Improving the Service Delivery: A Case Study of a Local Authority in Malaysia
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Improving the Service Delivery: 
A Case Study of a Local Authority in Malaysia

Siti-Nabiha Abdul Khalid

Local councils in Malaysia continue to face criticism and are viewed as inefficient and lacking accountability. They also face pressure to improve their service delivery. As a result, the Malaysian federal government requires public agencies, including local authorities in Malaysia, to use key performance indicators (KPIs) to improve their service delivery.

This article examines the implementation of the system of key performance indicators in a local council in Malaysia. Details of the system of KPIs imposed by the government for the local council are discussed. The article also discusses how, and what indicators are formulated, and the process undertaken by the local council in improving their service delivery system.

Keywords: Performance measurement system, KPIs, local government, public service delivery, Malaysia, accountability system

Introduction

Public organizations in Malaysia have faced widespread criticism regarding their perceived lack of financial discipline, good governance and accountability. The local government is one of those public organizations that have been heavily criticized by the Malaysian public. The increased education level of the population has led to a more vocal and more discerning citizenry that expects better services and accountability from its local government. Moreover, the rapid industrialization and urbanization of the country have created a challenging environment for the local government. As such, it is not surprising that the local councils in Malaysia continue to face criticism and are viewed as inefficient with a lack of accountability.
Good governance by the local government is important as it is the level of government that is closest to the people and plays a significant role in society. It is vital to improve urban governance since a city that is managed properly is productive, healthy and will be economically sustainable. Poor management on the part of the local government will lead to the degradation of the city, which will subsequently lead to negative social and environmental consequences (Phang 2000). As such, the Malaysian government in its quest to improve public services has introduced various policies, directives and guidelines to all public agencies, including local authorities.

Similar to the efforts in other countries that faced similar criticism of their public sector, the Malaysian government instituted the use of performance indicators for public agencies. In 2005, the Guidelines for establishing Key Performance Indicators (KPIs) and Implementing Performance Assessment at Government Agencies was issued. It requires all public agencies, including local authorities to develop key performance indicators to improve service delivery (DAC2/2005). The use of KPIs is seen as one of the tools to strengthen the public sector’s institutional and implementation capacity, which is one of the strategic thrusts of the 9th Malaysian Plan (EPU 2006). By 2010, almost all public agencies in Malaysia are required to implement the KPIs system (EPU 2006).

The next section provides a brief contextual description of the local government in Malaysia. This is followed by a description of the KPIs system imposed by the government. This article also discusses the implementation process at the local council, specifically how and what indicators are formulated and the process undertaken by the local council in improving its service delivery system.

The Context of Local Government in Malaysia

Local authorities in Malaysia represent the third tier of government after the federal and state governments. The power of decision making is transferred to the local authorities to administer in their respective areas. In Peninsular Malaysia, the local authorities are governed by the Local Government Act 1976. Those in East Malaysia, i.e., the states of Sabah and Sarawak, have their own ordinances. For example, the local authorities in Sarawak are governed by the Local Authorities Ordinance 1996.

Since the local government is under the state list, the state has direct financial powers over the local authorities. All the fiscal transfers are channelled through the various state governments. The federal government cannot interfere directly in the affairs of the local authorities and is helpless even where the state withholds federal contributions.

The federal government deals with the local government through the Ministry of Housing and Local Government. A National Council for Local Government, chaired by the Deputy Prime Minister with the Chief Ministers of the states in Malaysia as members, is enacted to advise and coordinate the local authorities in various matters, especially concerning legal and policy issues (UNESCAP website). The Ministry of Housing and Local Government is responsible for the coordinating and supervising of the local authorities. However, any directives from the ministry need to be adopted by the state first. Thus,
the state wields more power over its local authorities compared to the federal ministry.

The Local Government Act of 1976 details the roles and responsibilities of the local authorities. The local government is responsible for providing and maintaining urban services that encompass areas such as public health and sanitation, waste removal and management, town planning, environmental protection and building control, general maintenance functions of urban infrastructure and social and economic development. The lack of financial and physical capacity, especially at the level of the district councils limits the extent and functions that they can provide.

