Towards Good Governance: Values Internalization and Organizational Performance

Nor Hafizah Ibrahim¹, Tee Keng Kok², Anitawati Mohd Lokman³

¹Registrar’s Office, Universiti Teknologi MARA Shah Alam, Selangor, Malaysia
²MBA Centre, Xiamen University Malaysia
³Faculty of Computer & Mathematical Sciences, Universiti Teknologi MARA Shah Alam Malaysia

Abstract
The Malaysian Government introduced various quality-oriented initiatives to improve the quality of service delivery among public agencies. Nevertheless, the reported number of complaints related to public service has been alarming. Subsequently, the concept of good governance was introduced to the public sector with the ultimate aim of improving the implementation of quality initiatives in order to enhance public service performance. This preliminary study intends to explore the outcome of values induction programs carried out to strengthen the practice of good governance among public agencies. Additionally, this study investigates the contribution of good governance on the implementation of MS ISO 9001 and service delivery performance of the respective public agencies in Malaysia. A qualitative method involving the use of primary and secondary data is implemented. Moreover, a conceptual framework is developed based on previous literature and theories, which guides the process of formulating research questions and objectives. The study finds that the values inculcation programs contribute to moderate internalization of values within the public service. The obligation to achieve the stipulated Key Performance Indicator (KPI) is a major factor influencing the behavior of employees as opposed to values because the KPI is one of the requirements for performance evaluation and career development. The study indicates the role of good governance practices in uplifting the effectiveness of MS ISO 9001 implementation, favorably impacting the level of organization performance. This could benefit organizations and other stakeholders embarking on improving work practices through the internalization of ethics and values in pursuit of good governance.

Keywords: Good Governance, MS ISO 9001, Performance, Public Agency, Values.
1.0 Introduction

In the present realm of public administration, public agencies are suffering from diminishing public confidence and satisfaction resulting from unnecessary bureaucracies, issues and controversies which involve white collar crimes, social issues, discrimination, harassment, corruption and abuse of power (Anthony, 2013; Jamiah, Azimi, Ezhar, Sidek, Amini, Norizan, Halimah, Hanina, 2005). As the level of education in Malaysia improved over the years and current generations are continuously exposed to borderless information which can be obtained through new media, people become more literate and aware of their rights and issues surrounding them. This phenomenon has brought about a new way of thinking and idealism which requires significant changes in the public service delivery system. The demand for efficient and quality services is gradually increasing; thus, the public sector should maximize its ability to deliver excellent services and minimise failures in its quality program implementation (MAMPU Integrity Plan 2010 – 2012; Thommana et al. 2015; Ahmad, 2018).

2.0 Literature Review

The practice of good governance has been recognized as a crucial mechanism to mitigate dilemmas among public agencies (Huque, 2013; Zhang, 2019). Good governance can be seen when a business is directed and managed in a proper manner. In this regard, the organization should be able to bring in prosperity and deliver the best to meet stakeholders’ expectations (Zubaidah & Alishah, 2015). Good governance signifies good management practices, fulfilment of diverse needs of stakeholders and the ability to cope with challenges such as those posed by a dynamic environment (Shunglu, 1998). On top of that, “good governance means securing justice, empowerment, employment and ensuring efficient services” (Gowda & Kumar, 2013). Good governance practices are necessary for enhancement and expansion of the economies. Hence, any actions to improve institutional governance should be retained (Benjamin, 2014). Good Governance can be inferred by numerous ways. Among them are wise allocation of resources, efficient public services with transparent decision-making and effective execution of policy absent of malfeasance and corruption (Kazmi, 2012). The renowned reports on good governance practice including Cadbury Committee Report, Greenbury Report, Hampel Committee Report and Organization for
Economic Cooperation and Development (OECD) have extensively discussed the appropriate principles of Corporate Governance and eventually recognized the principles that have been universally accepted namely fairness, transparency, accountability and responsibility (Zubaidah & Alishah, 2015).

