

The Mapping of the Strategic Issues that Affect the Local Governments' Performance

IMAN BASTARI, M. SYAMSUL MAARIF, HERIEN PUSPITAWATI AND LUKMAN M. BAGA

School of Management and Business, Bogor Agricultural University; Department of Technology in Agricultural Industry, Faculty of Technology in Agricultural Bogor Agricultural University; Department of Family and Consumer Science, Faculty of Human Ecology, Bogor Agricultural University; Department of Agribusiness, Faculty of Economics and Management, Bogor Agricultural University, Indonesia
iman.bastari@yahoo.co.id

Abstract. Various strategic issues that have an effect towards the performance of local governments in Indonesia are very complex just like the local governments in other countries, as investigated on previous researches. These strategic issues, which include the fiscal capacity, the background of the local leaders as entrepreneurs, and the capacity of management, would have significant influence towards the performance of local governments. This research tries to conduct the investigation towards other strategic issues i.e. the characteristics of local governments, the public entrepreneurship, the strategic environment, and the enforcement of ethics and accountability of bureaucracy, which is both very important and very certain in terms of the influence towards the performance of local governments. As the initial phase of thorough research is related to the influence of public entrepreneurship towards the performance of local government, the mapping needs to be conducted in order to ensure the level of importance and certainty of the strategic issues with the use of the Strategic Assumption Surfacing Test (SAST) approach involving the selected experts through limited Focus Group Discussion (FGD). The results of data processing would give an overview that the characteristics of local governments and its elements (the regional assets, the fiscal capacity, the capacity of management and entrepreneurial behavior), the public entrepreneurship (innovation, the creativity of the individuals within bureaucracy, proactiveness, risk-taking and public-oriented) are the strategic issues, which are important and certainly influence the performance of local governments in Indonesia.

Keywords: characteristics of local government, performance of local government, public entrepreneurship, strategic assumption surfacing test

Abstrak. Berbagai isu strategis yang memengaruhi kinerja pemerintahan daerah di Indonesia sangat kompleks seperti halnya pada pemerintahan daerah di negara lain, sebagaimana diungkapkan pada hasil penelitian-penelitian sebelumnya, antara lain kemampuan fiskal, latar belakang pimpinan daerah sebagai entrepreneur, dan kapasitas manajemen memiliki pengaruh signifikan terhadap kinerja pemerintahan daerah. Penelitian ini mencoba untuk melakukan investigasi terhadap isu-isu strategis lainnya yaitu karakteristik daerah, public entrepreneurship, lingkungan strategis, serta penegakan etika dan akuntabilitas apakah sangat penting dan pasti pengaruhnya terhadap kinerja pemerintahan daerah. Sebagai tahap awal penelitian menyeluruh terkait pengaruh public entrepreneurship terhadap kinerja pemerintahan daerah, pemetaan perlu dilakukan untuk memastikan tingkat kepentingan dan kepastian dari asumsi strategis tersebut dengan pendekatan Strategy Assumption Surfacing Test (SAST) yang melibatkan pakar secara terbatas melalui penyebaran kuesioner dan Focus Group Discussion (FGD). Hasil olah data atas jawaban kuesioner mengindikasikan variabel karakteristik pemerintahan daerah dan elemen-elemennya (aset daerah, kapasitas fiskal, kapasitas manajemen dan perilaku kewirausahaan), public entrepreneurship (inovasi, kreativitas, proaktivitas, risk-taking dan orientasi kepentingan publik) merupakan asumsi strategis yang penting dan cukup pasti pengaruhnya terhadap kinerja pemerintahan daerah di Indonesia.

Kata kunci: karakteristik pemerintahan daerah, kinerja pemerintahan daerah, public entrepreneurship, strategy assumption surfacing test

INTRODUCTION

Many scholarly researches about entrepreneurial orientation (EO) were conducted in the past but most of them merely discussed enterprises and rarely touched public sector. Public entrepreneurship (PE) also plays important role in relation to the performance of local governments as well as environmental uncertainty and therefore spirit entrepreneurship should also be owned by public officials at the local governments in order to reach value-added achievements through innovation (Klein

et.al, 2010). In addition, the challenges faced by the public sector were very complex and completely macro in comparison to the corporate sector and therefore the spirit of public entrepreneurship (PE) should also be owned by the decision makers of the public sector, including the local governments (Budding, 2004).

Other researches concluded that there were five factors that could influence PE, namely managerial support, employee motivation, great expectations, division of work ("the right man in the right place"), and service period or experience on current positions (Diefenbach,

2011). The government, including local governments, plays the role to encourage the accomplishment of entrepreneurship in order to accelerate regional economic growth (Venkataraman, 2004). However, the results of the research projects have yet to analyze in greater depth either factors or elements of PE that have significant influence towards the performance of local governments, as well as the how the characteristic of the local governments could influence their performance. In Kadarisman (2011) said that posits that performance is the output of a process, whether related to a person or something else. Other factors include management capabilities that also significantly influence both the performance and public services for the better (Muhammad, 2007), but this research scope only covers the Gorontalo provincial administrations. Another research also uncovered the importance of entrepreneurial functions on the government sector, which has already developed entrepreneurial functions on local/regional governments and has become the norms in the West (Malecki, 1994). PE is an attempt of value creation by providing both time and efforts that are needed with the consideration of various risks such as financial and social risks (Hisrich & Peters, 1992). Entrepreneurship is the strong desire to continuously find new opportunities or chances through innovation, proactiveness, and behaviors that consider and accept the risks (McGrath & McMillan, 2000). Based on the results of the past research projects, we have found 3 important elements in relation to entrepreneurial orientation on the corporate sector or PE on the public sector, which are innovation, proactiveness, and risk-taking. Meanwhile, the elements of public entrepreneurship (PE) that have been studied through SAST approach are much broader, including another element of PE that is public-need oriented.

