

Effect of Strategic Management Process to Implement Good Local Governance:

A comparative study between Yogyakarta City, Indonesia and Pattaya City, Thailand

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Abstract—This research is conducted to develop a study in strategic management role in the implementation of good governance in local government. There is a lot of efforts for achieving good governance at the local level. Strategic management is one of approaches that can be applied in the process of good governance which concern in the aspect of continuity of the system itself with the various stages of implementation that must be passed. In other word that strategic management is a management approach that can be used as a tool for the implementation of good governance at the local government level. This research aims to comparative investigate the performance of good governance in local government (Jogjakarta City of Indonesia and Pattaya City of Thailand) under the perspective of strategic management principles using General Structural Component Analysis (GSCA). Strategic management process is very important to build good local governance, it is evident not only in Yogyakarta, but also in Pattaya. Strategic management process need the support of internal and external factors to create good local governance.

Keywords—strategic management; good governance; Yogyakarta; Pattaya

I. INTRODUCTION

As pointed out by Hitt that strategic management research serves two purposes: to advance the level of theory in the field, and to provide useful normative advice to practicing managers [1]. In accordance to those two objectives, this research is conducted to develop a study in strategic management role in the implementation of good governance in local government. There is a lot of effort for achieving good governance at the local level. Strategic management is one of approaches that can be applied in the process of good governance which concern in the aspect of continuity of the system itself with the various stages of implementation that must be passed. In other word that strategic management is a management approach that can be used as a tool for the implementation of good governance at the local government level.

In general, this study attempted to investigate the dimensions of strategic management in the implementation of good governance at the local government level. It is intended to understand the actual conditions of good governance execution

at the local government level of the strategic management approach. Further, this research is expected to understand capture the dynamics and ways of strategic management in the implementation of good local governance both local government of Yogyakarta City and Pattaya City. Furthermore, by capturing the dynamics of strategic management, it is expected to see the role of the strategic management for good local governance in order to improve the performance in both government of Yogyakarta City and Pattaya City.

This study is intended to be a new leap in modern strategy literature, in particular the development of strategic management literature related to the implementation of good governance in local government. As a modern strategic system that allows multi-stakeholders linked in a network of interactions in the process of public policy and service delivery, governance requires intervention touches through decentralization of power and the creation of decentralized, informal, and collaborative systems. To ensure the implementation of good local governance, strategic management provides a holistic approach that not only emphasizes the performance in internal public institutions but also the external aspect of managing relationships with stakeholders and also citizen

II. LITERATURE REVIEW

A. The Definitions of Strategic Management

Strategic management can be defined as the art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its objectives [2]. The strategic management process consists of three stages: strategy formulation, strategy implementation, and strategy evaluation. SF includes developing a vision and mission, indenting an organization's external opportunities and threats, determining internal strengths and weaknesses, establishing long-term objectives, generating alternative strategies, and choosing particular strategies to pursue.

Strategic management is concerned with deciding in advance what an organization should do in the future (strategic planning). It involves determining how the objectives of the strategic plan will be achieved and who will be responsible for

carrying them out (resource management). And it entails monitoring and enhancing ongoing activities and operations to ensure that the strategic plan remains on track (control and evaluation). Strategic management provides an interface between the performance capacity of an organization and the opportunities and challenges it must face in the broader environment. A primary aim of strategic management is to broaden the bases on which critical decisions are made. Decision making is one of the most pervasive functions of strategic management— whether in business or in government. In the context of strategic management, decision making should be viewed as a multistage process involving the gathering, evaluating, recombining, and disseminating of information. It is a dynamic process, within which communication binds the process together and moves it from stage to stage in response to demands for both strategic and tactical decisions [3].

According to Benn [4] that Porter’s ideas on strategic management, first developed in the late 1970s, continue to have enormous influence on management theory and practice. His ‘five forces model’, and the numerous other models of strategic management spawned since, largely focus on the company’s external competitive environment. The traditional strategic management literature largely ignores ecological and democratic concerns, not taking up the recent developments in political theory, such as ecological modernization theory.