In addition, “an increasing body of evidence is showing that effective governance will not only increase an organization’s performance but will also increase an organization’s conformance with regulations, laws, standards and public expectations. This is true in both the private sector and the public sector” (Achterstraat, 2013). Furthermore, good governance is not merely practicing good values but performance and conformance need to be balanced accordingly (Ross, 2011; Davis, 2005). The Malaysian Government has issued various public circulars pertaining to the principles of good governance to the public sector (Guideline to Enhance Governance in Public Sector, 2007) in order to improve conformance and performance of public agencies.

Despite the positive characteristics of good governance, there are various limitations associated with its implementation. Benjamin (2014), conducted a study on corporate governance practices implemented by public universities in Kenya. It was found that the governance of the respective institutions was restricted by various challenges that involved overstretched facilities, large student numbers, insufficient induction of new staff, inadequate government support, reluctance to change and cultures that support immunity on non-performing employees. Moreover, Keller (1983), emphasized governance as an obstacle for universities to make critical strategic decisions in higher education.

Noore (2008), conducted a study on service delivery innovations and governance based on the Malaysian experience. The finding showed that the reforms and innovations had numerous attributes that led to few improvements in several areas of public governance and service delivery. However, despite all promises and achievements, evidence indicated that the overall impact remained limited and that public service continued to suffer from a number of serious limitations and challenges. Meanwhile, Nugraha and Domai (2015) conducted a study on public service quality from the perspective of good governance. The study was conducted at the Publishing Trade License in South Tangerang City that involved complicated procedures, a lack of certainty in terms of time and cost, and complexity of requirements.
The finding exhibited that the quality of public services from the perspective of good governance within that particular agency reviewed was still low. This situation happened due to the low quality of human resources and a lack of budgetary support. On the same note, there has been a negative perception on the current Malaysian leadership, policy, and governance (Sharifah, Fatimah & Muhd Bazli, 2018).

Furthermore, Yousaf, Ihsan, and Ellahi (2016), conducted a study to assess how unethical actions affect good governance practices in developing citizens’ trust where the respondents consisted of 1000 Pakistan citizens who were above the age of 20, having a minimum education of a high school diploma. The finding showed that there was a significant relationship between good governance and citizen trust while unethical actions contributed to a negative moderating effect. Moreover, Othman (2011), in her study, examined the possibility of integrating ethics into corporate governance practices. The finding indicated that an “understanding of corporate governance as a social process requiring pluralistic governance in which, support from the social dimension i.e ethics, is crucial.”

A code of ethics is one of the strategies to strengthen the ethical behavior in an organisation. It contains open guidelines describing desirable behavior and restrictive language prohibiting other behaviors such as bribery and conflict of interest (Nijhof, André and Cludts, Stephan and Fisscher, Olaf and Laan, Albertus, 2003). Most importantly, there are messages through which the corporations attempt to shape employee behavior and affect changes through explicit statements of acceptable behavior (Stevens, 2008). Codes of ethics are formalised public statements of corporate principles and rules of conduct that govern inter-organisational and intra-organizational practices and relations.

A code of ethics is also a guide to both present and future behavior and specifies corporate ethical values and the responsibilities of employees to one another and to organizational stakeholders as a whole (Kaptein & Schwartz, 2008). Ethical teachings can be a “growing medium” to plant ethical values as it is largely compatible with most religions and relevant from secular perspectives. For instance, the Holy Qur’an represents a divine message conveyed to the Prophet Muhammad, peace be upon him, by the Archangel Gabriel. However, a new perspective was added. For instance, the Qur’an outlines the rules that cover the holistic perspective that is essential in life including manners, hygiene, marriage and divorce, commerce and politics,
interest and debts, contracts and wills, and industry and finance. Islamic law signifies the duties of human beings as required by God with respect not only to God, but also to fellow humans (Riham, 2008).

It may be argued that the mechanisms development is attributed to a greater slant or orientation towards ethics. In general, corporate governance is a rule-based system that helps to facilitate good management practices through corporate accountability in order to enhance shareholder wealth. Resultant of the deliberated post-scandal preoccupation like Enron and Worldcom, rules have seemingly emerged as the proxies in determining the right decision. This has conjured a rift in the distinction between obeying the rules and acting ethically. In spite of the fortification of regulations over decades, ethical lapses which invoke corporate scandals suggest that ethics should not be sidelined (Potts & Matuszewski, 2004; He & Ho, 2011; Othman, 2011). “Ethics is not simply a matter of right and wrong, or a set of principles to be enshrined in a code of conduct and then forgotten. Ethical decision-making is a process that involves continuous soul-searching and the reconciliation of competing values” (Fombrun & Foss, 2004).

