

8-19-2011

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Anwar, Rozan (2011) "Development of Dynamic Capabilities of Education Service Policy Processes in Jembrana, Bali," *BISNIS & BIROKRASI: Jurnal Ilmu Administrasi dan Organisasi*: Vol. 17 : No. 3 , Article 3. DOI: 10.20476/jbb.v17i3.789
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Development of Dynamic Capabilities of Education Service Policy Processes in Jembrana, Bali

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Abstract. The paper believes that dynamic capabilities of public organizations, founded upon able human resources and agile process, shall result on adaptive public policies, thus forming dynamic governance. The paper adopts the model developed by Neo and Chen (2007) in their study on the government of Singapore. The study object of this paper is public services in Jembrana, Bali. The paper combines both quantitative (SEM structural equation test) and qualitative approaches. The qualitative method consists of in-depth descriptive analysis of interview responses and Soft System Methodology (SSM) to devise the public policy development process model. SEM structural equation test provides the correlation of (i) able people to thinking-again, (ii) agile process to thinking-ahead, (iii) agile process to thinking-across, (iv) thinking-again to thinking-across, and (v) thinking-again to thinking-ahead. Conceptual development model using qualitative SSM suggests complementary relations to SEM structural equation test, where dynamic capabilities are concentrated in the thinking-again aspect whereas thinking-ahead and thinking-across are concentrated in the initiative of Jembrana Regent. The qualitative-descriptive analysis suggests that the behaviour of the Jembrana Regency governance reflects the skills of developing dynamic capabilities: thinking ahead, thinking again, and thinking across.

Keywords: *dynamic capabilities, able people, agile process, adaptive policy, dynamic governance.*

INTRODUCTION

The series of social, political, and economic events in Indonesia in the last few decades demonstrated that the citizens need to reorganize administrative procedures of the central and local governments. Administrative reforms became a concept, in theory and practice, to create good governance and for better Indonesian future. Administrative reforms have wide-ranging definitions; however, the bottom line of every definition is the creation of programs and policies to hurdle challenges for better governance (Caiden 1969).

The study by Neo and Chen (2007) on the government of Singapore has proved that dynamic governance is formed if adaptive policies are made, in which current programs and regulations are adjusted periodically. Such will only be true if there is continuous learning through processes of dynamic capabilities consisting of think-ahead, think-again, and think-across capabilities in building able people and agile process

A number of local governments in Indonesia have been able to form dynamic governance. Among which is Jembrana Regency, Bali, identifiable from several pro-public policies, such as equal opportunity of education for all. In relation with education service policies implemented since 2001, the Regency Government of Jembrana has

institutionalized some of them into law, which are tuition waiver for students of primary and secondary education since 2001, scholarship grants for private school students since 2003, and twelve years mandatory education since 2006 (Suara Merdeka Online 2005, Anonymous 2007).

The issue raised in the paper is how to develop a model on the effects of able people and agile process to dynamic capabilities in public policy processes in Jembrana, starting from policy formulation, implementation, and evaluation (Nakamura and Smallwood 1980, Mustopadidjaja 2002). Policy processes are analysed using system approach (Nakamura and Smallwood 1980), where policy processes are viewed from environmental functions, each has its own arena and actor interacting within the contexts and time the policy processes are applied. Grindle and Thomas (1995) introduced the interactive model, where public policy processes are approached as dynamic phenomena and every party involved may propose changes to every stage of the process.

A dynamic organization may be defined as an organization full of new ideas, fresh perception, continuous improvements, as well as efficient, adaptive, flexible, innovative, and creative actions. Such condition is possible if there is continuous learning, quick and effective execution, and endless improvements (Neo and Chen 2007). Development

and improvement of organizational capabilities, or, in Akwei's term (2008), dynamic capabilities, are continually implemented on internal resources (employee development and organizational learning) and external resources (cooperation and acquisition). Teece et al. defined dynamic capabilities as the ability of an organization to integrate, build, and reconfigure internal and external competences in facing rapid changes of its surroundings (Bitar 2004). Dynamic capabilities are identified as agents of change making organization development possible and at the same time improve its capabilities responding to external factors (Akwei 2008).