One unique characteristic of local government in Malaysia is that unlike most countries, local councils do not have direct accountability to its citizens. The state government, elected every five years, has the power to appoint the mayor and councillors of respective local authorities within the state. Generally, the mayors or the president of the councils are civil servants. The Local Government Act 1976 provides guidelines regarding the appointment of councillors. The number of councillors can range from eight to 24 and should be appointed:

From amongst persons the majority of whom shall be persons ordinarily resident in the local authority area who, in the opinion of the State Authority, have wide experience in local government affairs or who have achieved distinction in any profession, commerce or industry, or are otherwise capable of representing the interests of their communities in the local authority area. (Local Government Act 1976)

However, in practice the local councillors are mainly selected based on their political affiliations. In some states the councillors appointed are from among the members of the state legislative assembly while in other states the politicians-councillors are not members of the state assembly. Usually, no members from the opposition parties are appointed as councillors.

Thus, one of the unique issues of local authority in Malaysia is that there is no direct accountability to the citizens. Further, other stakeholders’ interests are not fully represented in the high level decisions of the local councils. In some instances there is political interference in local authorities that affects their actions and decisions. Another important attribute of the local councils in Malaysia is that they are generally a closed service. The employees are mainly career civil servants and commonly can move upwards only within the same local authority. Hence, there are limited opportunities for promotion. In some local authorities, only the president or mayor is from the federal level and thereby able to be moved up or to work in other public organizations.

Given such a social-political context, to whom should the local government be accountable? What type of performance measurement and accountability system should be used for the local government in Malaysia?

The KPIs System

Many governments have viewed performance measurement systems as a panacea for inefficient and ineffective public service delivery. This is in line with assumptions underlying the new public management paradigm
which believes that private sector practices should be utilized by public organizations so that they will become more efficient and effective (Hood 1995). It is not surprising then that various states and governments at all levels have spent time and money on performance measurement and evaluation of their agencies (OECD 1996; Shah 2003). Laws and directives were issued to implement these result-based policies such as the Government Performance and Results Act 1993 in the US and the Financial Management Initiative in the UK during the 1980s and the concurrent legislation that requires all public agencies to monitor performance against set plans and objectives.

Performance based measures for public organizations in Malaysia are not new. Prior to the issuance of the Developmental Administrative Circular 2/2005, which requires the formulation and use of performance measures, the use of performance indicators was instituted by the government in various ways. For example, the concept of measures was used in the Performance Planning Budgeting System (PPBS) during the 1970s and 1980s. Later, the PPBS was re-formulated as the Modified Budgeting System, which still used performance-based measures in the budgeting process. Further, for the staff appraisal system, government servants have to develop their annual workplan with indicators for various activities. Thus, the idea of measures for performance is not really new for Malaysian public organizations.

The efforts to develop an efficient public service continued with the introduction of the Key Performance Indicators (KPIs). The system of KPIs was touted as one of the tools to improve the effectiveness and efficiency of public agencies. The system of key performance indicators was established for government linked companies (GLC) a year earlier. A three year contract-based employment renewal on the basis of performance was also instituted for the senior management of GLC. DAC 2/2005 details the types of measures to be developed and also the monitoring and evaluation process that has to be implemented (DAC 2/2005). Public agencies in Malaysia are to be measured in terms of: (i) the efficiency and effectiveness of the process of service delivery, (ii) human resource and financial productivity, and (iii) customers’ satisfaction towards the service received (DAC2/2005: 10, emphasis added).

Thus, the KPIs are formulated based on a detailed examination of each step of providing services and the duration of time needed to do a certain task. The emphasis is to ensure faster time in providing services. KPIs should be formulated based on the agency’s current process providing service. The performance indicators should be specific, measurable, achievable, realistic and time bound. The performance targets can be based either on the agency’s current workload, past experience, existing capability or trend analysis.