On the other hand, the phenomenon of the performance of the local governments in Indonesia ever since the introduction of the regional autonomy (almost 15 years after the enactment of the Law of Regional Autonomy No. 22/1999) still unable to meet the expectations from the society, and the latest revision of the Law took place last year with the introduction of Law No. 23/2014. This is obvious from the indicators of regional development, among others is the sizable annual allocation of the state budget that goes to the regions in the 2005-2012 period, but the amount of unused funds (SiLPA) from each budget year is also fairly large so that both the indicators of poverty and the Human Development Index (IPM) in the provincial level are often lower, or much worse in comparison to the national indicators.

Similarly, both the Corruption Perception Index and/or the Public Service Index are still far from satisfactory. The Corruption Perception Index is one of the key factors in relation to the performance of both the local governments and the central government of a country because corruption, at the very least, will hamper the corporate growth as well as the economic growth, which will lead to bad monetary policy and poor fiscal ability (Rodriguez et al, 2005). This indicates that the principles of PE have yet to be applied thoroughly in the bureaucratic environment of the local governments that become the object of this research project.

The implementation of PE in the environment of local governments is supported by the enforcement of the ethics of bureaucracy, management discretion that is

backed by regulations that are firm and not ambiguous, as well as competent human resources who manage the regional finance. These three are the important factors that could significantly influence the performance of local governments. The importance of the ethics of bureaucracy and the accountability in the governance of local governments is in line with previous research projects on local governments in OECD countries with the recommendation that, in order to improve the ethics enforcement in the public sector, it is important to have clear standards of ethics, the legal framework that reflect the standards of ethics, and the availability of standards of ethics for civil servants (DeVries, 2012).

Furthermore, the ethics of bureaucracy serves the local governments just like blood serves human bodies (Raga & Taylor, 2005), which means that without the enforcement of the ethics of bureaucracy, the bureaucracy of the local governments will not be successfully implemented.

With the complexity of the strategic assumption that could influence local governments, including the local governments in Indonesia, this journal outlines the results of the mapping of the strategic assumptions that are deemed to be very important and have guaranteed influence towards the policy that will be implemented to improve the performance of the local governments in Indonesia with limited involvement of the experts. The method of this research paper is mapping both the importance and the certainty of the assumption of strategic issues (characteristic of the region, public entrepreneurship, the changing of strategic environment, bureaucratic ethics, and accountability) that is associated with the improvement of the performance of the local governments, also known as the Strategic Assumption Surfacing Test (SAST) approach. The mapping of these strategic assumptions is the initial stage for the next steps of this research in order to ensure the causal relations between these strategic assumptions, which are the relevant variables in this research, and the performance of the local governments. The purpose of this research paper is mapping the issues or strategic assumptions in relation to the performance of the local governments. With the SAST approach, the researcher expected to discover which strategic assumptions are the most important and the most certain, as well as the strategic assumptions that are important but the implementation is not certain, so that the research project could produce the synthesis of research results for further investigations on the causal relations between these strategic assumptions through the Structural Equation Modeling (SEM) approach.

RESEARCH METHODS

The implementation of the Strategic Assumption Surfacing Test (SAST) approach is conducted by gathering information from respondents with a questionnaire. These respondents are both the experts and the practitioners who joined limited focus group discussions (FGDs) in Palembang, Surabaya, and Jakarta. The SAST approach is one of the tools for analysis that is used for policy analysis. The SAST approach is the method that is used to solve the problems that are interrelated and complicated, with the obscurity about the purpose, the presence of the conflicts of interest, and the uncertainty of the environment, as well

as social obstacles (Michael, 2003). The SAST approach is used to overcome, or to map out problems that are both complex and interconnected with each other. The initial stage of this research project, which implements the SAST approach, is deemed important so that the next step of the research that aim to discover the extent of the causal relations between those strategic assumptions and the performance of the local governments, which is the Structural Equation Modelling (SEM) approach, could provide objective results and fit with the condition in Indonesia. This is because of the involvement of the experts in the identification, or the mapping, of the strategic assumptions that are deemed important and have guaranteed influence towards the performance of the local governments so that we can find out with certainty the issues or strategic assumptions that serve as the important variable in the model creation of the performance of the local governments.