Accordingly, the Malaysian Government implemented numerous quality initiatives to improve public sector performance (Azmi, Ismail, & Basir, 2013). The International Standards Organization (ISO) is recognized as one of the programs that has helped to improve the quality of the public service delivery system. The ISO is often perceived as an effective tool to improve the quality of performance whilst ensuring compliance to all relevant regulations. Nevertheless, “it is beyond reasonable doubt that public service delivery all over the world has been increasingly criticized for poor performance and failure to meet the rising expectations and needs of the citizenry” (Ambali et al. 2011).

Thus, the integration of good governance practice and ISO 9001 is apparently important to ensure that quality management system is appropriately conducted to realize organizational objectives thereby facilitating performance improvement so as to achieve the desired outcomes. Thus, the consolidated framework as shown in Figure 1 is developed based on past literature to describe the integration of the significant themes in this study:
Consequently, a more desired result may be expected, in particular, of ISO 9001 implementation and, in general, of the organizational performance. Therefore, the purpose of this study is to investigate the outcome of good governance induction programs. Additionally, it is aimed to investigate the contribution of good governance practice over the implementation of MS ISO 9001 and the performance of the respective public agencies in Malaysia that consist of more than 90% Muslims employees.

3.0 Methodology

This study employs a qualitative research approach (Golafshani, 2003) which involves the observation of secondary data (compiled data from Organization A) and primary data (interview). The study is comprised of two major parts. The first part is an investigation into secondary data, which consists of qualitative and quantitative data. In order to strengthen knowledge in the study domain, past literature is analyzed so as to establish the research questions and conceptual framework. Based on the literature and conceptual framework, good governance practice emerged to be the main construct in this study. Thus, it is essential to explore the level of good governance practice in an organization. Thereby, good governance-based programs is observed and the respective information is obtained from the reports and publications issued by Organization A.

Additionally, the report of Values Audit results is gathered to observe the internalization of values as it presents the level of good governance practice in the organization. The implementation of MS ISO 9001 is another important construct in this study. Thus, the level of ISO implementation needs to be observed accordingly. In this regard, compliance to the ISO standards would represent the level of implementation since it determines the entitlement for certification. Therefore, the evidence from audit reports with respect to Only For
Improvement (OFI) report and Non-Conformities Report (NCR) were used to reveal the state of implementation.

Finally, as performance has also emerged to become an essential construct of the study, thus the performance of Organization A is observed throughout its customer satisfaction report, customer feedback report and Key Performance Indicator (KPI) achievement report as they depict overall performance of Organization A.

Meanwhile, the second part of the study involves a deeper investigation on the outcome of induction programs and the contribution of good governance practices over the implementation of MS ISO 9001 as well as the performance of the organization. In order to obtain the data, interviews are conducted with five officers from Organization A including top management, and middle and lower level officers. The interviews are guided by a semi-structured interview approach; hence, the appropriate procedures and questions can be adjusted to retrieve the appropriate responses during the period of study as necessary to reflect the interactive and naturalistic answers from respondents (Saunders, 2012).

4.0 Analysis and Findings

A theoretical thematic analysis (Braun & Clarke, 2006) is performed to analyze the qualitative data that is obtained from the interview sessions. Table 1 summarizes the analysis result.

