

**STRATEGIC MANAGEMENT PRACTICES AND
PERFORMANCE OF MALAYSIAN LOCAL AUTHORITIES**

by

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UNIVERSITI SAINS MALAYSIA

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LIST OF ABBREVIATIONS

ACA	Anti Corruption Agency
CPI	Corruption Perception Index
IAPGs	Inter Agencies Planning Groups
INTAN	National Institute of Public Administration
OPP1	First Outline Perspective Plan
OPP2	Second Outline Perspective Plan
PCB	Public Complaints Bureau
NPM	New Public Management

ABSTRAK

AMALAN PENGURUSAN STRATEGIK DAN PRESTASI PIHAK BERKUASA TEMPATAN DI MALAYSIA

Penyelidikan ini mengkaji amalan pengurusan strategik Pihak Berkuasa Tempatan (PBT) di Malaysia bagi meningkatkan prestasi organisasi. Di dalam konteks ini, kajian menggunakan model pengurusan strategik yang diperkenalkan oleh Wheelen dan Hunger (2004) yang terdiri daripada 4 elemen utama iaitu, (a) pengimbasan persekitaran (b) pembentukan strategi (c) pelaksanaan strategi, dan (d) kawalan dan penilaian. Di samping itu prestasi organisasi pula dilihat di dalam konteks kecekapan (efficiency) PBT di dalam melaksanakan fungsi-fungsi seperti (a) kelulusan sijil layak menduduki (CF), (b) kelulusan plan perumahan dan bangunan komersial, (c) menyedia dan menaiktaraf kemudahan infrastruktur, (d) kutipan hasil, (e) mengeluarkan dan memperbaharui lesen-lesen perniagaan, (f) memastikan persekitaran yang bersih dan sihat, dan (g) urusan kutipan sampah.

Kajian ini melibatkan kesemua 150 PBT di Malaysia yang terdiri daripada empat kategori utama iaitu Majlis/Dewan Bandaraya, Majlis Perbandaran, Majlis Daerah dan organisasi yang menjalankan fungsi-fungsi PBT. Walaubagaimanapun hanya 75(50%) PBT sahaja yang memberikan respon terhadap soal-selidik yang telah dihantar. Terdapat 4 penemuan utama di dalam penyelidikan ini; (a) hanya elemen pengimbasan persekitaran (operasi), pelaksanaan strategi dan kawalan dan penilaian mempunyai kaitan yang tinggi terhadap prestasi umum PBT, (b) tidak wujud hubungan yang signifikan di antara

amalan pengurusan strategik dan kelulusan bangunan, (c) kesemua PBT mengamalkan pengurusan strategi di dalam meningkatkan prestasi organisasi tanpa mengira kategori masing-masing, dan (d) pengubahsuaian kepada model pengurusan strategik oleh Wheelen dan Hunger (2004) di dalam konteks PBT.

Secara keseluruhannya penyelidikan ini telah membuktikan tidak semua amalan pengurusan strategik di PBT dapat meningkatkan prestasi masing-masing khususnya yang melibatkan kelulusan bangunan. Dengan lain perkataan, amalan pengurusan strategi masih belum memberikan impak yang menyeluruh bagi meningkatkan prestasi PBT.

ABSTRACT

STRATEGIC MANAGEMENT PRACTICES AND PERFORMANCE OF MALAYSIAN LOCAL AUTHORITIES

The study investigates on the strategic management practices in Malaysian local authorities. In this context, the research adopts Wheelen and Hunger's notion of strategic management which constitutes of (a) environmental scanning, (b) strategy formulation, (c) strategy implementation, and (d) evaluation and control. Organizational performance is conceptualized by the efficiency of services that local authorities delivered to the public such as; (a) Certificate of Fitness (CF) approval, (b) housing and commercial development plan approval, (c) providing and upgrading infrastructure and public facilities (d) revenue collection, (e) issuing and renewing business licenses (f) keeping the environment healthy and clean, and (g) garbage collection.

The research involves 150 local authorities in Malaysia which consist of four categories; City Council/City Hall, Municipal Council, District Council and organizations that exercise local authorities' functions. However, only 75 (50%) of local authorities responded to the mail survey. There are four major findings of the study; (a) environmental scanning (operations), strategy implementation and evaluation and control are found to be significant towards performance of local authorities, (b) no independent variables are related to building approval (c) regardless of their categories, local authorities practice strategic management in improving performance of the organization, and (d) modification of Wheelen and

Hunger's idea of strategic management is suggested in the context of local authorities.