The current governance must be able to implement dynamic governance by devising policies, regulations, and organizational structure in accordance with changes in socio-economic and citizen behaviour. As such, adaptive policies are required, and decisions to solve the ever-changing and ever-complex issues of the society are made (Walker, Rahman, and Cave, 2001). An adaptive policy is one that meets the needs and satisfies the targeted society (Hartfield-Dodds, Nelson, and Cool 2007). Neo and Chen (2007) stated that a dynamic governance is formed by way of institutionalizing cultural values supporting the capability of the organization to be proactive in making adaptive paths, therefore creating continuous changes and improvement. Such changes are made possible by adaptive policies, consisting of regulations, policies, incentives, and organization structure amendments.

By means of the adaptive policy, governance innovation as a paramount instrument of change may be formed. Nonetheless, the prerequisite for the government would be to develop dynamic capabilities consisting of thinking ahead, thinking again, and thinking across. The development must be placed on paths and policies which develop human resources and public institution processes development (Neo and Chen 2007).

Thinking ahead capability is to capture early signals of future development processes, which may correlate with current conditions. The think again capability is to consciously contemplate and remake currently applied functional policies as a measure to improve performance. Thinking across capability is openness to new experiences outside the organization so that new concepts and ideas are introduced to the organization (Neo and Chen 2007). The dynamic capability framework devised by Neo and Chen is illustrated in Figure 1.

As for organization development, developing

the thinking ahead capability is positioned in such a manner as an effort to achieve the goals of the organization (Senge 2006). The capability to think ahead is once again shown in the ability of the organization to evaluate its programs and policies objectively and truthfully. Albaek, as quoted in Rist (1996) explained that evaluation of policies produces actual and objective data which can be used to improve policy enforcement. Thinking across capability is consistent with the development benchmarking of rival organizations considered innovative in its field (Sand and Nordgård 2008, Kyro 2003, Sisson, Arrowsmith, and Marginson 2008).

To withhold the development cycle of dynamic capabilities (thinking ahead, thinking again, and thinking across), long-term commitment and investment to develop able people as well as effective, efficient, and responsive organizational processes are needed. The condition is inducted through conceptualization, evaluation, and customization so that people adapt to choose the direction which creates reforms by means of continual adaptive policy, thus forming dynamic governance (Neo and Chen 2007).

The capacity to develop dynamic capabilities is found in the human resources of the organization. These individuals have the capability to think, rethink, feel, make decisions, as well as building their own personality and that of the organization. Of the inputs of the organization, only human resources can make independent choices. Other inputs, such as process, system, and structure are decisions made by the people as the leader (Neo and Chen 2007). Disparities of successful profiles are expected to be minimalized by effectively managing human resources by recruitment, selection, training, performance measurement, and methods to keep talents (Byham, Smith, and Paese 2002). Production of successful profiles can guarantee individual contribution to the organization as a whole since it is better suited to the needs and disposable resources of the organization (Byham and Moyer 1996).

The effectiveness of government depends not on certain individuals, as it risks the stability of the administration. As such, an effective government must be institutionalized well. Processes should be designed and implemented in such a manner so that the administration keeps running and functions well, despite leadership changes. The ability of the organization is also affected by the processes of coordination, combination, and integration of