Both the paradigm and the approach of this research project refers to the principles of the SAST model, which are participatory, adversarial, integrative, and managerial mind supporting (Mason and Mitroff, 1981). The approach of this research project is participatory, which means that the multiple parties that are deemed competent in the governance of local governments are asked to provide objective opinions in order to map out the strategic assumptions that are deemed to be influential towards the performance of local governments. In the discussion stage and the development of this strategic assumption, the parties who are considered to be competent, objective, and experienced in the field of local governments, are involved in the questionnaire and limited discussions, which also involved the officials of the General Directorate of Regional Finance of the Ministry of Home Affairs, the General Directorate of Regional Autonomy of the Ministry of Home Affairs, the expert staff of the Minister of Home Affairs on the subject of regional finance, the General Directorate of Fiscal Balance of the Ministry of Finance, the Corruption Eradication Commission (KPK), the Supreme Audit Agency (BPK), the Development Finance Comptroller (BPKP), the practitioners of the private sector, academics, and researchers.

Furthermore, the implementation of the SAST approach in the initial stage of this research project is important in order to objectively identify the strategic assumptions that are relevant with the performance of local governments, as well as the important item and problems encountered by the local governments in Indonesia, so that it could strengthen the foundation of the preparation of the SEM framework (diagram path), not only based on existing theories but have been confirmed, or strengthened, by the opinions of the experts. With that, the variables that are used in the next stage of the research project with the SEM approach have been through some verification and validation, as well as academically accountable.

RESULT AND DISCUSSION

This is the assessment results on the main factors of the strategic assumptions as discussed in the previous section. The results of the data processing of the answers collected from 17 experts who served as the survey participants of this research project generate a classification that describe the level of interests and the level of certainty from each strategic

assumptions based on six (6) main factors that become the research objects. In order to sharpen the items that should be considered in the preparation process, or policy making, both the analysis and the synthesis was conducted on the assumptions in Quadrant 1, which is the position where the level of interests and the level of certainty relatively very high. On the Quadrant 1, the strategic assumptions of the 6 main factors can be identified with from the highest value based on the level of interests, as well as the level of certainty, as illustrated on Figure 1, as follows: a) The assumption with the highest value, 7,6 (very, very important–very, very certain), is the second (2nd) main factor, which is public entrepreneurship; b) The assumption with the value of 6,7 (very important–very certain) is the third (3rd) main factor, which is environmental uncertainty; c) The assumptions with the same value of 6,6 (very important–certain) are the first (1st) main factor, regional characteristics, and the fourth (4th) main factor, ethics of bureaucracy; d) The assumptions with the same value of 5,6 (fairly important – fairly certain) are the fifth (5th) main factor, performance accountability, and the sixth (6th) factor, the performance of the local governments.

The classification that saw the main factor or latent variable that is public entrepreneurship based on the answers of the experts and the FGD conclusions as the number-one ranking is in line with previous research projects that stated that public entrepreneurship (PE) is indeed indispensable in the government's bureaucracy as the tool to make changes in the government (Osborne and Gaebler, 1992). PE is the important element of the innovation management strategy in the public sector. However, PE also create new challenges for the bureaucrats in their tasks between the political leadership in their department or ministry and the society who will benefit from the service of their department/ministry (VanMierlo, 1996). Based on the condition of Indonesia nowadays, the opinions of these experts are very relevant to become the focus of upcoming research. This is due to the fact that the bureaucracy of the local governments in Indonesia has often been intervened by the politicians/Regional or City Legislative Councils (DPRDs), which creates unmistakable obstacles or challenges for the bureaucracy of the local governments in applying the principles of PE thoroughly.

In the era of regional autonomy, the public expectations

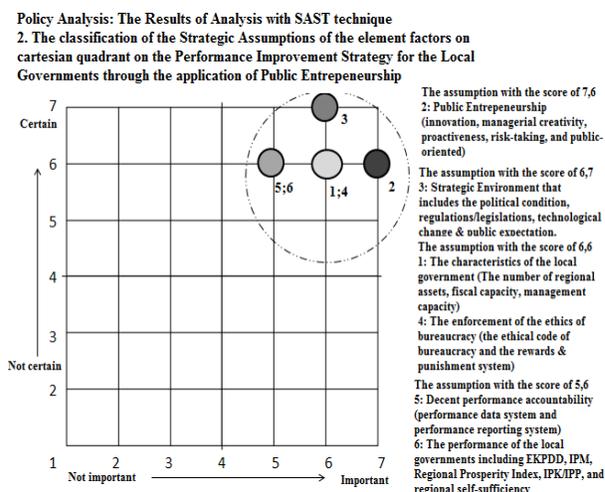


Figure 1 The Classification of the Main Factors' Strategic Assumptions

or demands are very high in the context of obtaining high-quality service from the bureaucracy of the local governments, and one should acknowledge that there are many progressions during this era of regional autonomy, including the formation of one-stop service working units in almost every local governments in Indonesia or, in total, 539 local governments. However, to this date, the performance of the local governments is still not optimum as evidenced by the evaluation results on the local governments 2009-2012 conducted by the General Directorate of Regional Autonomy, the Ministry of Home Affairs on Table 1, as follows.