In general, the study proved that not all strategic management practices contribute to the organizational (local authority) performance especially in terms of building approval. In other words, strategic management practices have yet to make a full impact in enhancing performance of local authorities.

CHAPTER 1

BACKGROUND OF THE STUDY

1.1 Introduction

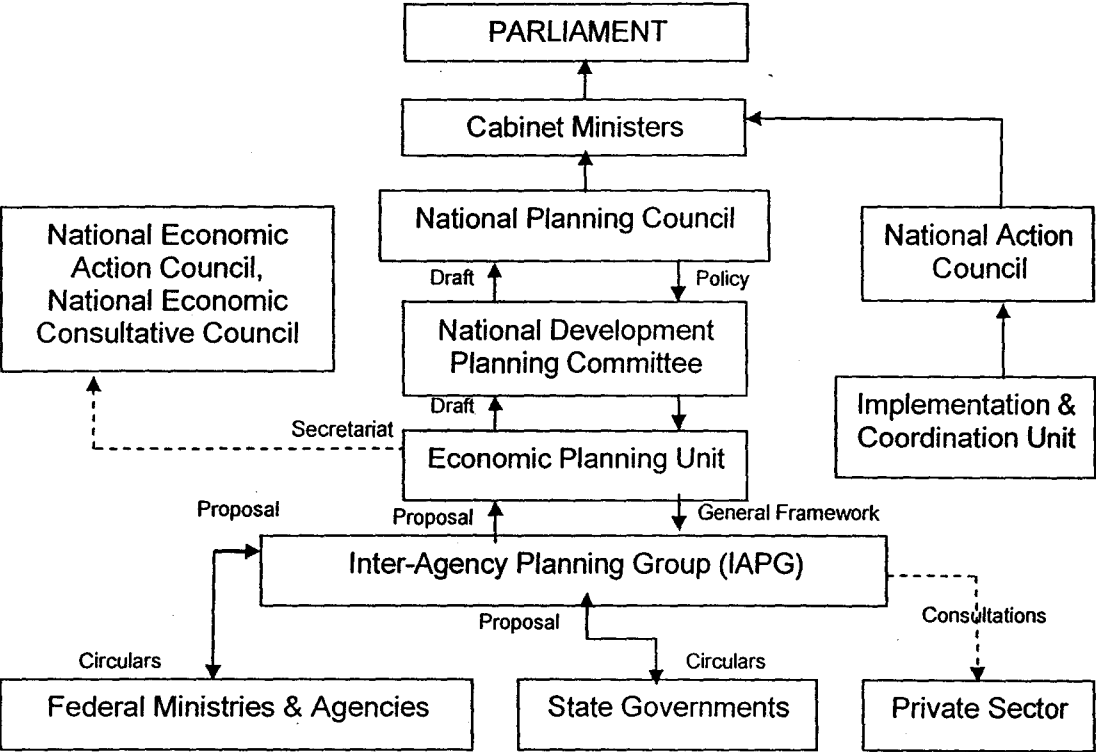
This chapter serves as the background of the study. Section one discusses on the introduction, section two highlights on the background of the study, section three identifies the problem statement description. Section four clarifies the research questions, section five covers the objective of the study, section six illustrates the significance of the study. Section seven gives definition of variables and key term, section eight focuses on the organization of the paper.

1.2 Background of the Study

Though the subject of strategic planning is the domain of the private sector in many countries but it has become the interest of the public sector since 1960's. This is due to the fact that some countries look at the strategic management as a tool to enhance effectiveness and improve performance. In Malaysia, the first long term public sector plan was Draft Development Plan of Malaya in 1950-1955. The purpose of having such plan is to provide a national development agenda where all effort and resources will be concentrated and given priority to achieve the objectives that had been stipulated in the development plans.

In this case, it is observed that strategic planning in Malaysia is a two way approach- top down and bottom up. This is to ensure that policies and strategies are realized and integrated into the overall national development thrusts. The top down approach involves the Inter-EPU Agencies Planning Groups (IAPGs)

whose work is related to the formulation of any development plan. On the other hand, the bottom up process involves ministries, agencies and the state government who will execute the plans into specific projects. The development plan will then be tabled in the Parliament before it is endorsed for approval by the House of Common known as *Dewan Rakyat*. The detailed of the development planning process is as Figure 1.