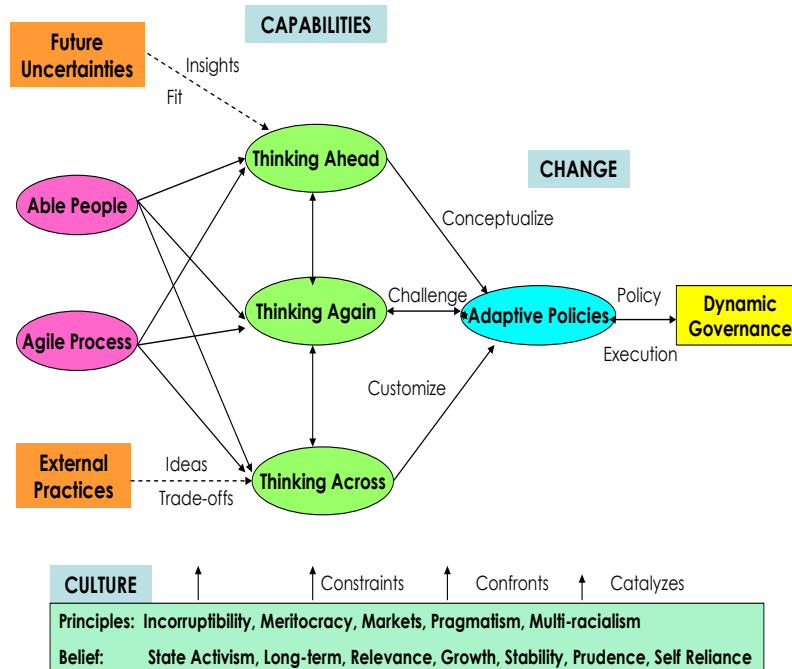


Figure 1. Dynamic Capabilities Framework

Source: Neo and Chen (2007)

various employee and task force performances. This situation makes absorption of new ideas and continuous reconfiguration and transformation induction possible (Neo and Chen 2007).

METHODOLOGY

This paper focuses on working aspects as a general truth based on the issue previously mentioned. Paradigm of pragmatism is used as the research basis, in conjunction of a combination of qualitative and quantitative methods (Takashori and Teddlie, 2003:713), as well as dominant-not dominant approach, emphasizing on qualitative results (Takashori and Teddlie 2003).

The qualitative method uses Structural Equation Modelling (SEM) method. The population of the study is every actor involved in education policy processes (policy formulation, implementation, and evaluation). Respondents consist of government officials, members of the Regional House of Representatives, consultants, public and religious figures, business owners, NGO activists, Head of the Schools Committee, and education foundation managers. The sample collection technique is snowball sampling, where the number of samples is based on SEM model norms (Ferdinand 2002). Two hundred and twenty-five questionnaires are given out and filled. Data is analysed using SEM model and LISREL software.

The qualitative approach used is in-depth interviews to describe the effects of able people and agile process to education service dynamic capabilities in Jembrana. The approach is supported by Soft System Methodology (SSM) to analyse the effects of able people and agile process to the development of the dynamic capabilities of education service model. Locations of study are Jembrana Regency office, Regional House of Representatives Office, and certain agreed-upon locations. Information sources of the study are regency officials, members of the Regional House of Representatives, school principals, religious figures, Head of the Schools Committee, NGO activists, and business owners. Information sources are selected purposively based on period and position held at the organization. The SSM method is conducted by comparing real conditions with expected model conditions using the seven steps proposed by Checkland (1981), Checkland and Scholes (1990), and Underwood (1996).

Organizational dynamic capabilities are generated by able people, thus forming agile process (effective, efficient, and responsive) during policy formulation and evaluation stages. Such is identified by the ability of the organization to think ahead (anticipating future developments), think again (actual policy implementation evaluation), and think across (learning extrapolation and interpolation in different contexts). Study model hypothesis is illustrated in

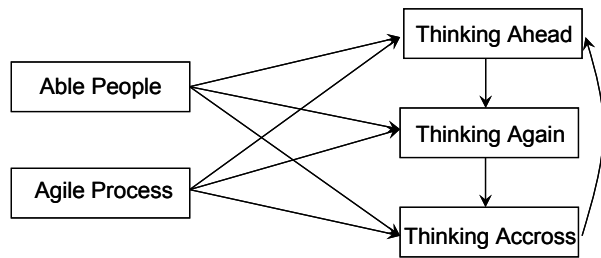


Figure 2. Study Model Hypothesis

Figure 2.

There are eight research propositions, as follows: *First Proposition*, If public organizations are able to form dynamic capabilities, then public policy processes results are efficient, effective, and responsive: policies full of new ideas, continuous improvements, as well as efficient, adaptive, flexible, innovative, and creative actions.

Second Proposition, If public organizations are able to develop able people and they produce agile processes, then public policy dynamic capabilities are formed (policy formulation, implementation, and evaluation).

Third Proposition, Public organizations are said to have developed able people and agile processes should they have the capabilities of thinking ahead, thinking again, and thinking across.