The empirical data above indicate that virtually the majority of both the provincial governments and the city governments is yet to receive “Very High” or “excellent” marks in terms of performance rating. In addition, there are still several local governments, both provincial or district/city governments, that obtain the “Moderate” status. The fact that the performance of local governments is not optimum is also visible based on the data collected from BPKP based on BPK’s audit that has been published. According to the data, the amount of remaining funds that cannot be used in each budget year-end, also known as SiLPA (Unused Funds), is still relatively high, with the average of around Rp 20 trillion for the provincial government-level (not including the North Kalimantan Province, which has only been established by the time this research is conducted), and the average in the national level is around Rp 60 trillion as seen on Table 2.

The unused funds (SiLPA) that occurred in every budget

Table 1. The Evaluation of the Local Governments 2009-2012

LOCAL GOVERNMENT			
2009	Province	Regency	City
T	29	269	82
S	4	70	4
R	-	50	-
Σ	33	344	86
2010	Province	Regency	City
T	23	269	77
S	10	51	5
R	-	6	-
Σ	33	346	86
2011	Province	Regency	City
ST	1	23	9
T	25	294	80
S	7	48	1
R	-	5	-
2012	Province	Regency	City
Σ	33	365	90
ST	1	46	19
T	23	191	51
S	9	114	20
R	-	22	1
Σ	33	373	91

- ST (Very High), T (High), S (Moderate), R (Low)
- In 2009 and 2010, none of the local governments in Indonesia receives the Very High (ST) marks

Table 2. SiLPA of 2008-2012 Budget Year (Provincial and National level)

In billion Rupiah		
Year	Year-End Balance (Rp)	Number of Local Governments
I	The Provincial Average	
2008	22.982,21	33
2009	16.029,22	33
2010	20.107,14	33
2011	25.557,86	33
2012	20.237,17	33
II	The National Average	
2008	64.588,13	428
2009	53.103,02	485
2010	54.450,27	502
2011	76.933,88	489
2012	61.921,58	495

year-end during 2008-2012 was due to, among others, inaccurate budgeting, unimplemented programs/activities in the region during the budget year, the delay in both the discussion and the ratification of the Regional Budget (APBD) by DPRD, and expenditures that are yet to be accounted for by the end of the budget year. The amount of the SiLPA funds indicate that the budget absorption in the regions is not optimum yet so that it had an effect on the results of the development in the regions that are yet to benefit the respective community. The protracted discussion and ratification of the budget between the local governments (Local Leaders) and DPRD's would not only generate SiLPA by the end of the budget year but also political, social, and economic impacts that could hamper the regional development. This results indicate that PE have yet to be applied properly or, in other words, the implementation of PE is still lacking the innovation, proactiveness, and the boldness to take the risks (risk taking) among the government bureaucracy so that the regional budget's absorption is not optimum. PE should become the important element that the public sector must have, in this case the regional government bureaucracy, in order to overcome the complex challenges in the public sector (Diefenbach, 2011). Therefore, with the PE spirit, the government bureaucracy including the regional governments should be able to utilize their resources with the means to improve both the efficiency and the effectiveness without external pressure, and creating changes in the public sector for the better (Salazar, 1997).

The results of this mapping, which used the SAST approach that place the PE variable in the first position, are also in line with the growing perception in the limited FGDs that involved the practitioners of the local governments as well as the academics in Palembang, South Sumatra and Surabaya, East Java. However, there was an understanding that grew within the discussion that while the entrepreneurship was, indeed, very important, it would also depend on the commitment of the local leader himself. One of the illustrations on how

the entrepreneurship was implemented in the regions, among others, was in Palembang, where along the Musi river, which in the past was slums, the local government decided to build beautiful parks. This, along with the city parks in the Surabaya City, is the example of innovation as the important element or the indicator of latent variable of the Public Entrepreneurship. This indicate that while innovation is the important indicator of the PE's main factor, the implementation would still depend on the commitment of the local leader.

During the FGDs, there was also a view that while PE was the important element, the implementation in the regional level is difficult because the regulations often change and there are regulations that contradicted other regulations. This indicate that regulations that do not contradict each other (unambiguous) would encourage the rise of PE implementation in the regions. On the contrary, ambiguous regulations could lead to the bureaucrats in the local governments to feel afraid to use their discretion because they are afraid to be regarded as violators of the laws and regulations, which might criminalize them in the future. Thus, the risk-taking element, which is the important element of PE, will be very difficult to implement in the regional level without any underlying rule that made and maintained by the authority. The insight that came from the results of the FGD is in line with the research findings in the past that entrepreneurship in the public sector is stronger in relation to the elements of innovation and proactiveness in comparison to the risk-taking element (Morris and Jones, 1999). Meanwhile, the Australian National Audit Office (2009) stated that innovation activities could improve the performance in the public sector. The indicators that the innovation is worthy to be maintained including the strength of the commitment of the public sector leaders, the innovation embedded in the company's strategy, the staff master the needed skills, and the availability of the mechanism to assess and respond to the issues developing in the public.