B. Strategic Management in Public Sector

The development of strategic management study in the public sector cannot be separated from efforts to reform management in public organizations so that its performance is more efficient, effective, and good quality in service. The nature of public management reform is a means of achieving the goal. Public sector reform is a way to achieve the desired goal of improving public sector performance in delivering services to the public and more effective and efficient in running programs that have been planned. The activities undertaken are to change the system including changes in organizational structure and culture.

C. Definitions of Good and Local Governance

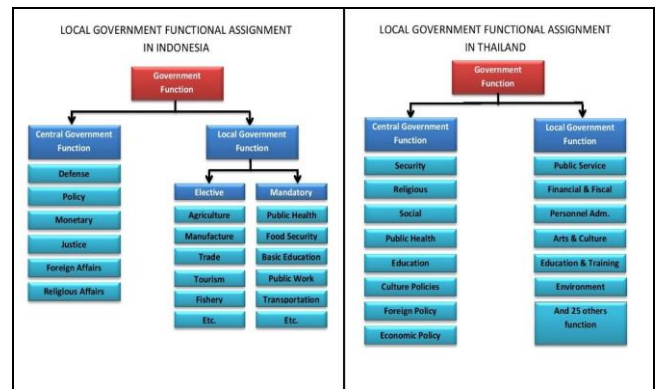
Good governance is the governance mechanism that concern on the aspects of relations between the government and stakeholders outside the government, including business and civil society (civil society). Good governance contains the principles of openness, participation, efficiency, effectiveness, and accountability. All these principles should always bind up in synergy to produce a good administration process of the country. The realization of good governance has become imperative for every country and every level of government to execute.

Local governance refers to all levels of government and administration below the central or national state. Local governance is thought to have away from such formal and legal patterns. LG works through open network. In particular, it fosters cooperation among diverse governmental actors and even non-governmental actors the shift from local government to local governance has thus brought a larger number of actors into the policy process, a fragmentation of the policy process,

more horizontal and vertical networks, and more innovative forms of policy learning and policy formation. From this local governance perspective, the main problems are typically barriers to cooperation, including inflexible rules, inherited mindsets, and actors who have a veto. The solutions lie in deploying strategies of networking management so as to promote cooperation [5].

D. Comparison Government in Indonesia and Thailand

Broadly speaking, the comparison of authorities which is controlled by a central government and the local government both in Indonesia and Thailand are as follows.



Source: Adapted from Indonesian Law No. 32 Year 2004 and Constitution of Thailand Year 2007 Chapter XIV

Fig. 1. Comparison of local government function in indonesia and thailand.

III. RESEARCH METHODS

A. Type of Research

This research aims to comparative investigate the performance of good governance in local government (Jogjakarta City of Indonesia and Pattaya City of Thailand) under the perspective of strategic management principles. Choosing Jogjakarta City as the research location was based on consideration that Jogjakarta as special region in Indonesia and it has been success implementing good governance model through develop some policy and program, namely government resources management system and applying information technology in government operation, such as e-budgeting, e-project, e-procurement, e-delivery, e-controlling, and e-performance. Meanwhile Pattaya City as a location because was decentralized and as special form of local government in Thailand. The approach would like use in this research is quantitative research.

B. Type of Data Collecting and Sample

The instrument that used to collecting data in this research is questionnaire. A questionnaire is structured questions used to elicit predominantly quantitative data. It can be completed by respondent (a self-completed questionnaire), or can be used verbally, by an interviewer reading out the questions to the respondent.

TABLE I. NUMBER OF RESPONDENTS BASED ON POSITION OF OCCUPATION IN BOTH RESEARCH LOCATION

Position of Occupation	Research Location	
	Yogyakarta	Pattaya
head/vice of department/office	19 (28,4%)	10 (22,7%)
head of sub unit/section	48 (71,6%)	34 (77,3%)
Total	67 (100,0%)	44 (100,0%)

C. Data Analysis

This research resulted in quantitative data such as number of respondents answer on the questionnaire using a Likert scale. The quantitative data of this research will analysis using statistics. Quantitative data were processed and analyzed by using General Structural Component Analysis. The structural model analysis using General Structural Component Analysis (GSCA) to tests the hypothesis and obtains a description of the effect of variable to another variable. GSCA is a component-based structural equation model [6].