Source: www.epu.jpm.my

Figure 1: Development Planning Process

Another peculiar point is that Malaysia had embarked on the development plan since before her independence in 1957. Detailed of the Development Plans are as Table 1.1:

Table 1.1
Development Plans List Between 1950-2005

Plan Title	Duration
Draft Development Plan	1950-1955
Progress Report on Development Plan	1950-1952
General Plan of Development	1956-1960
Second Five Year Plan	1961-1965
Interim Review of Second Five Year Plan	1961-1965
First Malaysia Plan	1966-1970
Mid Term Review (MTR) First Malaysia Plan	1966-1970
Second Malaysia Plan	1971-1975
MTR Second Malaysia Plan	1971-1975
Third Malaysia Plan	1976-1980
MTR Third Malaysia Plan	1976-1980
Fourth Malaysia Plan	1981-1985
MTR Fourth Malaysia Plan	1981-1985
Fifth Malaysia Plan	1986-1990
MTR Fifth Malaysia Plan	1986-1990
Outline Perspective Plan (OPP 2)	1991-2000
Sixth Malaysia Plan	1991-1995
MTR Sixth Malaysia Plan	1991-1995
Seventh Malaysia Plan	1996-2000
MTR Seventh Malaysia Plan	1996-2000
OPP 3	2001-2010
Eight Malaysia Plan	2001-2005
MTR Eight Malaysia Plan	2001-2005

Source: www.epu.jpm.my

In general, the First Outline Perspective Plan (OPP1) covered the period of 20 years or four development plans- Second Malaysia Plan (1971-1975) until the Fifth Malaysia Plan (1986-1990). It was at this period that the Government introduced the New Economic Policy with the objective of nurturing national unity among the citizens and income distribution among races.

This was followed by the Second Outline Perspective Plan (OPP2), covering the period of 1991-2000. During this time the Government introduced the New Development Policy that continued the eradicating of poverty and restructuring society to correct imbalances at the national agendas.

In 1991, the former Malaysian Premier, Tun Dr.Mahathir launched the Vision 2020 which envisage Malaysia as a fully developed and industrialized country by the year 2020 in all walks of life. As a prerequisite to achieve Vision 2020, Malaysia needs to overcome nine strategic challenges namely;

- (1) Establish united Malaysian nation made up of one Malaysian race;
- (2) Create a psychologically liberated, secure and developed Malaysian society;
- (3) Foster and develop a mature, liberal and tolerant society;
- (4) Establish a fully moral and ethical society;
- (5) Establish a mature, liberal and tolerant society;
- (6) Establish a scientific and progressive society
- (7) Establish a fully caring society;
- (8) Ensure an economically just society, in which there is a fair and equitable distribution of the nation's wealth; and
- (9) Establish a prosperous society with an economy that is fully competitive, dynamic, robust and resilient.

It is observed that Vision 2020 has given the private sector more roles for the national development. Furthermore collaboration between private and public sector will enhance Malaysia competitive advantage.

Recently, when the government launched the Ninth Malaysian Plan (2006-2010), the stress is given in improving public sector delivery. Among the efforts to increase the effectiveness and efficiency of the public delivery system is to improve the district and local level administration, providing multi-channel government-customer interface and reviewing licensing requirements.

In the case of local authorities, they are required to have a five-year development plan as depicted in Figure1. This is important to ensure that local authorities are implementing development projects for the benefit of the residents. Furthermore, through the Development Circular of Public Service 3/93-Guideline on Client Charter, local authorities are obliged to have organizational mission, to ensure better service to the public.

In line with this, the government has introduced One-Stop Centre (OSC) in 96 local authorities to process and expedite the approval of building plans and certificates of fitness for occupation (CFO). Furthermore the number of technical agencies involved has also been reduced from seven to one – the Department of Sewerage Services.

Besides that, it is noted that among the steps taken by the majority of local authorities is to further enhance the delivery service based on the study conducted by the Ministry of Housing and Local Government and the National Institute of Public Administration (INTAN). These are associated to scheduled

rubbish collection and disposal, upkeep and maintenance of drainage systems, standards for the repair and maintenance of public facilities, stern enforcement action on cleanliness, surveillance and monitoring procedures by local authorities' personnel.

Previous studies have highlighted the important of strategic planning. The main purpose for strategic planning in public sector is because of the pressure to reduce expenditure and increase service or to 'run government more like a business' especially in the 1980's (Behn, 1980; Berry, Stokes, Wechsler & Barton, 1995; Bryson & Roering, 1987; Osborne & Gaebler, 1992; Kissler, Fore, Jacobson, Kittredge & Stewart; 1998; Wechsler, 1989;).