An analysis of the performance for each service delivery, the reasons for the variances between the targets and actual performances and recommendations for corrective actions and improvement are to be undertaken. However, there is no external evaluation made of the KPIs for public agencies that have implemented the system. There are also no rewards or punitive measures for agencies that meet or fail to meet their KPIs targets. Thus, the KPIs report is used only for internal purposes. As such, benchmarking of an organization’s performance relative to others, even those
within the same ministry or agency, is not re-
quired. Further, there is no monitoring of
these KPIs indicators by external parties. The
process-based performance assessment
model of the public agencies and the Steps in
Developing KPIs and Implementing Perfor-
ance Assessment at Government Agencies in
Malaysia are illustrated in Figures 1 and 2.

By the end of 2007, not many local au-
thorities had fully implemented the system.

Figure 1
Process-based Performance Assessment Model for the Government Agency

Some had just received training by their respective state governments on the concept of indicators, while the others were in the process of formulating it. There were also some local councils that had not implemented the system. In the next section, the impact of using KPIs is discussed through illustrations of the use of KPIs system in Majlis, a local authority, which was one of the earliest public organizations to implement the measurement system.

**KPIs System in Majlis**

**Background of Majlis**

Majlis received city status during the earlier part of this decade. Among the responsibilities of Majlis are to: (1) provide and maintain urban services and public infrastructure, (2) maintain public health through control of hawkers and food traders, (3) implement beautification and cleanliness projects of...
tourist sites, (4) facilitate business, commercial and tourists activities in line with state development strategies, and (5) plan and facilitate the small business sectors and traders through providing additional services and issuing business licences.

There are about 15 departments in Majlis, comprising those related to urban services such as the developmental control and licensing departments. Majlis has also established an internal audit and quality department. It is headed by a mayor who has previously worked in another state agency. He has been in Majlis for several years and is trained in economics. The council obtained ISO 9001 certification in the early 1990s and has also gained up-to-date versions of the certification. Over the years, Majlis has received numerous awards including quality and cleanliness and sustainable city awards at the state as well as federal levels. It has gained a reputation and is also perceived by some local authorities as being one of the best managed local councils.

**The System: KPIs for Service Delivery Process**

The KPIs system was introduced in Majlis by the Malaysian Administration Modernization Management Planning Unit (MAMPU), i.e., a governmental unit in charge of administrative improvements for public organizations. The KPIs system was introduced through a series of training sessions and meetings with MAMPU. MAMPU formulated a framework for the use of key performance indicators for the public sector. It reviewed various measurement systems and finally settled on indicators that measure the process of providing services, i.e., the process indicators. MAMPU worked with Majlis to develop its measures. The entire implementation project took off in Majlis as it received keen support from the mayor. He is the champion and the driving force for the use of the KPIs system in the local council.

As mentioned earlier, the council also has ISO 9001: 2000 certification. All the procedures have been documented and are available online. As such, the work procedures for each department can be accessed by other departments and units. Since all the workflow procedures have been documented, the process of determining the key performance indicators is easier as the measures are to be developed for key processes and activities. However, for Majlis one of the key steps is to identify the core processes critical for Majlis and then to develop measures and indicators for each of these processes.

The head of the quality department is identified as the coordinator of the KPIs system. A series of meetings with all the heads of departments was held to determine the core processes that need to be measured. The mayor went through the list of services to be measured and felt that only those that reflected Majlis’ core areas should be chosen. Finally, it was agreed that the core processes selected were those that are income generating activities and those that focus on customers and, thus, have an important bearing on the image of Majlis. Thirty-three services for which measures are to be developed were selected, as listed in Table 1. For example, in developmental control, there were 12 services identified in which KPIs are to be formulated.