Furthermore, based on the results of the strategic mapping as illustrated on Figure 1, it is indicated that the next strategic assumptions with very-important-and-certain marks are the strategic environment and the enforcement of the ethics of bureaucracy. The strategic environment is deemed to be very influential towards the performance of the local governments, which means that unfavorable strategic environment would indeed had an effect on the performance of the local governments. The local governments with the PE spirit would be able to face the dynamic global challenge, which is the very complex change of the strategic environment (Diefenbach, 2011). The importance of the ethics of bureaucracy, which is the element of the enforcement of ethics of bureaucracy by providing rewards for the officials/employees who performed well and also punishments for those who did not perform favorably as well as indiscipline, is in line with the FGD results and the perception of the experts. This is also in line with the results of the research on the local governments in South Africa, which concluded that the ethics of bureaucracy is very important for the apparatus of government bureaucracy just like blood for human bodies. This is because the ethics is not merely normative regulations, but also the attitude that is shown in providing high-quality services to the public (Raga and Taylor, 2005).

The next main factor with fairly-important-and-fairly-certain marks in terms of its influence towards the performance of the local governments is the bureaucracy accountability, which, in this research, focuses on the elements of the performance data that is both comprehensive and IT-based as well as the performance reporting system. Reliable bureaucracy accountability is very important due to the poor accountability of the regional financial management, including the external reporting to the public, which makes the regional financial management itself is very susceptible to fraud. The corrupt practices may occur due to the existence of authority or power without the support of effective accountability (Biegelman and Bartow 2006). The poor financial accountability in several countries, including Indonesia, is occurred because, among others, the poor control system on the activities that are not in accordance with regulations as well as uneconomical, which caused by actions that are not in accordance with the law and regulations (Yilmaz et al., 2008). This indicate that reliable accountability system is very important and inevitable in terms of its influence towards the performance of the local governments. This means that poor bureaucracy accountability, which is the performance data system that is not yet comprehensive and IT-based is susceptible to fraud and, certainly, would have negative impact towards the performance of the local governments. However, the results of the research conducted by Yilmaz have not discussed in detail the performance data system that is both comprehensive and IT-based as well as the performance reporting system of the local governments in Indonesia, while in the mapping of the strategic assumptions with SAST approach both items were discussed. The results of group discussions indicate that the performance reporting system of the local governments is still need to be improved because of the large number of reports that should be conducted by the local governments, from the Government Agency Performance Report, Local Government Management Performance Report, Local Leader's Accountability Report, not to mention other sectoral reports. The results of the discussion is in line with the opinion from the experts that the Local Government Management Performance Report is the important indicator of the performance of the local governments in accordance with Law 32/2004 on Local Governments and Government Regulation 6/2008 on the Guidelines of the Performance Evaluation of the Local Governments.

Lastly, another main factor that is also deemed to be fairly important and fairly certain in terms of its influence towards the performance of the local governments is he variable of the Characteristics of Local Governments, which include the following elements: the number of regional assets, the capacity of the management, the entrepreneurial behavior of the individuals within the bureaucracy, and the fiscal capacity in the context of the PAD ratio towards the central transfer funds. This variable is the additional important variable that is developed from the results of both group discussions and limited discussions among the experts. The research that was conducted by Muhammad (2007) did not include the capacity of the management as the regional characteristic as the strategic assumption that is both fairly important and fairly certain in terms of its influence towards the performance

of the local governments. However, based on the results of the limited discussions (FGD) with the officials of local government in the South Sumatra province, there was an interesting issue on another element that is considered more important than the fiscal capacity in the context of the locally generated recurring revenue (PAD) ratio towards the central funds transfer as the indicator or the important element of Regional Characteristics. This indicator is the growing contributions of the private sector in the regions, such as the increasing number of companies in the regions that could be used as another indicator or important element of the Characteristics of Local Governments. The reason was that the increase of PAD is very difficult to achieve for regencies/cities with small potential in addition to the PAD tariff that has been fixed on the bylaws, which made its impact on the improvement of regional performance is very small. This issue is very interesting to be developed further in a more in-depth research that covers the influence of PAD towards the performance of the local governments.

The results of the assessment and the ranking of the elements of the main factors. The next phase is to rank the elements or the variables from the six main factors above. The results of the classification based on the level of interests and the level of certainty from each strategic assumptions based on the elements of the main factors or latent variables can be seen on figure 2a, 2b, and 2c. In order to sharpen the items in relation to the strategic policy-making, both the analysis and the synthesis was conducted on the assumptions on quadrant 1, which is the position where the levels of interests and certainty are relatively high. The grades on the quadrant 1 for the elements from the six latent variables or main factors could identify the following strategic assumptions: a) The assumption with the highest score of 7, 7 (very very important-very very certain) is the element 1c (management capacity); b) The assumptions with the score of 6,7 (very important-very very certain) are the element 2C (proactiveness), 2E Public-oriented, 3B (Regulations/Laws), 6E (The self-sufficiency of the region/PAD ratio towards APBD); c) The assumptions with the score of 6,6 (very important-very certain) are the element 1A (the number of regional assets), 2A (Innovation), 2B (Managerial Creativity), 3A (favorable political condition), 4A (Ethical Codes of Bureaucracy), 5A (Performance Data System), 5B (Performance Reporting System), 6A (EKPPD Score), 6B (Human Development Index or IPM), 6C (Regional Prosperity Index or IKD), and 6D (Corruption Perception Index or IPK and Public Service Index or IPP); d) The assumptions with the score of 6,5 (very important-certain) are: 3C (Technological Change), 4B (The application of the Reward and Punishment system); f) The assumptions with the score of 5,6 (important-very certain) are the 1B element (Fiscal Capacity), and 3D element (Public Expectations); g) The assumption with the score of 5,5 (important-certain) is the 2D element (Risk Taking).