The notion of 'running government more like a business' also receives an overwhelming support from leaders in the public service. Works by Peters and Waterman (1982); Bennis and Nanus (1985); Kouzes and Posner (1987) suggested that agency executives would adopt strategic planning as a symbol of their personal leadership.

In doing this, public service is in urgent need to be more effective and efficient in its service delivery. Therefore, managers in public service need to move towards a more positive management style that is more responsive to public's need and providing excellent quality service (Abdullah, 2002; Halim, 2000; Sarji, 1993; Berry, Stokes & Burton, 1995; Rais, 2000, 2002; Phang, 2000; Samsudin, 2003; Zulkurnain & Maimunah, 2003; Zulkurnain, 2004;).

In line with this, several studies discussed quite extensively on the notion of good governance. This is important in giving reflection to the government to improve it's delivery system and inculcating it's good image towards the public (Halim, 2000; Mills & Serageldin, 1991; Yusof, Shukri & Rashila, 2000; Rais, 2002; Xavier, 2000)

However, in Malaysia, though the government has emphasized on the strategic management in the public service but the performance of government agency, especially local authorities is far from satisfactory. In general, the Public Complaint Bureau received 18,604 complaints for public sector during 2000-2005. Out of that, 15,087 (81%) were resolved. The details of the complaints are as Table 1.2.

Table 1.2:
Complaints Received and Resolved, 2000-2005

Year	Received	Resolved
2000	3721	2695
2001	2769	2549
2002	3452	2753
2003	3199	2591
2004	2756	2252
2005	2707	2247
Total	18604	15087

Source: Public Complaint Bureau

Based on statistics by Public Complaint Bureau, Prime Minister Department, local authorities received the highest complaints in 2001 and 2002. Out of 771 complaints in 2001, local authorities received 392 (51%). Similarly, out of 1154 complaints in 2002, local authorities received 607 (52.6%). The details of the complaints are as Table 1.3.

Table 1.3:

State Departments with Most Complaints Investigated (2001 & 2002)

No.	States	Complaints Investigated (2001)	Complaints Investigated (2002)
1	Local Authorities	392	607
2	District and Land Offices	228	308
3	Water Supply Dept/ Authorities	48	100
4	Islamic Religious Affairs	32	48
5	State Secretary Offices	33	45
6	Land and Mines	34	37
7	Syariah Courts	4	9
	Total	771	1154

Source: Public Complaint Bureau

Furthermore it is noted that in 2005, there are 532 complaints received by the local authorities in Malaysia. The elaborations of the data are as Table 1.4 while summary on number of complaints received by local authorities according to state is as Table 1.5;

Table 1.4

Complaint Received by Local Authorities in 2005

No.	State	Name of Local Authority	Number of complaints
1	Perlis	1. Kangar Municipal Council	1
		Total	1
2	Kedah	1. Alor Setar City Council	8
		2. Kulim Municipal Council	3
		3. Sungai Petani Municipal Council	4
		4. Kubang Pasu District Council	2
		5. Yan District Council	1
		Total	18
3	P. Pinang	1. P. Pinang Municipal Council	28
		2. Seberang Perai Municipal Council	33
		Total	61
4	Terengganu	1. Besut District Council	2
		2. Kuala Terengganu Municipal Council	2
		3. Dungun District Council	1
		4. Marang District Council	1
		5. Kemaman Municipal Council	1
		Total	7

continued... (Table 1.4)

No.	State	Name of Local Authority	Number of complaints
5	Kelantan	1.Kota Bharu Municipal Council	4
		2.Machang District Council	3
		3.Tumpat District Council	2
		Total	9
6	Perak	1.Ipoh City Council	15
		2.Manjung Municipal Council	20
		3.Taiping Municipal Council	44
		4.K.Kangsar Municipal Council	1
		5.Kerian District Council	7
		6.Kinta Barat District Council	2
		7.Kinta Selatan District Council	1
		8.Lenggong District Council	1
		9.Perak Tengah District Council	1
		10.Tanjung Malim District Council	1
		11.Tapah District Council	4
		Total	97
7	Selangor	1.Shah Alam City Council	16
		2.Petaling Jaya City Council	11
		3.Ampang Jaya Municipal Council	21
		4.Kajang Municipal Council	30
		5.Klang Municipal Council	22
		6.Selayang Municipal Council	10
		7.Subang Jaya Municipal Council	11
		8.Hulu Selangor District Council	2
		9.Kuala Langat District Council	4
		10.Kuala Selangor District Council	8
		11.Sabak Bernam District Council	1
		12.Sepang Municipal Council	4
		Total	140
8	Pahang	1.Kuantan Municipal Council	1
		2.Temerloh Municipal Council	14
		3.Bentong District Council	1
		4.Cameron Highland District Council	2
		5.Lipis District Council	2
		6.Raub District Council	1
		Total	21
9	N. Sembilan	1.Seremban Municipal Council	9
		2.Nilai Municipal Council	7
		3.Port Dickson Municipal Council	3
		4.Rembau District Council	1
		Total	20
10	Malacca	1.Malacca City Council	2
		2.Alor Gajah Municipal Council	2
		3.Jasin District Council	1
		Total	5

continued...(Table 1.4)