Fourth Proposition, If public organizations are able to form dynamic capabilities, then the capabilities are materialized in the form of adaptive policies (policies which allows the organization to renew its ability to respond continuous internal and external changes).

Fifth Proposition, If public organizations are able to form adaptive policies, it will form dynamic governance (dynamic administration procedures) as programs and activities of the administration must be adjusted to the institutionalization of cultural values to support development of the organization's capabilities.

Sixth Proposition, If development of dynamic governance aims to strengthen administration capacity by adapting continuously to its surroundings, the process is known as public administration reform, and as such must take into account relevant political aspects in relation with power due to resistance of the planned reforms.

Seventh Proposition, If development of dynamic governance correlates with political aspects, then policy processing stages (formulation, implementation, and evaluation) are considered integral to the values enforced, as differences may cause conflicts.

Eighth Proposition, If development of dynamic governance is a political process, any form of resistance must be suppressed. For that end, strong and charismatic leaders are needed; whose characters are creative, humble, and devout.

RESULTS AND DISCUSSION

SEM statistics model suitable to find the effects of able people and agile process to form dynamic capabilities in education service policy process in Jembrana is illustrated in the Competing Model 2, Figure 3 below:

Several differences are found after comparing Competing Model 2 with the study hypothesis model: 1) the study hypothesis model assumes the presence of significant and correlating relations between the variables of able people and agile process with the paths of thinking ahead, thinking again, and thinking across; and, 2) in the process of developing dynamic capabilities, the study hypothesis model illustrates cyclic relations, i.e. the thinking ahead allows for thinking again, then allows for thinking across, then thinking across, and finally thinking ahead. Significantly correlated paths are not as numerous as found in the hypothesis, as shown in Table 1 below:

Based on the SEM test results above, the dynamic capabilities of Jembrana Regency Government cover three dimensions: thinking again if correlated to the development of able people, thinking ahead if correlated to the development of agile process, and thinking across if correlated to the development of agile process.

The dynamic capabilities behaviour of the Jembrana Regency Government in developing able people covers three items: "The Capability to Predict the Future" as a form of thinking ahead, "The Capability to Confront with Actual Reality" as a form of thinking again, and "The Capability to Go Across to Learn from Other People" as a form of thinking across.

Findings in Jembrana Regency differ from that of Neo and Chen in Singapore. The development of able people in Jembrana merely encourage thinking again capability, but not thinking ahead and thinking across capabilities, since they remain in the level of Jembrana Regent I Gede Winasa. As for Singapore, development of able people allows for thinking ahead, thinking again, and thinking across simultaneously. There are disparities between the Regent Winasa and his officials, for example when the Regent Winasa announced 'equality and