In graphic, the classification of the elements from the main factors or latent variables, which places the 1C element, the management capacity, as the element with the highest score of 7,7 and the order of other elements from the Main Factors with the SAST approach, can be seen on figure 2a, 2b, and 2c.

After further examinations, the strategic assumption with very - very - important - and - very - very certain

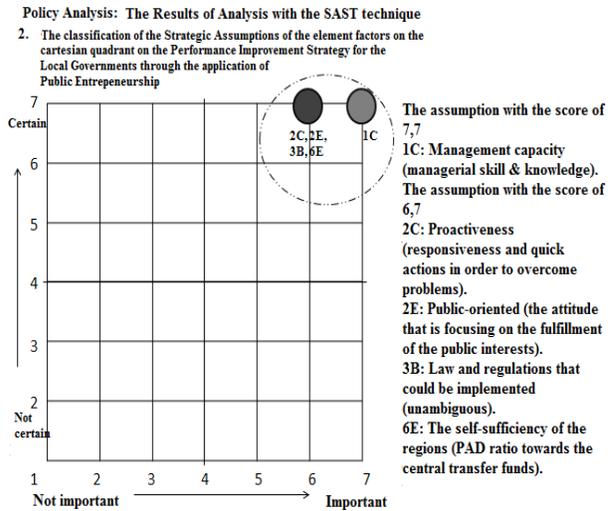


Figure 2a The Classification of the Strategic Assumptions on the elements of the main factors

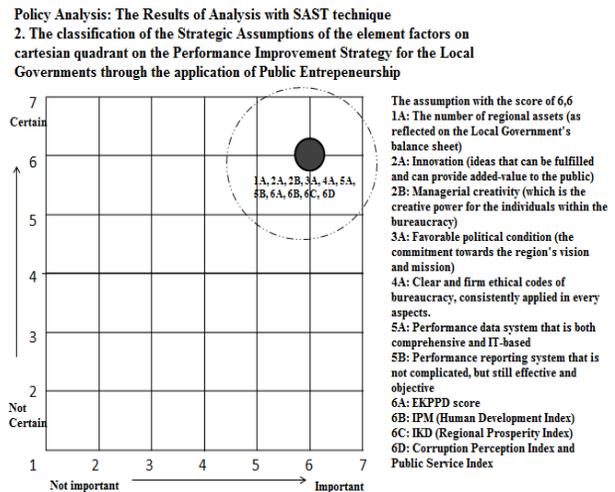


Figure 2b The Classification of the Strategic Assumptions on the elements of the main factors

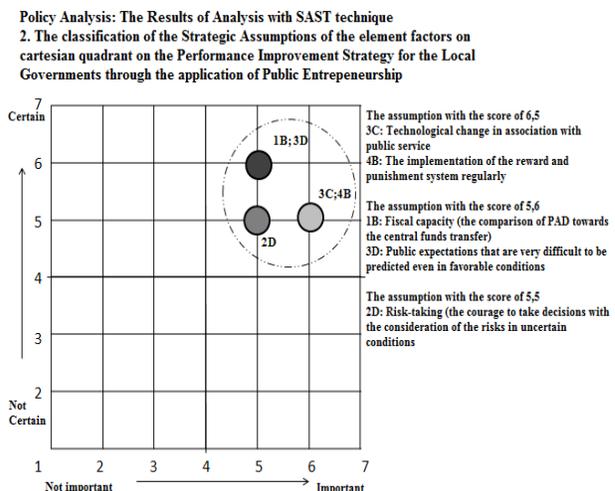


Figure 2c The Classification of the Strategic Assumptions on the elements of the main factors

score is the elements that have close relations to the first main factor of the Regional Characteristics, which is the IC element or management capacity (managerial skill & knowledge). The management capacity is the variable that is considered to be very, very important as well as very, very certain in the achievement of better performance among local governments. This is in line with the results of past research (Muhammad, 2007), which stated that the management capacity is the element or variable that highly influence the performance of local governments, in this case the Gorontalo Province. However, the elements that are discussed in the mapping of strategic assumptions with SAST approach are much wider, with regard to the number of regional assets, fiscal capacity, and the entrepreneurship of the individuals within the bureaucracy.