No.	State	Name of Local Authority	Number of complaints
11	Federal Territory	1.Kuala Lumpur City Hall	62
		2.Putrajaya Development Authority	1
		Total	63
12	Sabah	1.Beluran District Council	1
		Total	1
13	Sarawak	1. Padawan Municipal Council	1
		2. Sibu Municipal Council	1
		3. Matu & Daro District Council	1
		Total	3
14	Johore	1.Johore Bahru City Council	11
		2. Batu Pahat Municipal Council	7
		3. Johore Bahru Tgh Municipal Council	14
		4. Kluang Municipal Council	2
		5. Muar Municipal Council	12
		6. Kota Tinggi Municipal Council	13
		7. Kulai Municipal Council	2
		8. Labis District Council	3
		9. Mersing District Council	1
		10.Pontian District Council	14
		11. Simpang Renggam District Council	6
		12. Yong Peng District Council	1
		Total	86

Source: Public Complaint Bureau

Table 1.5:

Summary on Number of Complaints Received by Local Authorities According to States in 2005

No.	State	Number of complaints
1.	Perlis	1
2.	Kedah	18
3.	Pulau Pinang	61
4.	Perak	97
5.	Kelantan	9
6.	Terengganu	7
7.	Pahang	21
8.	Selangor	140
9.	N.Sembilan	20
10.	Melaka	5
11.	Johor	86
12.	Sarawak	3
13.	Sabah	1
14.	Federal Territory	63
	Total	532

Source: Public Complaint Bureau

Those complaints can be categorized into several categories notably (a) delays/no action (b) unfair action (c) lack of public amenities (d) inadequacies of policy implementation and law (e) abuse of power misappropriation (f) misconduct of civil servants (g) failure to adhere to set procedures (h) failure of enforcement (i) unsatisfactory quality of service (j) miscellaneous complaints. It is noted that the category of delays or no action was the highest category of complaints, against ministries and the state government administration as depicted in Table 1.6

Table 1.6:
Category of Complaints Investigated in 2005 and 2004.

Category of Complaints	Ministry		State	
	Total of Complaints 2005	Total of Complaints 2004	Total of Complaints 2005	Total of Complaints 2004
1.Delays/No action	700(44.36%)	893(48.06%)	430(38.1%)	378(40.7%)
2. Unfair Action	190(12.04%)	215(11.57%)	147(13%)	122(13.2%)
3.Lack of Public Amenities	64(4.1%)	108(5.8%)	117(10.4%)	80(8.6%)
4.Inadequacies of Policy & Law	11(0.7%)	22(1.2%)	3(0.3%)	-
5.Abuse of Power Misappropriation	64(4.1%)	89(4.8%)	22(2%)	43(4.6%)
6.Misconduct of Civil Servants	68(4.3%)	84(4.5%)	9(0.8%)	19(2.1%)
7.Failure to Adhere to Set Procedures	66(4.2%)	70(3.8%)	30(2.7%)	31(3.3%)
8.Failure of Enforcement	138(8.8%)	156(8.4%)	201(17.8%)	178(19.2%)
9.Unsatisfactory Quality of Service	172(10.9%)	122(6.6%)	120(10.6%)	50(5.4%)
10.Miscellaneous Complaints	105(6.7%)	99(5.3%)	50(4.4%)	27(2.9%)
TOTAL	1578(100%)	1858(100%)	1129(100%)	928(100)

Source: Public Complaint Bureau

Among those categories of complaints, cases related to local authorities are illustrated in Table 1.7

