

UNIVERSITI TEKNOLOGI MARA

**PERFORMANCE MEASUREMENT
FRAMEWORK FOR LOCAL
AUTHORITIES IN SARAWAK**

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ABSTRACT

Local Authorities play a crucial role in the new environment setting. Most Local Authorities operate in a competitive environment; as such, it is important to optimize performances. It is believed that performance measurement tools can help to identify weaknesses, clarify objectives and strategies, and improve management processes. While many theories on performance measurement and performance management have been developed mainly for large organizations over the past two decades, few have been tailored for Local Authorities. In addition, this research highlights that these tools are difficult to adapt to Local Authorities. This research aims to identify and ascertain the important factors that influence the performance of Local Authorities in Sarawak and, in doing so, to propose a new Performance Measurement Framework that is relevant and applicable to the local setting. Qualitative and quantitative procedures are employed with 300 respondents from all divisions in Sarawak. There are twenty-three (23) Local Authorities involved in this study. These Local Authorities are under the Ministry of Local Government and Community Development Sarawak. The research methodology includes literature reviews, focus group interviews, expert opinion pilot test, Multivariate Test, Exploratory Factor Analysis (EFA), Confirmatory Factor Analysis (CFA), Pearson Correlation Analysis, Reliability Test, Validity Test and Multiple Regression Analysis. From the procedures, eight (8) factors were identified. They are Capabilities, Resources, Environment, Strategy, Process, Measure Analysis, Innovation and Learning and Emphasize Measure. The findings revealed that Innovation and Learning is the most important factor that influences performance for Local Authorities. Capabilities factor, resources factor, and environmental factors are significantly important factors that influenced performance Local Authorities in Sarawak. The findings suggest that Local Authorities need to analyze the external and internal environment through innovation before implementing Performance Measurement. Importantly, Local Authorities must manage their capabilities accordingly, optimize and develop resources, and adapt to changes in the environment. Thus, it is important for Local Authorities to manage performance with an appropriate framework, where the priorities are to consider capabilities, resources, and analysis of internal and external environments through innovation and learning.

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CHAPTER ONE

INTRODUCTION

1.1 Research Background

Organizations in both public and private sectors are required to offer their products and services at the highest quality standards to satisfy the needs of their stakeholders. With the ever-increasing public expectation for greater performance and accountability, civil servants are facing mounting pressure to deliver high-quality public services (Mohamad et al., 2015). Civil servants are continuously being scrutinized and questioned by the public to justify the sources and utilization of public resources. In other words, civil servants are entrusted with a multitude of roles in meeting the needs and expectations of the public and stakeholders. Various Performance Measurements such as Key Performance Indicators (KPI), Balance Scorecard (BSC), Total Quality Management (TQM) and benchmarking are being employed in the public sector organizations. These PM has been implemented to achieve the efficiency and effectiveness of civil service delivery.

At present, public sector organizations constantly have to adapt, adjust and change due to the complex nature of the organizations and environment. The traditional performance measurement approach, which was originally developed for private contains primarily short term-financial measures. Today, such an approach is outdated because of its inability to provide relevant information for decision making as well as to drive organizational performance (Johnson and Kaplan, 1987). Hence, a shift from traditional to contemporary performance measurement, that is more relevant, specific, timely and able to produce the necessary information, has been formulated to address the shortcomings of the traditional performance measurement. In the context of private entities, the aims of contemporary performance measurement are to improve the profitability, productivity, quality, timeliness, responsiveness, and effectiveness of product and service delivery. Private sector organizations are more likely to use and practice the contemporary performance measurement(Burgess et al., 2007) whereas public sector organizations lately are now seen adopting this new approach in managing the employees and organizational performance.