good governance. All of the good governance principles indicate a significant impact to the performance. These main findings indicate that the need and demand for good governance is essential, and with the involvement and responsible civil personnel, will increase the performance. The principles are the important part of governmental efforts to support and sustain good governance in Malaysia.

5.2 Discussion

The research objective is to identify the level of good governance in the government sector and department performance. The results revealed positive relationships between good governance and its principles that is accountability, leadership, strategic management and performance monitoring, information and decision support and transparency with performance which makes up efficiency, effectiveness, productivity, cost and customer satisfaction in MPSP. This study also revealed that personnel in MPSP understand and practice common principles of good governance and are also able to determine the strength and shortcomings of governance practices and improve on it. This was supported by preceding researchers such as Alexander and Lee (2006), Skelcher and Mathur (2004), Kaufman and Kraay (2003).

Information and Communication Technology (ICT) has changed the elements of good governance now days. Internet and e-government data should be taken into account in governance studies. The use of ICT to improve the ability of governments to address the needs of society is defined as e-governance. These services include improved dissemination of information to citizens, better coordination of the strategic planning process and facilitating the attainment of development goals. In contrast, e-government is limited to the use of ICTs by governments (World Bank, 2003). E-government consists of e-administration and e-services. E-administration, the use of ICTs in creating data repositories for management information systems and computerizing records, has made traditional administration more efficient. Furthermore, e-services, namely the provision of government services online, has also greatly improved efficiency as well as eliminated

access points for corrupt practices. Finally, ICTs play an important role in enhancing democracy through E-democracy that is the ability of all sections of society to participate in the governance of the State. The focus of e-democracy is to improve transparency, accountability and participation.

Information and decision support represent new elements in the governance framework of this study that was found as strongly correlate with performance. Good decision support structure and process of getting information to the correct staff to support decision will lead to better performance outcomes (Barrett, 1998). Decision making is an important role of executives and could spell MPSP's success or failure. Rational decision is being constant and making decisions with the best value despite of restrictions (Dumler & Skinner, 2008). Decision making is accepted as an important aspect in MPSP's effectiveness in which the intranet provides internal information support for MPSP, while the internet provides the external information support. The extensive use of ICT enables MPSP authorities to shift from traditional old working ways to a computerized system to support strategic planning, rational decision making and to increase performance. Good record keeping will help others and explain the reasons a decision was made and able to advise future decision makers. ICT has proven to be a powerful means of disseminating information (Kyj, 2006) and more importantly, ICT can be used in a sustainable manner to facilitate government operations as well as engage civil society.

Leadership, strategic management and performance monitoring, accountability and transparency were found to moderately correlate with performance. Leadership is an

important principle that strengthens management capacity and organizational performance (ANAO, 2003) and integrates Human Resource Management elements like staffing, capacity building, ethics and planning for succession. Leadership provides for and ensures the aims and objectives of the organization truly serve public interest (The Independent Commission UK, 2004). This element is important especially the top management of MPSP, because decision making in the organization are largely in their hands. Moreover, lower rung employees look to top management as role models to emulate, thereby bringing about excellence in their performance. Ryan and Ng (2000) concurs stating leadership influence is an important element in governance frameworks in government sector and possessing strong leadership qualities and values leads to organizational performance excellence (Whiteoak, 1996).

Strategic management and performance monitoring appraise all important tools to ensure MPSP's continuous monitoring of their governance system and to uncover hidden risks that might affect outcomes. MPSP also drew up a Strategic Plan covering the long, mid and short term with reviews and revisions yearly. This serves to ensure services provided are efficient, effective, economical and achievable in the long run (ANAO, 2003). MPSP's effectiveness was appraised based on the performance and effect of program implementation on specific target groups by using Key Performance Indicators (KPI) and through annual strategic plans. ANAO (2003) states that organizational strategic management and performance monitoring is effective in meeting policy and performance aims and effective in pursuing objectives (Ryan & Ng, 2000). Mohd Sidek (2007) states it determines government sector performance at the highest level, meeting organization

goals and aims. In doing so, MPSP is able to perform well with minimal resources and without unnecessary wastage resulting in meeting organizational mission and vision and achieving its goals and aims.