Table 1.7:
Cases Involving Local Authorities by Categories of Complaints

Categories of Complaints	Cases Involving Local Authorities(LAs)
1. Delays/No Action	1.Delay in; (a) taking action regarding clogged drains (b) processing commercial licenses (c) taking action regarding damaged roads & street lights (d) giving replies regarding business premises applications 2.No action taken in demolishing building constructed without permission
2. Unfair Action	1.Complaints on; (a) Lack of professionalism in receiving public complaints (b) Not issuing summon to vehicle owners who committed offences 2. Dissatisfaction over the name of census which has been changed 3.Dissatisfaction regarding imposing parking charge during public holidays 4.Dissatisfaction over the relocation of food courts
3. Lack of Public Amenities	1.Problem of; (a) clogged drains, old shop houses and deserted houses (b) unlit street lights 2.No provision of guard houses 3.complaints regarding uncut grass and dirty bus stations.
4. Abuse of Power/ Misappropriation	1. Allegations of enforcement personnel requesting money from shop owners. 2. Allegations on Government officers receiving bribes and owning property beyond their means
5. Failure to Adhere to Set Procedure	1. a kindergarten still operating though permit has been expired 2.a developer who closed up the existing system 3.the construction of drains and roads not accordance with the regulations
6.Failure of Enforcement	1.stray dogs in residential areas 2.nuisance caused by factories and used car business 3.illegal extraction of sand 4.parking of heavy vehicles in residential areas 5.air pollution caused by rubbish dumping ground and rubbish by the road side
7.Unsatisfactory Quality of Service	1. Dissatisfaction over; (a) the maintenance of drainage system (b) garbage collection schedule 2.Complaints against unsatisfactory counter services services

Source: Public Complaint Bureau

Those scenarios are somehow similar with complaints reported by Ministry of Local Government on local authorities such as; (a) lack of enforcement in pubs and night clubs (b) demolished illegal settlement before building new settlement

(c) poor service delivery (d) delay in approving Certificate of Fitness (CF) (e) delay/ no action taken to improve basic facilities such as upgrading roads and maintaining drains and so forth.

Besides that, the performance of local authorities is also under close scrutiny by ministers and senior government officers and discussed at the Cabinet level and Federal level. In describing this, Hazman (2006) viewed that local authorities are the scapegoat of bureaucratic, inefficient, wasteful, unresponsive and not citizen-friendly government agency. To make it worse, Hazman (2006) reported;

'A federal Deputy Minister of Local Government and Housing perhaps over dramatized his comments when he maintained that local authorities act as triads and have contributed mainly to the country's low ranking on the Corruption Index'. (p. 113)

Moreover, Chief General Secretary in his meeting with Secretary Generals and Head of Departments from various government agencies on 23 September 2002 in Putrajaya had stressed 2 points on his dissatisfaction with the local authorities;

- (a) A case where officers and employees in local authorities practicing negative attitudes especially in delaying investment approval by investors from China
- (b) Lack of commitment and involvement from local authorities participating in Public Service Quality Award.

Source: Ministry of Local Government Circular dated on 11 November 2002

According to Siddique (2006), the public sector in Malaysia suffers the low level of efficiency and organizational competence. For example, an analysis of the public sector competence of 12 Asian countries from 1999 to 2001/2002 by the Global Competitiveness Report proved that Malaysia's ranking has dropped from 46 in 1999 to 65 in 2001/2002. What is surprising is that Malaysia's ranking in 2001/2002 is even below Thailand (44), Indonesia (48), and the Philippines (58).

Another significant point raised by Siddique (2006) in her study is on the corruption problem faced by the Malaysian public service. She argued that corruption in the public agencies is considered high with 31.6% of the respondents reporting the occurrence of corruption in their own agencies (ACA, 2003). Thus, reflecting Malaysia's low standing in Transparency International on Corruption Perceptions Index (CPI). In 2003, Malaysia CPI ranking is 37 and CPI score of 5.2; remained far behind many developed and several developing countries. The irony is that though the Prime Minister, Dato' Seri Abdullah b. Hj Ahmad Badawi has pledged war against corruption, Malaysia's CPI ranking has slipped further of 39 and CPI score of 5.0.

In a similar vein, the researcher conducted interview sessions with relevant officers in the local authorities in Perak to get some feedback on the strategic planning practices and local authorities performance. Questions were asked on the respondents opinion on; (1) The existence of strategic planning practice (2) The important of strategic planning in the organization (3) The relationship between strategic planning and performance of local authorities (4)

The criteria of high performance local authorities, and (5) Elements of performance that are evaluated in local authorities. The detail response of each question is as follows;

(1) The existence of strategic planning practice

"The strategic planning is being practiced in the organization. However, the organization has constraints in practicing the strategic planning such as under staff and deficit budget since the organization is small compared to other authorities".