Prior to using the KPIs system, the council had already developed client charters which
informed the public about the delivery time for certain services. Formulation of the client charter for public organizations was initiated through the government directive in 1993 (DAC3/1993 Guidelines on Clients Charter). As will be explained later, the KPIs system indirectly leads to more continuous improvement and faster service delivery time. This is because measures and targets for each step of the workflow of certain activities will be determined. For example, to determine the duration of time in processing and approval of application of licence for business premises, Majlis has reviewed the detailed steps of the work process, the persons involved in the activity and the duration of time needed to do the activity. Part of the workflow for processing the application for a licence for business premises is illustrated in Table 2. The detailed workflow starts with receiving the application forms, then separating the forms according to the types of licences and so on.

Based on the workflow in processing the business premises applications, efficiency and effectiveness measures for the activities were formulated. The efficiency measures developed for the approval of applications for business licensing are as listed in Table 3. Among the measures are the waiting time to receive service at the application counter, the time to issue one application and the percentage of errors made.

The same process was undertaken for all the 33 core services identified, i.e., the departments responsible examined the workflow for each service delivery and determined the time needed for each step in providing that service. Then, the target productivity of the staff is determined. The productive time of each staff in Majlis is 420 minutes (after taking account of rest, lunch breaks etc.) per working day.

### Table 1
The List of Services Identified

<table>
<thead>
<tr>
<th>Core Processes</th>
<th>Number of Services</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I: Development</strong></td>
<td></td>
</tr>
<tr>
<td>1) Development Control</td>
<td>12</td>
</tr>
<tr>
<td>2) Infrastructure and Public Facility</td>
<td>3</td>
</tr>
<tr>
<td><strong>II: Services</strong></td>
<td></td>
</tr>
<tr>
<td>3) Business Control</td>
<td>6</td>
</tr>
<tr>
<td>4) Valuation of Assessment</td>
<td>3</td>
</tr>
<tr>
<td>5) Clean Control &amp; Services</td>
<td>3</td>
</tr>
<tr>
<td>6) Enforcement</td>
<td>4</td>
</tr>
<tr>
<td>7) Management</td>
<td>1</td>
</tr>
<tr>
<td>8) Information Technology</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>33</strong></td>
</tr>
</tbody>
</table>

Source: The source for this table cannot be disclosed as it would compromise confidentiality.

### Table 2
Determination of the Duration of Service Delivery

<table>
<thead>
<tr>
<th>Work Flow</th>
<th>Persons Involved</th>
<th>Actual Time Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receive the application form</td>
<td>Administrative Assistant (counter)</td>
<td>15 minutes</td>
</tr>
<tr>
<td>Separate the applications according to types of licences</td>
<td>Administrative Assistant (counter)</td>
<td>10 minutes</td>
</tr>
<tr>
<td>Send the application file</td>
<td>Administrative Assistant (counter)</td>
<td>5 minutes</td>
</tr>
<tr>
<td>Register the application</td>
<td>Administrative Assistant (unit)</td>
<td>10 minutes</td>
</tr>
<tr>
<td>Key in the information</td>
<td>Administrative Assistant (units)</td>
<td>30 minutes</td>
</tr>
<tr>
<td>Prepare the technical report for inspection of premises</td>
<td>Administrative Assistant (Technical)</td>
<td>10 minutes</td>
</tr>
</tbody>
</table>

Source: The source for this table cannot be disclosed as it would compromise confidentiality.
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Thus, monthly applications that can be processed are based on the amount of time needed for that activity, the percentage of staff time for that activity and the number of people involved. For example, the number of licences that can be processed in a month is determined based on: (1) the length of time needed to approve one licence application, (2) the number of people involved, and (3) the percentage of time that the staff spends on each step of the licensing process.

Measuring clients’ satisfaction is also undertaken. Customer satisfaction surveys were also done through questionnaires to residents to gain their feedback on the services provided by Majlis. Sometimes, the mayor also called up the business community, i.e., the consultants and architects for dialogue in order to gauge their perceptions regarding Majlis and to know the problems faced in dealing with Majlis.

Financial or cost measures, even though they are not required by MAMPU, were created. The purpose being to generate motivation among the staff, especially those that are in revenue generating activities such as licensing and planning approval activities.