IV. RESULTS AND DISCUSSION

Statistical model proposed in this study consists of an endogenous variable (dependent), which is good local governance (GLG) and three exogenous variables (independent), named external factors (EF), internal factors (IF), and strategic management process (SMP). Direct Influence of exogenous and endogenous variables.

TABLE II. RESULT GSCA

Variable relations	Path coefficients in group 1 (Yogyakarta)	Path coefficients in group 2 (Pattaya)
IF->SMP	0.824*	0.665*
EF->SMP	0.707*	0.505*
EF-> GLG	0.542*	0.664*
IF-> GLG	0.780*	0.441
SMP-> GLG	0.806*	0.587*

CR* = significant at .05 level

Based on the above table, the results on the correlation between exogenous variables on the endogenous variables it is showed a significant correlation between each of the variables, except IF variables toward GLG in Pattaya City. In summary the results of these measurements are discussed further by analyzing based on the relevant theories and concepts to explain the position of the results of this study. The individual analysis results of external factors and internal factors on SMP shows significant correlation. The results of the analysis of path coefficients indicate that estimate value of external influences toward SMP in group 1 (Yogyakarta City) is 0.707* and in group 2 (Pattaya City) is 0.505*. Meanwhile, the influence of internal factors toward SMP shows that the group 1 value estimate is 0.824 * and in group 2 is 0.665*. These findings indicate that the role of the external and internal environment is very important in the strategic management process. That public organization, including local governance, operates in an environment that does not value-free. Many

external factors affect the implementation of local governance. Governance as one of governance organization process that involves various stakeholders has consequences on the role of external environment.

These findings support previous research that strategic management is a process of current condition analysis combining the decision-making process of what is to be achieved by the organization, implement, and evaluate by considering the capacity and assess the challenges or opportunities that could be utilized from the external environment [7]. Municipal Government as a public entity in carrying out their duties cannot escape from its interaction with other institutions such as, the City Council (DPRD), media, and civil society organizations as well as interact with national government agencies. In this condition, in the process of strategic management analysis, internal and external environment factors analysis becomes very important. For the public sector, as presented by Nutt and Backoff, it is relatively more dynamic in dealing with challenges, opportunities, strengths, and weaknesses that come from both internal and external [8]. Unlike the private sector as stated in Harvard Policy models that threats and opportunities only come from external environment. While the strengths and weakness comes from the internal environment. According to these authors that in the organization of public sector, threats and opportunities come from the both sides of internally and externally. Also, strengths and weaknesses can come from internal and external environments. Thus the role of internal and external environment becomes strategic in strategic management process to achieve good governance in maximum.

The testing results on influence of the internal variable toward strategic management process variable individually are significant in both sites. This means that internal factors have a close relationship to the strategic management process. The results of this study support previous research that the analysis of the capacity is an important part to gain a better strategic management process [7]. In the strategic management process that consists of three stages: strategic planning, strategic implementation, and strategic evaluation should calculate the capacity and support of internal factors. In the preparation of the vision and mission to be accomplished by the municipal government of Yogyakarta, internal factors considered important is the availability of a policy or rule, leadership commitment and availability of institutions to control corruption. Meanwhile, in Pattaya City, internal factors to be considered as important are the availability of human resources, adequate planning, a set of rules and regulations to support the achievement of good governance, and the existence of corruption control agencies.