Yang Dipertua,

Local Council of Perak Tengah

Date: 10/4/2006

"The strategic planning should be practiced in local authorities"

Deputy State Secretary of Perak

Date: 12/4/2006

"Although the strategic planning is practiced in the local authorities but the capacity of each local authority cannot be compared head to head. For example the capacity of Ipoh City Hall, Local Council of Pengkalan Hulu and Local Council of Lenggong cannot be put in the same basket"

Chief Assistant Secretary

Local Government Division,

State Secretary Office of Perak

Date: 22/4/2006

"The strategic planning is being practiced in the organization".

Yang Dipertua

Local Council of Lenggong

Date: 17/4/2006

(2) The importance of strategic planning in the organization

"We need strategic planning in order to change. For example the State Structural Plan is important for a proper planning. With such plan we hope to develop the small towns in the district such as Bota, Lambor, Changkat Lada and Seberang Perak".

Yang Dipertua,

Local Council of Perak Tengah.

Date: 10/4/2006

"Strategic planning is vital for local authorities in performing their function"

Deputy State Secretary of Perak

Date: 12/4/2006

"Strategic planning is important to the local authorities especially in collecting revenue and development aspect".

Chief Assistant Secretary

Local Government Division,

State Secretary Office of Perak

Date: 22/4/2006

"Strategic planning is important in guiding the organization to achieve what it has planned".

Yang Dipertua

Local Council of Lenggong

Date: 17/4/2006

(3) The relationship between strategic planning and performance of local authorities

"I think strategic planning is closely related to the performance of local authorities. For example the strengths, weaknesses, opportunities and threats (SWOT) analysis assist the organization to perform its function"

Yang Dipertua,

Local Council of Perak Tengah

Date: 10/4/2006

"I view that strategic planning is directly related to the performance of local authorities".

Deputy State Secretary of Perak

Date: 12/4/2006

"I believe the strategic planning has a significant impact on the performance of local authorities".

Chief Assistant Secretary

Local Government Division,

State Secretary Office of Perak

Date: 22/4/2006

"I perceive a positive relationship between strategic planning and the performance of local authorities".

Yang Dipertua

Local Council of Lenggong

Date: 17/4/2006

(4) The criteria of high performance local authorities

"The criteria of high performance of local authorities leads to less public complaint received, revenue collection ranging from 80%-90%, open service scheme for employees, public understand local authorities' function as well as residents' awareness of local developments programs that will take place within their area and the widely use of information technology (IT)".

Yang Dipertua,

Local Council of Perak Tengah

Date: 10/4/2006

"In my opinion the criteria of high performance of local authorities should be based on revenue collection, service delivery, planning and development aspect and enforcement".

Deputy State Secretary of Perak

Date: 12/4/2006

"I consider the delivery system as the criteria of high performance local authorities. In this respect, time taken for any service will be shortened, increase productivity; improve service quality as well as an increase on

customer satisfaction. So far I think Manjung Municipality is the best example of high performance local authority in the state”.

Chief Assistant Secretary
Local Government Division,
State Secretary Office of Perak
Date: 22/4/2006

“The criteria of high performance local authorities should be based on the delivery system (less complaint) and increase in revenue collection”.

Yang Dipertua
Local Council of Lenggong
Date: 17/4/2006

(5) Elements of performance that are evaluated in local authorities

“In term of performance, local authorities are evaluated through several elements such as the actual performance versus the target of the year, feedback from interest groups, committees from housing areas, and feedback from the counselors. Furthermore at the state level, performance of local authorities in terms of revenues, project implementation and others is discussed through meetings between the State Secretary and Yang Dipertua of local authorities”.

Yang Dipertua,
District Council of Perak Tengah
Date: 10/4/2006

"I think among the elements that should be taken into account in evaluating local authorities are revenue collection where the outstanding collection should not be more than 25%, managing complaints, maintenance and landscaping of the area, training human capital and open communication especially with the politicians. Whatever discussion held has to be transparent".

Deputy State Secretary of Perak

Date: 12/4/2006

"If local authorities have good delivery system, then the performance of local authorities will be acknowledged either by public, NGOs, and stakeholders. Furthermore it will also be benchmarked by other local authorities".

Chief Assistant Secretary

Local Government Division,

State Secretary Office of Perak

Date: 22/4/2006

"I see that good service delivery, revenue collection, complaints and fulfilling social obligation as the elements to evaluate local authorities' performance".

