



**UNIVERSITI PUTRA MALAYSIA**

**MEASURING PERFORMANCE OF LOCAL AUTHORITIES USING  
COMPOSITE PERFORMANCE INDEX AND PERCEIVED  
PERFORMANCE SCORE**

**KUPPUSAMY SINGARAVELLOO.**

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**by**

**KUPPUSAMY SINGARAVELLOO**

**Thesis Submitted to the Graduate School of Management, Universiti Putra  
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Doctor of Philosophy**

**April 2008**



## **DEDICATION**

To my dearest children  
Avinaash Ganapathy,  
Ahyushmaan Vinayakh,  
Sheivanya Gayatrri,  
wife Raji  
and  
parents.



## **ABSTRACT**

### **MEASURING PERFORMANCE OF LOCAL AUTHORITIES USING COMPOSITE PERFORMANCE INDEX AND PERCEIVED PERFORMANCE SCORE**

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**KUPPUSAMY SINGARAVELLOO**

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**Chair: Professor Dr. Samsinar Md. Sidin**

**Faculty: Graduate School of Management**

Local governments are public agencies that provide urban services to communities. Unlike the private sectors, the performances of local governments are difficult to measure. Furthermore, a good indicator for one local government may not apply to another within the same country and is more complex when examined across countries. In spite of all difficulties, performance of local governments must be measured and made known to various stakeholders. There must be attempts to identify indicators that apply for all local authorities and subsequently consolidated into one that explains the general performance of the local authority. This research intends to identify a set of output indicators to establish a composite performance

index (CPI) and perceived performance score (PPS) for each local government in Peninsular Malaysia, and subsequently identify factors that influence CPI and PPS.

This empirical study uses five sets of questionnaires to gather information from: (i) customers served at the local authority counters, (ii) employees, (iii) leaders (the management), (iv) residents and (v) the local authority output indicators from the local authorities. Data have been collected from 34 local authorities in the states of Kedah, Selangor, Pahang and Johor covering more than 4,400 respondents. The CPI is computed from: (i) a weighted combination of 14 output indicators, (ii) response from counter customers, and (iii) residents. Likewise, the PPS results from the evaluation on 12 aspects of urban services from the customers met at the counters and residents.

The CPI and PPS form the major interest in this study. Apart from using bivariate correlation, the study uses multiple regressions to determine factors that influence CPI and PPS. Among the findings are that the CPI and PPS are not correlated to one another, and CPI is strongly influenced by the proportion of grants to total local authority revenue. In other words, the extent of financial autonomy of local authorities plays a key role in determining the performance of the local authority. City and municipal councils tend to perform better than district councils in CPI as the latter has the least autonomy in finance. Indirectly, the level of financial autonomy also relates to the population size and leadership of the local authority. The study finds that PPS is not correlated to any of the organisational attributes, except for a weak correlation with leadership. This suggests that PPS is only influenced by personal characteristics of the customers and a more accurate evaluation of the performance of the local authority is only through CPI.

## **ABSTRAK**

### **PENGUKURAN PRESTASI PIHAK BERKUASA TEMPATAN MENGUNAKAN INDEX PRESTASI KOMPOSIT DAN SKOR PERSEPSI PRESTASI**

oleh

**KUPPUSAMY SINGARAVELLOO**

**April 2008**

**Pengerusi: Professor Dr. Samsinar Md. Sidin**

**Fakulti: Sekolah Pengajian Siswazah Pengurusan**

Kerajaan tempatan adalah agensi awam yang menyediakan perkhidmatan perbandaran kepada komuniti bandar. Tidak seperti sektor swasta, prestasi kerajaan tempatan sukar diukur. Tambahan lagi, satu petunjuk yang dapat digunakan oleh suatu kerajaan tempatan mungkin tidak begitu sesuai kepada kerajaan tempatan yang lain di negara yang sama atau di negara lain. Walaupun wujud masalah-masalah ini, prestasi kerajaan tempatan mestilah diukur dan keputusannya dihebahkan kepada pelbagai pihak berkepentingan. Terdapat keperluan untuk mengenalpasti petunjuk-petunjuk yang dapat digunakan oleh semua kerajaan tempatan dan seterusnya menggabungkan semua petunjuk menjadi satu petunjuk komposit yang dapat mencirikan prestasi sesebuah kerajaan tempatan. Penyelidikan ini bertujuan mengenalpasti satu set petunjuk ke arah mewujudkan index prestasi komposit (CPI) dan skor persepsi

prestasi (PPS) untuk setiap kerajaan tempatan di Semenanjung Malaysia, dan seterusnya mengenalpasti faktor-faktor yang mempengaruhi CPI dan PPS.

Penyelidikan empirikal ini menggunakan lima set borang soal selidik untuk mengumpulkan maklumat daripada: (i) pelanggan di kaunter kerajaan tempatan, (ii) kakitangan, (iii) pemimpin (pihak pengurusan), (iv) penduduk (*resident*) dan (v) petunjuk-petunjuk output kerajaan tempatan. Data telah dikumpulkan daripada 34 pihak berkuasa tempatan (PBT) di negeri-negeri Kedah, Selangor, Pahang dan Johor melibatkan lebih 4,400 responden. CPI telah dibentuk daripada: (i) satu kombinasi berwajaran dari 14 petunjuk output, maklumbalas (ii) pelanggan kaunter PBT dan (iii) penduduk. PPS pula diperolehi daripada pandangan pelanggan kaunter dan penduduk terhadap 12 aspek perkhidmatan berkait dengan PBT mereka.