Table 3
The KPIs Measures

<table>
<thead>
<tr>
<th>Efficiency</th>
<th>Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waiting time to receive the service at the counter:</td>
<td></td>
</tr>
<tr>
<td>Application counter</td>
<td>30 minutes</td>
</tr>
<tr>
<td>Counter to provide certification</td>
<td>15 minutes</td>
</tr>
<tr>
<td>Duration of time of being served at:</td>
<td></td>
</tr>
<tr>
<td>The application counter</td>
<td>15 minutes</td>
</tr>
<tr>
<td>Counter to provide the certification</td>
<td>10 minutes</td>
</tr>
<tr>
<td>The time required to issue one licence</td>
<td>30 days</td>
</tr>
<tr>
<td>Percentage of errors</td>
<td>0%</td>
</tr>
</tbody>
</table>

Source: The source for this table cannot be disclosed as it would compromise confidentiality.

To ensure the smooth implementation of the KPIs system, a monitoring committee was formed. KPIs reports are tabled at the monthly council management meetings. However, the costs of providing services are not actively monitored by Majlis in their KPIs meeting. Nevertheless, the mayor monitors the amount of cash flows of expenses and income on a daily basis.

Every department in Majlis has an identified person responsible for monthly data collection, which is given to the quality department to be tabled at the meetings. The main KPIs committee meetings are held every six months and are used to monitor the performance against the targets and the improvement to be made. Therefore, there will be changes in duration of time for providing certain services. Faster delivery is possible. A yearly implementation status report is sent to MAMPU.

Table 4 illustrates the improvement made for one type of activity. The number of monthly applications that can be processed is targeted at 85. However, the actual number of applications received was less than the target—81 during the first phase (the first six months of implementing KPIs) and increased to 83 and
85 during the second and third phases respectively. The time to process the application was reduced from 21 days during the first six months of using KPIs to just 24 hours after 18 months.

The improvements made were mainly in terms of faster time to process various types of applications as listed in Table 5. For example, the time taken to process applications on ownership transfer of premises was reduced from 30 days to 15 hours; land workplan from 42 days to 48 hours; housing plan renovation from 7 days to 24 hours; landscaping plans from 14 days to 48 hours; and contractors claims from 30 days to 14 hours.

The monitoring of KPIs has led to some employees engaged in certain work activities such as enforcement activities for buildings without plans or demolition of buildings, to request that their activities not be measured. As one officer said, ‘it’s [the enforcement activities] actually a never ending story. It is difficult to measure and they won’t achieve their monthly targets.’ Thus, it was agreed that certain activities would not be measured.

The number of complaints received is also monitored at Majlis. Since using the KPIs system, the senior management of Majlis was initially baffled by the fact that the faster they took action on the complaints received, the level of complaints increased. Finally, they realized that the faster action taken led to increased public confidence that complaints will be acted upon by Majlis.

In the next section, the ways that the council improved its performance is discussed.

**Achieving Faster Service Delivery**

The use of performance measurement has led to an improvement in the service delivery process. The way in which Majlis achieved this was through simplifying the workflow

<table>
<thead>
<tr>
<th>Activity</th>
<th>Before</th>
<th>After</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approval for housing plan renovation</td>
<td>7 days</td>
<td>24 hours</td>
</tr>
<tr>
<td>Approval of the land workplan</td>
<td>42 days</td>
<td>48 hours</td>
</tr>
<tr>
<td>Approval of the landscaping plan</td>
<td>14 days</td>
<td>48 hours</td>
</tr>
<tr>
<td>Approval for the application of the ownership transfer of premises</td>
<td>30 days</td>
<td>15 hours</td>
</tr>
<tr>
<td>Payment for claims by the contractors</td>
<td>30 days</td>
<td>14 hours</td>
</tr>
</tbody>
</table>

Source: The source for this table cannot be disclosed as it would compromise confidentiality.
needed in providing the services and demanding more productivity from the staff. Since the KPIs require a detailed examination of the work process, the management of Majlis managed to simplify the workflow of certain activities as noted by one officer at Majlis: ‘To improve the quality of our service delivery, when we see something that can be simplified, we do it.’