Tan Sri Dato Ahmad Sarji Abdul Hamid (1992) emphasized a need to enhance accountability and transparency that leads to good performance to achieve a good administration, machinery, efficiency and public trust. The government and agencies are responsible for accountability in the public sector in order to achieve set objectives. The external stakeholder of MPSP is clearly defined in the form of external auditing, annual reporting to and budget approved by the Penang State Assembly. Internal accountabilities are the responsibilities of the staff, internal auditing and subscribing to a clear organizational policy. Raja Nazrin (2007) reflects that good governance needs accountability from those who hold power. The World Bank (1992) also stated that government personnel must be accountable in their actions in order to increase performance. By this, MPSP department heads ensure that this responsibility is delegated to all subordinates so that implementation may be effective. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the entity plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability (Skelcher & Mathur, 2004).

Transparency is the availability and clarity of information provided to the general public about government activity. Governments must not only provide information but also

ensure that as many citizens as possible have access to this information with the goal of increasing citizen participation. A lack of transparency creates opportunities for government corruption and reduces public sector efficiency. The linked with transparency is the issue of accountability. Transparency in MPSP is revealed in transparent governance and is shown through clear processes and easy public access to information. Transparency promotes ethical awareness in the public sector through information sharing thus ensuring accountability and performance for those in public office or handling resources (Cadbury Report, 1992; Nolan Report, 1995).

Good governance is crucial for sustainable development of a country (Clark, 2012). The Malaysian government should observe the importance of active, effective and fair governance for achieving development results (Clark, 2012). Active governance sees to the needs of people by delivering quality and reliable services when needed. Government servants are required to collect revenue, allocate and invest public funds and resources for the good of the citizens. Effective governance is essential for integrating policy making capacity that is need for sustainable development. Fair governance holds the key to a stable and secure society. Fair, reliable and accountable governance will build trust between the people and the government.

5.3 Contribution of the Study

This study contributes to the theoretical and practical aspects. In the perspective of theory, this study strengthens the evidence for preceding scholars and reports on how good governance leads to better performance in government organizations. On the other hand,

in the practical perspective, this study provides important information for government servants on the effects and usefulness of good governance in government agencies.

5.3.1 Theoretical Contribution

This study benefits the application of good governance framework in the Malaysian Government and shows that the framework is relevant, valid and applicable to the Malaysian government organizations specifically to MPSP.

The findings proved that MPSP in applying good governance was perceived to increase performance. This study supported prior literature results that organizations which apply good governance system can achieve better performance.

This study also gives value added knowledge, expanding literature in the area of good governance in the context of government agencies as a whole and in particular, the Malaysian government. In this study, the limitations and scarcity of literature was highlighted to show the application and practices of good governance in the government organization as a whole.

Performance measurement in the government organizations do not capitalize on profit making. Each government agency has its own framework of performance measurement that is helpful to policy makers and practitioners since there is no standard framework to measure performance in the public sector. There is no single framework of performance

measurement that fits all organizations and each organization customizes its own system and measurement.

This study shows the principle of information and decision support is essential whereby it strongly influence all principles of good governance framework. At present, the information principle plays an important role in this digital era.

5.3.2 Practical Contribution

This study creates alertness and enhances understanding for government servants with regards to the effectiveness and importance of good governance in government organizations. This study also provides some guidelines to MPSP Departments by imparting important information about government sector governance.

The application of performance indicators in measuring performance provide a better understanding to practitioners on how the principles of performance indicators are being used and measured in Malaysian government organizations.

The study findings also provide an insight to MPSP regarding the level of application of governance principles as attested by its personnel in the organization.

5.4 Recommendations

Usage of information and analysis to support design and decision-making is very important nowadays. ICT is a powerful tool for information dissemination (Kyj, 2006) and can be used in a sustainable manner to facilitate government operations as well as engage civil society. Decision making by top management in MPSP should be supported by a greater usage of information and analysis. This makes the top management and those making decisions more well-informed before important decisions are made. Information and analysis can help MPSP to design effective programs and strategies and allocate limited resources to overcome risks. Information can be obtained from many sources and the ability to access to the right information supports the decision-making of any organization. Analysis of useful information can assist MPSP to understand risks and differentiate strategies according to risk level of clients

MPSP should apply the bottom-up approach, or how public governance could be tailored to cater to citizen needs. United Nation's bottom-up study argues that traditional governance principles have been developed top-down and suggests verifying whether these are what people look for most in public administration. The bottom up approach seeks people's most pressing needs, and then appraises the government's delivery of such services. This approach is unique because it is based on citizen's needs, yet able to adapt to national circumstances. The importance of capacity building as an important signal of future performance is stressed in this approach (UNDESA, 2005). Strong leadership at all levels of the organization is necessary in MPSP to achieve outcomes and maintain a high standard of conduct consistent with legal and policy requirements and public expectations.