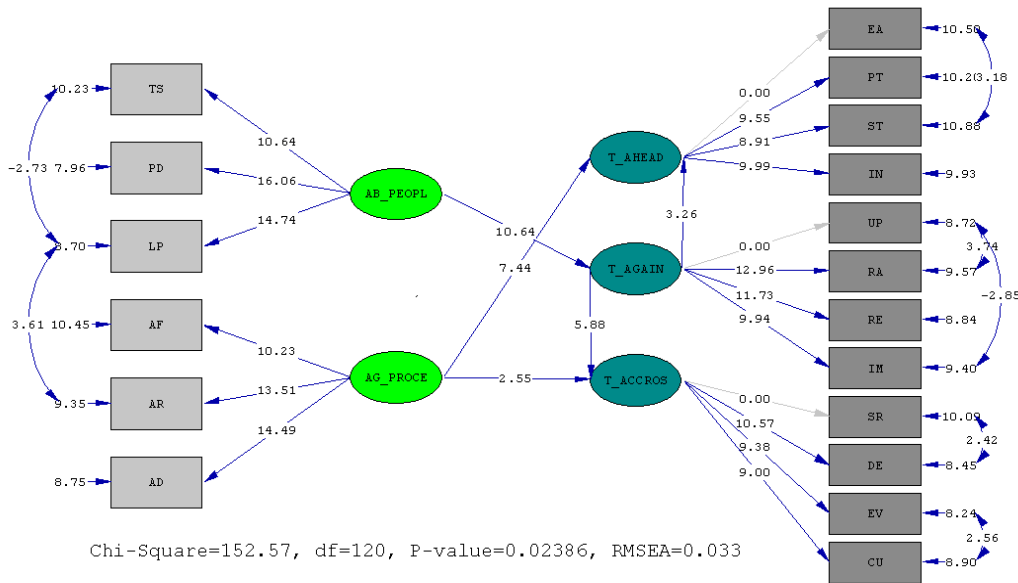


Figure 3. T-Value and Standardized Solution for Competing Model 2 Path Coefficients

Table 1. Effects of Able People & Agile Process to Dynamic Capabilities
 Competing Model 2

Variable	T-Value	T-Table	Description	Path Coefficient	Effect
<i>Able People</i> → <i>Thinking Again</i>	10,64	1.96	Significant	0,81	0,21
<i>Agile Process</i> → <i>Thinking Ahead</i>	7,44	1.96	Significant	0,78	0,66
<i>Agile Process</i> → <i>Thinking Across</i>	2,55	1.96	Significant	0,24	0,05
<i>Thinking Again</i> → <i>Thinking Ahead</i>	3,26	1.96	Significant	0,30	0,14
<i>Thinking Again</i> → <i>Thinking Across</i>	5,88	1.96	Significant	0,73	0,53

competition’ as his education services policy.

The ability of Jembrana Regency Government to develop dynamic capabilities is also seen when designing and implementing a number of agile process policies by means of Funds, Personnel, and Nature (FPN). Empirical findings support the view held by Garvin, that reformation reflects the organization’s adaptation, development, and growth and shown by adjusting the scale, character, and identity of the organization (Gavin in Neo and Chen 2007). Through FPN management, the Jembrana Regency Government reorganizes previous policy performance standards and measurements in preparation for new challenges in the field.

Three agile processes allows for dynamic capabilities, consisting of future policy compiling scenario and strategy processes, pinpoint budgeting process, and at the same time adds value to the capital, and coordination and integration improvement processes, which then allows for reforms and education service quality improvements.

The study findings also suggest that the correlation among the elements of dynamic capabilities are not cyclic, i.e. it does not begin from the development of thinking ahead, to thinking again, to thinking across and back to thinking ahead. Instead, it begins from thinking again and then to both thinking across and thinking ahead. The dynamic capabilities of thinking again to thinking ahead and thinking across is illustrated by devising Regional Regulations which guarantees access to education.

After the Jembrana Regency Government has successfully implemented thinking again on education services policies, the capability of thinking ahead resulted in the passing of several public policy Acts, such as state-sponsored education from kindergarten to high school, scholarships grants, and twelve years compulsory education. By virtue of the three Regional Regulations, the citizens of Jembrana are guaranteed to enjoy high school education. Any administration succeeding the administration of Regent Winasa is obliged to continue his education

services programs.

The policy to manage *Kajian* School (a kind of vocational school with focus on life skills) is an example of the dynamic capabilities of Jembrana Regency Government. After comparing study model development results by means of SSM (see Figure 4), future improvement suggestions are formulated. In addition, comparison by means of SSM also reached the same objective conclusion to that of the SEM method: *Kajian* School management capabilities - thinking ahead and thinking across – do not cover every level of the policy enforcement. Findings show that Regent Winasa is central in the development of thinking ahead and thinking across capabilities.

The SSM method proved the presence of thinking again, as part of dynamic capabilities. The visionary ideas of Regent Winasa are translated by enforcer: the policy planners and the field enforcers (teachers and principals). This proves that officials under Winasa have developed thinking again, materialized in the form of policy evaluation effectiveness, which gradually increases quality.

The phenomena which occurred in Jembrana disproves the concept by Lewin, as quoted in Bitar (2004), that the capability of the organization is not affected by individual talents, but by a number of elements of the organization connected with individual capabilities within the organization. On the contrary, the condition in Jembrana supports the view of experts who state that strong leadership allows for administration reforms. Such views are, among others, Peter's purposive model (top-down), as quoted in Farazmand (2003) or Caiden (1969), who emphasized on the importance of local elites, who have the authority to reform and reorganize the public sector.