Besides simplifying their workflow, faster service delivery is possible due to the mayor’s requirement that his staff be more efficient. The mayor is a hands-on person in the implementation of KPIs. He examined the process and time needed for the activities and felt that it could be improved further as he noted: ‘Now, we approve in 7 days. Why? Previously the site visit took 2 days. You can do it in an hour or half an hour.’ This is also noted by another officer: ‘From using KPIs, we can examine our workflow. When the mayor saw it, he said that based on the workflow, the activity can be completed in one day, why do you need 42 days? If we have the answers, its okay, maybe the mayor can accept that.’

From examining the time needed for each activity, the mayor suggested that some processes could be done faster. Better service delivery is also possible due the monitoring of performance which is done during monthly meetings and the six-monthly KPIs meetings. Monitoring employees with regard to achievement of the KPIs target is done every six months. If the employees are able to perform their jobs within the targets set then the targets are improved further based on the directive of the mayor. Subsequently, changes are made to the client charter reflecting these improvements.

Further, another important aspect of using KPIs is that teamwork and multi-tasking are ingrained in the mindsets of the employees. If one staff member is on leave, then other staff members ensure that the job is completed so as to ensure that the targets can be achieved as the non-achievement of targets will reflect badly on their department. Monitoring performances through the use of the KPIs system also leads to Majlis having data on the amount of work that it has. For example, even though targets on the number of applications that can be processed monthly are determined, sometimes the actual number of applications is cyclical and can be less that the targets. Thus, the staff members involved will do other jobs, as noted by the mayor: ‘Based on our productivity, we can approve 30 plans in a month. However after six months, we notice that on average around 10 plans are submitted monthly. So, we have time for 20 more. So, we have to do re-adjustments, do other jobs.’

Using the KPIs system has led to a better utilization of human resources. However, there is no direct linkage between the KPIs system and the Staff Performance Appraisal system. There are organizational members whose activities are not measured in the KPIs system. Thus, they are evaluated based on their annual workplan. For employees that have KPIs, the system is used to improve their performance and not to penalize them, as maintained by the mayor: ‘so far, I have not penalized my staff, why should we? We have to give them a chance. But, if he does it for the third time, then we will penalize him.’

**Issues for Discussion**

The use of performance measures in Majlis has led to improvements, mainly in terms of faster processing time for various types of
applications and enhancing staff efficiency in the council. It has also led to a better utilization of human resources. The system is not overtly resisted by staff members since it requires gradual improvements and efficiency and it is not used to penalize them. Is the system sustainable?

The system of KPIs was implemented in Majlis as it received keen support and backing from the mayor. Would staff members continue to use the system if there is a change in the leadership of the local council? Given that the local council is basically a closed service with limited opportunities for promotions, what are the benefits of increasing efficiency for the staff? Some authors have argued that for a measurement system to work there should be a link between the measures and the appraisal and reward system (see Otley 1999, 2003). It is reasonable to expect that the use of the KPIs system will influence the way in which staff members are evaluated. Further, the underlying intention of using measures in Majlis is to improve the service and to provide feedback to staff members on their performance.

Most importantly, has the system led to better accountability and better management and good urban governance? The system is based mainly on developing output measures and not on measuring the impact and outcome of the services undertaken by the council. In addition, a lot of measures need to be monitored as the council formulated various indicators for 33 core services. This could lead to information overload and lack of focus, which is in conflict with the reasons for having key performance indicators in the first place.

One of the key reasons for using key performance indicators is to help public officers maintain focus on the key areas of services and activities. It should be used to determine whether the council’s current operational activities are helping to achieve their overall goals. Thus, the main question is what are the key objectives of local agencies for which performance can be evaluated?

NOTE

1. Not the real name of the local council.

REFERENCES