Meanwhile, the results of the previous research that was conducted on the local governments in Peru conclude that the large fiscal capacity did not guarantee better performance of the local governments, partly due to the capacity of the management especially the technical skill in the financial sector is very inadequate so that the budget allocation from the central government could not be absorbed for the development activities in the local governments in Peru (Aragon and Casas, 2008). The results of the research conducted by Aragon and Casas also strengthen the results of the mapping of the strategic assumptions conducted in Indonesia, but the capacity that being referred to here is not merely the technical capacity in financial and planning fields, but also the capacity relating to the knowledge on entrepreneurship like how to build a strong desire to create value for the society through innovation, creativity and proactiveness to always focus on the fulfillment of the public needs. This indicate that the results of the mapping of the strategic assumptions that involve the experts is in line with the results of the research projects conducted by several researchers in the past, which stated that the capacity of the management is the element that is both important and certain in terms of its influence towards the performance of the local governments, only the elements that are being discussed here cover wider scope.

The Public Entrepreneurship (PE) main factor occupies the highest rank with the score of 7,6 (very very important and very very certain). However, the main factor's element score is under the score of the element of Regional Characteristics (management capacity), which include the element of proactiveness and the element of public-oriented with the score of 6,7. The proactiveness means that the officials/employees within the bureaucracy of the local governments should be responsive and take quick actions when it comes to overcoming problems in the regions. The public-oriented aspect means that the officials of the bureaucracy of the local governments, in providing services to the society, should prioritize public interests. This means that the bureaucracy of the local governments should emphasize on the fulfillment of public needs, that is they should be able to understand the needs of the society. This is the new element of PE that is obtained from the results of the discussion on how, in addition to the main elements of PE (innovation, creativity, proactiveness, and risk-taking) as stated by Lumpkin and Dess (1986), there is another element of PE that is very important, which is the orientation on fulfilling public need.

The regulations or legislation that can be implemented (unambiguous) and the element of the self-sufficiency of the region (PAD ratio towards the central transfer funds) also deemed by the experts as the very-very-important-and-very-very-certain variable in the achievement of the performance of the local governments. The strategic assumptions from the main factor's elements with the same score, which is very important and very certain (6,6 score) are the elements that closely related to the overall dimension of the strategic assumptions, which include the number of regional assets (as reflected on the local government's balance sheet), innovation (ideas that can be fulfilled and provide added-value to the public), managerial creativity (the creative power for the individuals within the bureaucracy), favorable political condition (the commitment toward the region's vision and mission), clear and firm ethical codes of bureaucracy that consistently applied on every aspects, the performance data system that is both comprehensive and IT-based, performance reporting system that is not complicated, but still effective and objective, EKPDD score, IPM (Human Development Index), IKD (Regional Prosperity Index), and Corruption Perception Index (IPK), as well as Public Services Index (IPP). These elements are the very-important-and-very-certain variables in the achievement of the performance of the local governments.

Furthermore, the strategic assumptions with very-important-and-certain score are the elements that closely related to the main factor of strategic environment and the main factor of the enforcement of ethics, which are the element of technological change in relation to the public service, and the element of the implementation of the reward and punishment system, which are also the very-important-and-certain variable in the achievement of the performance of local governments. The importance of ethics of bureaucracy, which is the element of the enforcement of the ethics of bureaucracy by providing rewards for those who performed well and punishment for the officials/employees that did not perform well and not discipline is in line with the FGD results and the perception of the experts. This is in line with the results of the research conducted on the local governments in South Africa, which conclude that the ethics of bureaucracy is very important for the apparatus of the government bureaucracy just like how blood is important for human bodies, which means that ethics is not merely normative regulation but also the attitude shown in providing high-quality services to the public (Raga and Taylor, 2005).

After the analysis towards the scores provided by the experts on the SAST questionnaire as elaborated above by putting it in a table, the outcome results is that the overall variables/dimensions of the mapping results is categorized on quadrant 1, or on the certain plan quadrant. The results of the analysis indicate that there are no variables or main factor's elements that are include in the strategic assumptions that are categorized in the problematic plan quadrant. This means that the elements of the six main factors that are strategic assumptions are the elements assumed to be very important and very certain in terms of the influence towards the performance of the local governments.

With that, the overall variables and sub-variables or elements of latent variables that are relevant in relation to the improvement of the performance of the local governments

through the implementation of Public Entrepreneurship based on the results of the mapping of strategic assumptions that involve selected experts and limited FGD discussions that involve the practitioners of the local governments and academics with SAST approach, include; 1) The Characteristics of the Local Governments (the Number of Regional Assets, Fiscal Capacity, Entrepreneurial Behavior, and Management Capacity); 2) Public Entrepreneurship, which include the elements of Innovation, Managerial Creativity, Proactiveness, Risk-taking, and Public Needs-oriented; 3) Strategic Environment, which include Political Condition, Regulations/legislation, Technological Change and Public Expectations; 4) The Enforcement of the Ethics of Bureaucracy, which include the elements of the Ethical Code of Bureaucracy and the Reward&Punishment System; 5) Decent performance accountability (Performance Data System and Performance Reporting System); 6) The performance of the local governments, which include the elements of the Local Governments' Performance Evaluation (EKPPD), Human Development Index (IPM), Regional Prosperity Index (IKD), Corruption Perception Index (IPK), Public Service Integrity (IPP), and the self-sufficiency of the regions, which is the PAD ratio towards the regional budget or APBD.