Effective leaders set the right tone at the top, establish and promote clear objectives and focus on achieving high performance with accountability. They promote a culture of good governance by bringing best practices into governance.

Governance that provides for integrity, transparency and accountability is the focus of sound public sector governance. Public sector entities need to invest in appropriate systems and processes that support effective management. Tailoring governance structures and processes to suit the type, maturity, size and business of an entity is important when establishing the entity, introducing new programs or services, or making changes to functions or risk profile. The structure must be flexible to enable timely responses to new responsibilities and challenges. However, the behavior and mind set of civil servants in MPSP must change. MPSP personnel must be motivated and be prepared to be learn, re-learn and unlearn in an ever changing world to meet new challenges and to stay relevant and competitive. Society values education and training, but this training or education system must incorporate moral values at all levels. All training must be value-based. MPSP staff should be encouraged to excel in innovation, effectiveness, efficiency, performance, careful usage of limited resources and to do away with all forms of waste. There should also be public engagement and dissemination of information in order for people to appreciate the work performance of MPSP staff.

5.5 Limitations

There are limitations beyond the control of this study in the gathering of information from respondents working in various departments and units within MPSP and are discussed below:

In determining the level of score in good governance and organization performance in MPSP, samples selected for this survey were assessed based on staff perception on various factors. This may lead to a situation which could be biased and in favor to the department.

Even though, this study is based on a survey involving 500 respondents, only one municipal council out of two in the state of Penang was chosen for the study. The results therefore reveal the findings of governance activities for that particular municipal council. As such, the results do not necessarily represent all municipal councils in the country.

The samples in this research were taken from various departments and units in MPSP. Respondents in this survey are varied in terms of academic qualifications, educational background, perception, outlook as well as capability and experience. Due to such a wide disparity, results may not be absolutely conclusive due to differing perception, interpretation and feeling of individual respondents.

5.6 Direction for Future Study

The subject of this study should be widened. This study focused only on selected staff in various departments and units within MPSP. As such, it is an internal study. Even so, councilors who are appointed by the State Government for a specific period of time and are not permanent MPSP staff form an important group that determines the policies and direction of MPSP. Future research should consider this very important group. Future research should also consider an external party in the form of MPSP's clients. This approach may possibly provide different outcomes and findings altogether.

This research was done with data collection through the answering of questionnaires by respondents in MPSP, which is basically a cross-sectional method of research. The respondents were quizzed on their perception of the level of good governance application in their respective departments and units. As such, the study was unable to monitor and record long term effects of good governance in the individual respondent's department and unit. It is recommended that future studies should employ longitudinal studies method. This is because it permits members of the research team to monitor and study the long term effects of good governance application which results in better performance for MPSP. This study only focuses on MPSP. Future research should cover a wider sample involving more examples from local governments including City Hall, other Municipal Councils and District Councils so as to achieve a more accurate result that truly reflects good governance application in the public sector in the country.

5.7 Conclusion

A local government, Majlis Perbandaran Seberang Perai (MPSP) was selected in this study to investigate the relationship between good governance and performance and 364 respondents involved in this study. The data were collected through self-administered questionnaires, examination of files, records and office documents.

The results of correlation analyses revealed that good governance and its elements are linked positively with the performance of MPSP namely accountability, leadership, strategic management and performance monitoring, information and decision support and transparency. Amongst five principles, information and decision support was found strongly linked, while the other four elements were found moderately linked with the organizational performance. This finding shows that improvements in good governance are the result of higher performance in government sector. The result of regression analyses also revealed that variance of performance was explained by good governance in about 25.3 percent.

In closing, the good governance principles have the capability in closely associated and mutually strengthening each other. The principles applied needs to be regularly monitored and reported to generate motivation for an organization to move forward and excel. Whatever form of the framework applied, it must have the basic support of governance for peaceful and approachable human development. This will reinforce citizen participation and also ensure accountability, transparency and better decision. This is important to gain trust and confidence from citizens where good governance can be

achieved. Good governance goes beyond having an efficient economic and social resource management including better public services delivery; it reflects the level of relationship between the executives in power and the citizens, involving cooperation and relationship between the government, private agencies and NGOs. Positive elements of good governance are found in our Constitution, state laws as well as by laws of the local government. It remains a challenge for civil servants to fully understand the responsibilities of good governance.

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