The dynamic capabilities development model devised by Neo and Chen is not entirely applicable in Jembrana, but nonetheless is sufficient in supporting the dynamic capabilities present there, as it renews the organization's capability by means of passing several public policy Acts. As explained by Nonaka, the Jembrana Regency Government is able to construct an interaction between tacit and explicit knowledge, and at the same time allows individual to transfer his organizational knowledge. The cycle repeats when organizational knowledge moves an individual, thus opening new knowledge and new experiences. Regent Winasa is the dominant source of knowledge for the knowledge development of education policy processes.

The policy development process of *Kajian* School is an example of the capability of the Jembrana Regency Government in adaptive public policies. Policy processes of *Kajian* School, formulation, implementation, and evaluation may be used as paths for dynamic capabilities because it resulted in decision, execution, adaptation, and innovation. In accordance with Bitar's concept (2004), dynamic capabilities adaptive policy path in Jembrana is a triggering element for individuals, organizations, and organizational elements (resources, skills, systems, structures, and culture), thus allowing learning.

The capability of Jembrana Regency Government to create adaptive policies in education service motivates proactive dynamic governance in the region. The phenomena are supported by policies, regulations, and organizational structures suitable for changes in socio-economic and social behaviour in Jembrana. A number of creative innovations are made, such as state-sponsored education, scholarship grants, and twelve years compulsory education, and the establishment of *Kajian* School.

Several agile process policies are also made, such as budget flexibility for added value and price fixing to meet prices at Jembrana market. Project executions in Jembrana are relatively able to reduce the number of authority abuses due to corruption. Development of agile process of officials begins from recruitment to capacity building, which in turn creates able people.

Participation of the citizens in the development is also supported, among others by involving the citizens in physical development processes by means of a block grant system, rather than the open tender system. Civilian groups are involved by opinion collections and formation of various NGOs. The condition illustrates the formation of dynamic governance in Jembrana; in Hatfield-Dodds, Nelson, and Cook's term (2007), adaptive government. The Jembrana Regency Government has successfully passed policies which could accelerate development in a continuous manner in order to adjust itself with changes in social, economic, and politics of its people.

Observation during the study showed that the capability of the Jembrana Regency Government in forming dynamic governance is made possible because of cultural values compatibility of the Jembrana people, the values of which are belief, values held, values given, and mutual belief (Neo and Chen 2007). Approximately 70% of the Jembrana people are Hindus; however, Balinese