Based on the results of the mapping of the strategic assumptions with SAST approach, the author could arrange the synthesis of the SEM model to conduct further exploration with statistical tests in order to ensure the causality between latent variables and its elements as shown on Figure 3.

The results of the mapping of strategic assumptions on local governments in Indonesia indicate that the risk-taking element is the element of public entrepreneurship that is deemed to be difficult to implement in the local governments in Indonesia. However, this does not mean that the risk-taking element cannot be implemented. The officials within the bureaucracy in the local governments should have the courage to take risk on every policy or discretion that should be taken in order to fulfill the public needs, such as the innovation activities to create value in order to further improve the service towards the society for the better. In order to detect as well as mitigate the risks that may occur due to the policy, or the discretion, that will be taken by the

management of the local government, then it is important to consider forming a working unit of the local government that focusing on handling risks, such as banks that already created risk-management units. This is important to be done so that any policy that the local leaders take would have already taking every kinds of risk into consideration and therefore will not create legal problems in the future.

The elements of the strategic assumption that have been mapped with the SAST approach is much wider from the previous research related to the influence towards the performance of the local governments, among others include the element of fulfilling public needs-oriented, which is the additional element from the variable of public entrepreneurship. This brings a consequence, which is the orientation of the bureaucracy in the regions in formulating various programs/activities should be focused on the fulfillment of the public needs, without conflict of interests, or intervention from any group or person. With that, every policy that will be taken by the management of the local governments should significantly involve the society, from the planning to the monitoring towards the development programs/activities in the regions.

Lastly, the characteristics of the regions is the new latent variable that is generated from the mapping of strategic assumptions with SAST approach, which is deemed to be influential towards the performance of the local governments, where the elements not only include management capacity, but also much wider including the number of regional assets, fiscal capacity, and individual entrepreneurial behavior. This brings a consequence in the form of the need of competent human resources in the regions who are able to properly manage regional assets so that it could contribute to the revenue to the regions as well as human resources that are capable to properly manage regional revenue sources (regional taxes and regional tax levies) supported by an IT-based regional tax and tax levies management system. The local governments should also be able to encourage the development of the participation from the private sector that also deemed to be the more important indicator in comparison to the amount of fiscal capacity, because the increasing role of the private sector in regions with the growing number of companies in the regions will encourage the acceleration of the spirit of entrepreneurship within the bureaucracy in the regions.

CONCLUSION

The results of the mapping of the strategic assumption with SAST approach that involve selected experts, conclude that every latent variables and its elements that become the research object include the regional characteristics, public entrepreneurship, the changes of strategic environment, ethics of bureaucracy, and performance accountability, are the issues or strategic assumptions that are very important and very certain in terms of the influence towards strategic policy that will be taken in order to improve the performance of the local governments in Indonesia. The SAST approach is very useful for the management of the local governments (the officials within the bureaucracy that make decisions in the regional level) in the identification of various assumptions that are very complex and may influence the performance of the local governments.

Public entrepreneurship (innovation, managerial creativity, risk-taking, and public-oriented) becomes the main factor or

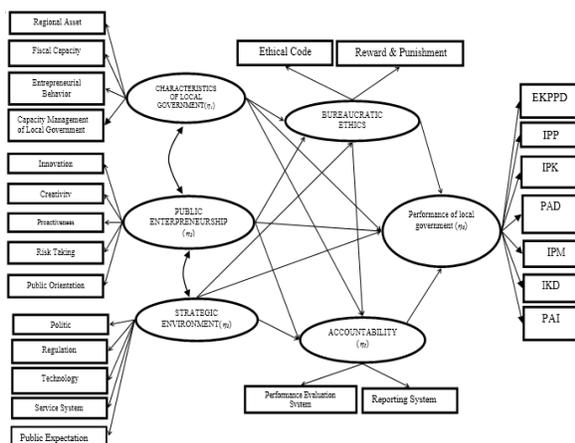


Figure 3. The Synthesis of the SEM Model of the results of SAST Mappin

latent variable that is very, very important and very certain that may influence the performance of the local governments, while elements that should be taken into consideration from the latent variable of regional characteristics that may influence the performance of the local governments is the management capacity. The management capacity is the important element that will influence the performance of the local governments, both in terms of technical capacity, and the managerial, which is the important issue that should be taken into consideration in order to encourage public entrepreneurship on local governments. However, on the other side, the indicator of the growing role of private sector in the regions in comparison to the increasing PAD in order to encourage the improvement of the performance of the local governments should be considered for further research.

The synthesis of the results of the mapping of strategic assumptions with the SAST approach has generated a causality model between variables that are expected to be influential towards the performance of the local governments in Indonesia, which need further investigation with statistical tools in order to ensure the causality between the latent variables with the Structural Equation Modeling (SEM) model on future researches. Therefore, the results of the mapping towards the six strategic assumptions on the local governments in Indonesia that become the research object with SAST approach provide strong platform in order to formulate path diagram for SEM not only based on existing theories, but also have been through proper verification and validation process with the involvement of the experts on the phenomenon that is occurred in the local governments.

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