CPI dan PPS adalah tumpuan utama kajian ini. Selain korelasi bivariat, kajian ini menggunakan regresi pelbagai untuk mengenalpasti faktor-faktor yang mempengaruhi CPI dan PPS. Antara penemuan utama, CPI adalah tidak berkait dengan PPS, dan CPI dipengaruhi oleh kadar geran kepada jumlah hasil PBT. Dengan kata lain, tahap autonomi kewangan PBT menjadi faktor utama menentukan prestasi PBT. Majlis Bandaraya dan Majlis Perbandaran mempunyai prestasi yang lebih baik daripada PBT bertaraf Majlis Daerah yang mempunyai autonomi kewangan yang terendah. Secara tidak langsung, tahap autonomi juga berhubung kait dengan saiz populasi dan kepimpinan PBT. Kajian ini mendapati PPS tidak berkait dengan ciri-ciri organisasi, kecuali satu hubungan yang lemah dengan kepimpinan PBT. Ini mencadangkan bahawa latarbelakang peribadi pelanggan menjadi faktor utama dalam menentukan PPS dan dengan itu penilaian prestasi sebenar hanya dapat diperjelaskan oleh CPI.

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## LIST OF ABBREVIATIONS

CPI	-	Composite Performance Index
CSSI	-	Counter Service Satisfaction Index
EPU	-	Economic Planning Unit, Primer Minister's Department
INTAN	-	National Institute of Public Administration
LAOI	-	Local Authority Output Index
MAMPU	-	Manpower and Modernisation Planning Unit
MB	-	City Council
MD	-	District Council
MP	-	Municipal Council
MHLG	-	Ministry of Housing and Local Government
PPS	-	Perceived Performance Score
RSSI	-	Residential Service Satisfaction Index

# CHAPTER 1

## INTRODUCTION

### 1.1 Defining Issues

Studies have found that local government in most developing nations, including Malaysia, do not employ any performance measure for the services provided by them to their residents (Kloot, 1991; 1995). The management of local authorities are of the view that they do not need to inform their clients of how the taxes and revenue collected are spent. As a result, there is a general view that local authorities are not performing well and its personnel are not accountable. Based on a study in Central and Eastern Europe, Swianiewicz (2001, p. 38) finds that 'the level of trust, satisfaction and interest in local government has stabilized at the level which has been perhaps far from desired, but it has been not disastrous either'. Kloot (1999) claims that the public perception about the performance of public managers as very poor. Managerial accountability in the Australasia-Victorian public sector is absent as most hold on to the notion that the measurement of managerial performance in the public sector is not important (Kloot, 1999).

Therefore, there is a serious need to calculate the performance of local authorities, using a number of indicators and subsequently compounding these into a composite performance index. Even when there are some indicators that explain the performance of each local authority, there has not been any study so far that has consolidated the

indicators into one that are not only acceptable but also one that can represent the general performance of a local authority.

This research intends to measure the performance of the local government services provided by the local authorities in Peninsular Malaysia. In particular, the focus is on establishing a working model to quantify the performance scores of a sample of local authorities in Peninsular Malaysia. The performance score is calculated from a set of indicators that proxy the performance of local authorities in Malaysia. Establishing the composite performance index can motivate local authorities to initiate mechanisms to improve and perform better. Towards this end, the measures must be user-friendly and replicated as often as the local authorities deem fit to evaluate their own performance.

## **1.2 Background of the Study**

At present, organisations compete to survive in a competitive market place (Aquilano & Chase, 1991; Kloot, 1999). Inability to adapt to the needs of the market can be detrimental to the survival of the organisations. This is more so for companies in the private sector, which have to show evidence, to shareholders, of performance either through increased sales or net gains as well as profits.

However, these are not common with organisations that are under the government. Public administration differs greatly from the private sector in the following respects (Rosenbloom, 1989):

- (i) Constitution – it defines the environment of the federal and state public administration and their constraints; separation of powers (and authority);
- (ii) The Public Interest – the interests of the citizenry are given due attention. This is often viewed as externalities (for example pollution control and social ills), including regulating the society, welfare and moral endeavour;
- (iii) The Market – public administration is quite free from the need to produce services or goods to the competitive market as their prices are governed by government procedures, at times much below the market value of the said product. Revenue of the public authority often depends on taxation or a user fee structure. The main concern is not to overly burden the people for the services provided. At times, some services are provided almost at no cost to the people.

Unlike the private sector, the public sector is guided by social goals. As such, the constitution describes the role of various agencies and their powers to perform their respective duties. The services and products are usually financed or subsidized by the user-pay structure and revenue from taxes as stipulated by the constitution. The provision of public services is a shared task between various levels of government in a particular country. It relies on the principle that goods and services cannot be

provided by the market and must be provided publicly (Musgrave, 1997), which justifies why the residents of an area decide and pay for what is required.

Malaysia is a federation by means of the Federal Constitution – which states that federal government is the highest level of government followed by the state governments and subsequently the local governments at the third level. The main characteristic of a federal structure is that power is divided and the legislature and government of each state is supreme within its own boundaries and the federal legislature and government is supreme within its own sphere (Jackson, 1967).

Malaysia practices parliamentary democracy. The leader of the majority commanding party is elected as the Prime Minister and he forms the Cabinet. As head of the Executive, he sets the standards of the government administration. The Parliament forms the legislative functions and the judiciary supports the system of governance. The civil service accounts for over one million employees in the country. The civil service forms the most important part of the Executive, and is accountable to the Parliament.

The current Prime Minister Datuk Seri Abdullah Ahmad Badawi has had in numerous occasions indicated the need for civil servants to not only be productive but also serve the people they are appointed to serve. The state government and the local governments are closest to the people (Olsen & Epstein, 1997) and as such it is essential that public servants in these entities are held accountable to the people they