Strategic management process in public sector are not only talking about the legality in executing activities but is closely linked with the political process. Therefore, public sector managers in both sites provide the same perception that external factors are important variables of strategic management process. In Yogyakarta City, there are several external factors that make an important contribution to the strategic management process, the socio-cultural context of society, community institutions, public expectations and intergovernmental relations are external factors that are rated

by the respondents as an important factor influencing the formulation process of planning, implementation, and evaluation of the strategic management process. Meanwhile, external factors which strongly influence the strategic management process in Pattaya City are the societies' expectation, intergovernmental relation, and technology development. There are similarity of external factors considered playing important role in the strategic management process at both sites, such as the expectations of society, both in the form of demand and expected demand, and inter-institutional relations. The inter-institutional relation is the special characteristic of governance. Interactions that occur between agencies involved in the provision of public services and governance is essential. Support from other institutions in governance cannot be avoided in the context of good governance. These conditions are in line with the statement of Nutt and Backoff on the theory of stakeholders as one of the conceptual approach that focuses on the role of actors in the process of strategic management [8]. According to them, stakeholder analysis is trying to understand the expectations of stakeholders. Similar statement is also delivered by Backoff and Weschler that the strategies of local government agencies can best be understood as an attempt to maintain or improve the existing power relationships and to reduce political dependencies [9]. In other words, managers in formulating planning should consider social integration, political, and economic as the expectations of stakeholders to implement. Another important thing to note is the finding in Pattaya City that technological development as the development from external environment that should be considered in the strategic management process.

The analysis results that examined the correlation between external and internal factors toward good local governance in Yogyakarta City showed significant influence. Estimate value of external factors relations on the GLG in Yogyakarta City is 0.542* and the estimate value of internal factors relations on the GLG is 0.780*. This indicates that there is a strong correlation between the two variables. There are several determining indicators of external factor with dominant loading estimate values in group 1, the socio-cultural context; intergovernmental relations; and Society. Meanwhile, in group 2, there are some determining indicators of external variables with the major contribution namely societies expectation; intergovernmental relations; and private sectors. The values of transparency that developed and applied in the implementation of governance at the local level to influence the maturity of societies to participate in governance activities, either directly or indirectly, in the stages of planning, implementation and evaluation. External factors described above provide a positive contribution or have strong ties to the improvement of governance performance in both sites.

The table above shows that the measurement results of the influence of internal factors and external factors toward GLG in Pattaya City showed different results. The correlation between the internal factors with GLG is insignificant where value estimate is 0.441 hence the internal factors do not affect significantly toward GLG in Pattaya City. This means that the size of internal factors do not affect the size of GLG significantly in Pattaya City. Despite insignificance influence

of internal factors toward GLG, but both still have slight correlation. Meanwhile, the correlation between external factors toward GLG is significant with the estimate value at 0.664. These results mean that external factors, which is built upon several components such as intergovernmental relations, society expectation, technology development, socio-culture condition, and others provide a strong influence on the process of implementation compared with internal factors that exist in Pattaya municipal government. Therefore, external factors become important consideration for Pattaya municipal government in organizing governance and development process.

The fifth correlation of several variables above is the influence of SMP toward GLG. Test results indicate a significant influence of SMP variables on GLG variable in Yogyakarta and Pattaya City. There are three major components in SMP process, namely planning, implementation, and evaluation provide a major contribution to the achievement of good governance in both research cities. The results of this study confirm and support the results of previous theories stated that strategic management is a tool for public sector managers who want to optimize the performance in achieving desired goals and objectives. Strategic management is an important tool for public sector managers to achieve high performance and productivity. This research resulted in the formulation that strategic management contributes positively or significantly influence on the performance enhancement of good governance in local government individually.

The research findings support the statements made by Andersen and Lawrie that the need for strategic management in the public sector is thus assumed, given that public sector organizations are "being made more accountable for achieving best value performance, often within a more market-focused arena" [10]. The public sector managers need to adopt a strategic management approach to help them manage their organizations by implementing the standards of performance based on analysis of internal conditions and responding to the demands of the external environment. Similar statement also delivered by Paul Joyce that strategic management has emerged as a multi-purpose tool which public services management must have to ensure that their organizations survive in the short and medium term and build for a long-term future [7]. From these two views and the results of this study, it is concluded that the strategic management in public sector, especially in order to improve good governance is essential regarding the capacity assessment process and noticing to the external environment.

V. CONCLUSION

Strategic management process is very important to build good local governance, it is evident not only in Yogyakarta, but also in Pattaya. Strategic management process need the support of internal and external factors to create good local governance

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