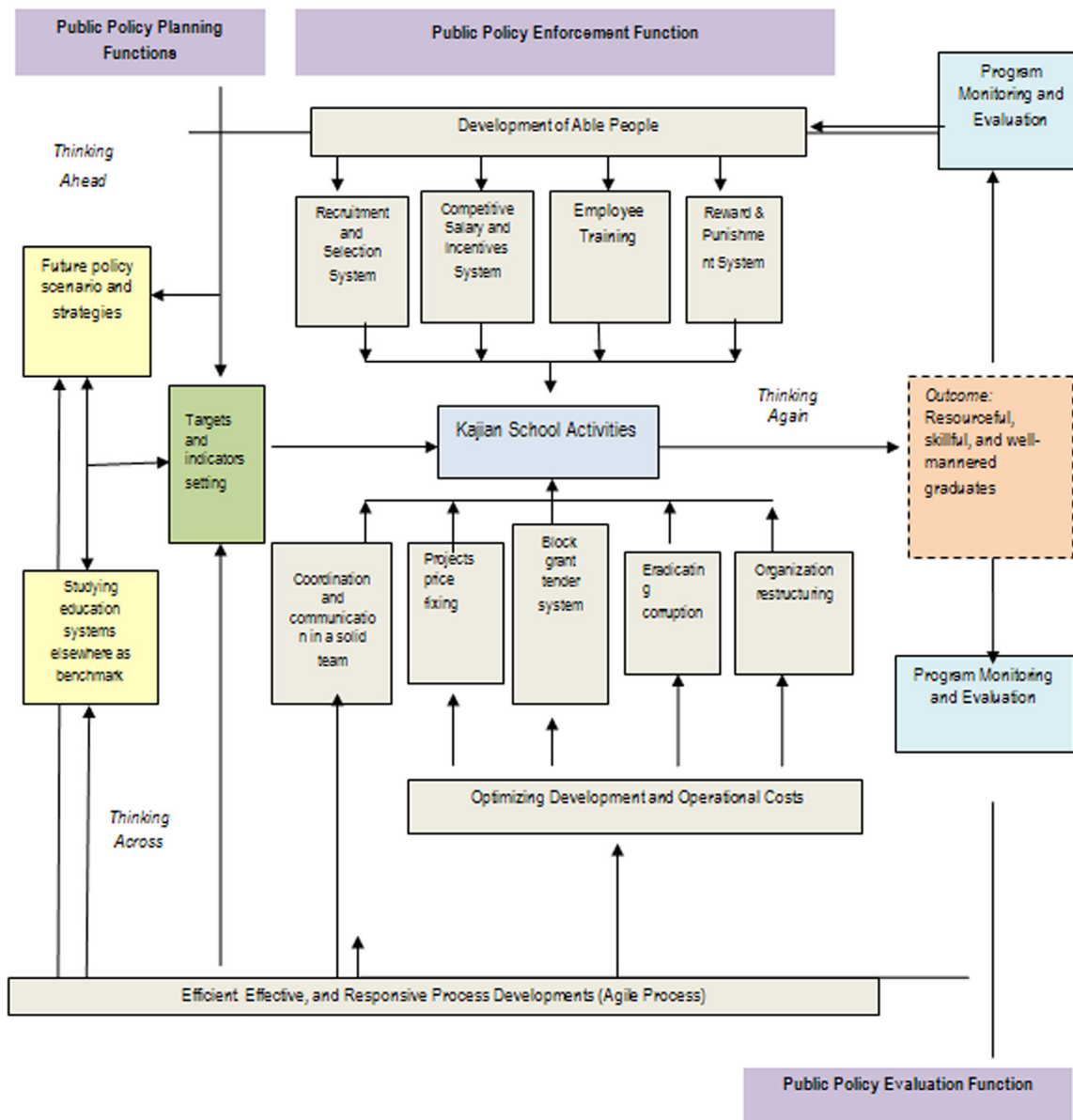


Figure 4. The Effects of Able People and Agile Process to Education Service Policy *Dynamic Capabilities* Model Development (A Case Study on Kajian School)

culture is relatively moderate than those in eastern and western Bali. The rest of the percentage is Muslims and Christians. Some accentuating features found are the pride of being a Jembrana, honesty, integrity, being not corrupt, open, discipline, and hardworking.

Cultural values developed during public policy process in Jembrana suggest the development of a strong culture. This sort of culture is required to quicken reforms. Kotter and Haskett, as quoted in Khasali (2005) explain that strong culture within an organization has distinctive traits and pursues the same objective, in that every employee works with relatively similar methods and values.

Based on the concept of reform by Caiden (1969), the development of the dynamic capabilities of education service policies in Jembrana is inclusive of administration reform, as it allows for achievement of better values: democracy and good governance (transparency, accountability, and citizen participation). Administration reform also took place if resistance from various parties, such as the citizens, politicians, and bureaucrats, relevant to the policy are present (Montgomery, in Caiden 1969). Because of the resistance, administration reform requires backing from those in power, which in turn causes the process to have political aspects (Nakamura and Smallwood 1980).

Dynamic capabilities in Jembrana are different to that of Neo and Chen found in Singapore, since aspects of political and leadership is insufficiently inputted in lieu to administration reform. Findings in Jembrana suggest that the dynamic capabilities of education service process are engulfed by politics. In the context of education service, they are affected by political relations between actors of each policy process environment.

In formulating education service policies, the Jembrana Regency Government must convince the Regional House of Representatives and the citizens to accept and execute in the field the policies that have been made. The Jembrana Regency Government proactively informs its current and future policies to the citizens through mass media and NGOs. This condition allows the Jembrana Regency Government to successfully overcome hurdles thrown by the Regional House of Representatives, especially in the beginning of Regent Winasa's administration as he was not supported by the majority of the House.