Yang Dipertua

Local Council of Lenggong

Date: 17/10/2006

Though strategic planning plays a major role towards the performance of local authorities but there are impediments for its implementation. In this line, Wiseman and Martin (1993) discussed on the institutional and environmental impediments. Institutional impediments refer to structural inadequacies, professional and staff inadequacies and limitations of in-house technology. Meanwhile, the environmental impediments include intergovernmental disagreement, local political culture and goal disagreement among actors.

Besides that, some studies reported on the status quo thinking where acting strategic is not necessary and often discouraged as an impediment to the strategic planning (Ansoff, 1979; Lawrence & Lorsch, 1967; Montanari & Bracker, 1986; Roberts, 1982).

Similarly, there are also challenges in implementing strategic planning. Among the challenges noted by scholars are feeling of isolationism (Dereli, 2003), global competition, flexibility, dynamic responsiveness and new technologies (Zeleny, 1997) origins and legal bases, goals and services, governmental control processes and financing and resource allocation (Backoff, Robert, Wechsler, Barton, Crew, & Robert; 1993)

Despite the importance of strategic planning in the local authorities, scholars argued that planning is neglected in the municipality as quoted by Nong (1986) from the work of Fagin (1959). This idea is supported by Abidin, Eta and Yew Bin (2000) who viewed that in the Malaysian context planning process is not given a priority in term of urgency because of the reactive culture as practicing in the organization can still overcome problem.

1.3 Problem Statement Description

It is generally assumed that strategic management plays an essential role towards the performance of local authorities. However, the awareness of local authorities on the importance of strategic management has yet to be answered especially in the local context. This issue is essential due to the fact that in the year of 2001 and 2002, local authorities received most of the complaints addressed to the Public Complaint Bureau (PCB).

In fact, one may be skeptical on the existence of strategic management practices in the local authorities because of the continuous poor delivery of services. Or under the worst case scenario, the local authorities do not practice strategic management at all. This may be true as illustrated by Abidin et al. (2000) who observed constant 'fire-fightings' in the Malaysian public sector because the reactive culture seems to be able to overcome routine problems.

It can be argued that the poor performance of local authorities is likely to be caused by the lack of strategic management practices. For example, from an interview input with Yang Dipertua of Local Council of Perak Tengah on the existence of strategic planning, he acknowledged having organizational constraints such as under staff and deficit budget in practicing strategic planning. Furthermore, due to under staff and sufficient budget, the Public Complaint Bureau received complaints such as unsatisfactory quality of service, lack of public amenities, delays/no action as depicted in the Table 1.7.

The study falls under the scope of strategic management areas, because it focuses on policies, planning, formulation, organizational directions, as well as

considering environmental factors (Berry et al., 1995; Poister & Streib, 2005; Wren, 1994). In other word, the study looks at the 'organizational survival' to cope with the changing environment and uncertainties. In this case, the focal point is the local authorities in Malaysia. Specifically, how do local authorities position themselves in a competitive and turbulent environment? This is essential because though operating under the non-profit situation, the challenge is how to satisfy residents living at the vicinity of local authorities.

The main local authorities function in this study comprise seven performance evaluations based on Local Government Act 1976 (Act of 171) is proposed in the study to highlights the importance of 'organizational survival'. These function namely; issuing certificate of fitness (CF) approval, issuing housing and commercial development plan approval, providing and upgrading infrastructure and public facilities, revenue collection, issuing and renewing business license, keeping the environment healthy and clean, garbage collection

Similarly, the public may still have endless complaints towards the performance of local authorities. In the eyes of the public, the services provided by the local authorities are inefficient, and lack of professionalism. Despite of those grievances, the government still pays bonuses to the civil service at the end of the year. Complaints seemed to be an operational issue, but it may have great impact on the corporate and business level too.

. In fact, in the context of local authorities, the operation, business and corporate level of strategy are already embedded into one. If for instance, staffs in local authorities delay in processing business licenses, it is likely to affect

themselves, Yang Dipertua of the respective local authority, the state as well as the whole public service in the country. In the final analysis, it will not only tarnish the image of local authority but also the government in general.

Therefore, this study is trying to attempts the strategic management practices (environmental scanning, strategy formulation, strategy implementation and evaluation and control process) and how it affects the performance of local authorities especially in terms of efficiency.

1.4 Research Questions

The research questions of this study include;

- (i) What is the extent of strategic management practices in the local authorities?
- (ii) What is the relationship between strategic management practices and local authorities' performance?

1.5 Objectives

The objectives of the study are;

- (i) To explore the extent of strategic management practices in local authorities
- (ii) To examine the impact of relationship between strategic management practices and local authorities' performance.