There are three items successfully undertaken by the Jembrana Regency Government. First, the Regency Government has successfully overcome senior bureaucrats and politicians struggling to keep the status quo. The effects of such action are abolishment of politicization of public affairs, reduction of corruption, and increasing efficiency. The steps taken by the Regency Government to downsize and enrich organization functions are standardization of project bids, and intensification of both role and function of Regency Supervisory Board.

Second, there is improvement of politicians and parties quality in accordance with democratization, thus balancing the greater power of bureaucracies. As a consequence of the phenomenon, the tendency for politicians to conjure detrimental cooperation is evaded. Lastly, citizen concerns of their government are expressed through mass media and NGOs. The citizens understand their rights and are more involved in public policy process correlating to their interests.

The findings of the study bring forth the following theoretical and practical implications:

First, differences in dynamic capabilities findings of public policy process in Singapore by Neo and Chen to that of the conditions in Jembrana are caused by the dominance of Jembrana Regent I Gede Winasa. The condition is different to that of the study by Lewin et al., as quoted in Bitar, that organizational development capability is not affected

by individual talents within an organization. The situation in Jembrana, on the contrary, strengthened the purposive model by Peter, quoted in Farazmand, or the reform concept in Caiden, which emphasizes on the importance of local elites, as those who has the authority to start public sector reforms and reorganization.

Second, education service policy processes in Jembrana have developed moral values, among which are policies which suppress corrupt practices by standardizing project bids and citizen involvement in development. This is an example of the implementation of good governance values (accountability, transparency, and participation). The phenomena in Jembrana is different with the research done by Mohammad Mohabbat Khan, who concluded that in developed countries, such as democratic South Asian countries, such phenomena usually fails to occur. Among the factors of such failures is apathy of the citizens to ruling administration as civil reforms are not considered as important agendas.

Third, Practical implications of the study cover a number of aspects. First, the dynamic capabilities of education service policy process in Jembrana is developed, thus assisting the people of Jembrana to realize their civil rights. The condition then quickens the dynamic capabilities of further public policy development process, despite Winasa no longer regent.

Forth, the role of Regent Winasa is still central in devising scenarios and strategies of future policies. In the future, a system to devise scenario and planning is needed, involving stakeholders from the government, private sector, and citizens.

The Jembrana Regency Government is capable of thinking dynamically in managing budgets, in that the Government standardized the prices of development projects in accordance with prices in Jembrana and, in turn, allows for flexible and pinpoint budgeting. The decisions made usually collide with current regulations as it does not conform to project management instructions issued by the central or provincial government. In the future, opportunities to improvise local public administrations by adjusting rules and regulations enforced at the local and national administrations need to be devised.

CONCLUSIONS

The concept of dynamic capabilities proposed by Neo and Chen in their study on the government of Singapore can be implemented the development

of dynamic capabilities of education service policy processes model in Jembrana. Different from that of Singapore, based on SEM structural equation tests findings, development of able people in Jembrana allows for thinking again capability only, whereas thinking ahead and thinking across capabilities are yet to be allowed. Development of agile process allows Jembrana the capabilities of thinking ahead and thinking across, and not thinking again. The composing elements of dynamic capabilities in Jembrana is not cyclic, i.e. thinking ahead to thinking again to thinking across and back to thinking ahead, and instead thinking again and to both thinking across and thinking ahead.

The findings in Jembrana, Bali, suggests that development of able people and agile process does not entirely allow dynamic capabilities (thinking ahead, thinking again, and thinking across), but the conditions nonetheless have resulted in adaptive policies. The findings have to be tested in other fields and locations, and direct effects of leadership to dynamic capabilities need to be formulated.

The study may also serve as a reference for other studies on the potentials of thinking ahead, thinking again, and thinking across capabilities. The dynamic capabilities study in Jembrana is based upon behavioural traits resulted from policies made, experience, and knowledge of study sources. The research is yet to study personal traits of informants in order to fully understand how and why such dynamic capabilities developments are possible.

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