Table 1: Results from Thematic Analysis of the Interview Data

<table>
<thead>
<tr>
<th>Themes</th>
<th>Feedback</th>
<th>Respondent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institution of Good Governance Programs</td>
<td>Good governance is a system that ensures the work processes will be done in a proper way</td>
<td>1, 2, 3, 4 and 5</td>
</tr>
<tr>
<td></td>
<td>Numerous programs are conducted to enhance good governance practice</td>
<td>1, 2, 3 and 5</td>
</tr>
<tr>
<td></td>
<td>The shared values and Code of Ethics serve as a guideline and reference for action and implementation</td>
<td>1, 2 and 5, the</td>
</tr>
<tr>
<td></td>
<td>Good governance practice is institutionalized through a rule-based and structured system like an establishment of committees, governance structures and internal policies</td>
<td>1, 2, 3 and 4,</td>
</tr>
<tr>
<td></td>
<td>Non rule-based measures are embedded through ethics programs comprising of shared values, Code of Ethics, integrity and training programs</td>
<td>1, 2, 4 and 5</td>
</tr>
<tr>
<td>Themes</td>
<td>Feedback</td>
<td>Respondent</td>
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<td>--------------------------------</td>
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<tr>
<td>Outcome of Induction Programs</td>
<td>Despite numerous programs, the practice of ethical values is slightly moderate. There is an improvement in terms of awareness among the staff. The environment, personal background, tedious groundwork and attitude (reluctance to change) might influence staff’s conduct. Organization A has appropriately created awareness but lacks monitoring and action which contributes to moderate achievement of values audit scores (see Table 3.2 whereby index for composite values as depicted in Table 3.3 is used to interpret the value scores obtained in Table 3.2). Rule-based measures like enforcing discipline and other external forces like career development and performance measurement play a significant role in aligning employee performance and organizational goal. The programs are not certified to govern human conduct.</td>
<td></td>
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<td></td>
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<td>2</td>
</tr>
<tr>
<td>Good Governance Practices and Implementation of MS ISO 9001</td>
<td>ISO could ease daily work processes. ISO certification indicates the capacity of organization in managing their systems, processes and resources systematically. ISO helps to increase customer satisfaction. Effective implementation of ISO is highly dependent on the staff. Preparing audit evidence seems to be burdensome as it distracts daily operations. Good governance practice is closely related to ISO in terms of following the rules and procedures, achieving targeted KPI, fulfillment of customer needs. ISO as a tool that matches good governance requirements as it is aimed to provide efficient and effective services to customers. ISO provides a guideline for work processes to be performed. It promotes a win-win situation for both organization and customer. Level of conformance towards procedures and regulations can be enhanced through good governance practice. Good governance practice helps to comply with ISO requirements and drive for quality improvement.</td>
<td>1, 2 and 4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4 and 5</td>
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<td></td>
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<td>2, 3 and 4.</td>
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<td></td>
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<td>1, 2, 3, 4 and 5</td>
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<tr>
<td>Good Governance Practices and Organizational Performance</td>
<td>Performance appraisal and career development become driving forces for staff to achieve KPI. Good governance programs contribute to a positive effect over low performers. Helps to develop leadership skills, while enabling the process of grooming the next generation of leaders.</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5</td>
</tr>
</tbody>
</table>
Table 2: Composite Values Scores for the Year 2010 to 2014

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Composite Values</td>
<td>69.67</td>
<td>70.22</td>
<td>72.13</td>
<td>76</td>
<td>73</td>
</tr>
</tbody>
</table>

*The data as presented is gathered from reports and publications issued by Organisation A.

Table 3: Index for Composite Values

<table>
<thead>
<tr>
<th>More than 90</th>
<th>Excellent and need to be continued</th>
</tr>
</thead>
<tbody>
<tr>
<td>80 – 90</td>
<td>Acceptable with further improvement</td>
</tr>
<tr>
<td>60 – 79</td>
<td>Requires improvement and monitoring</td>
</tr>
<tr>
<td>59 and below</td>
<td>Requires intensive improvement and monitoring</td>
</tr>
</tbody>
</table>

The study finds that good governance induction programs from the ethical spectrum are not widely utilized or internalized in Organization A, despite a number of initiatives being developed. In spite of employee awareness of the initiatives, they are not translated into implementation in the organizational setting. This is due to the attention given to daily work and tasks, which are prioritized. Completing tasks seem to be more important than internalizing values. In addition, it is found that reluctance to change, tedious ground-work, environment, personal background, and perception are obstacles to good governance practice. This scenario appears to be similar to what has been found by Noore (2008); Nugraha et al. (2015). Therefore, rule-based measures (i.e. disciplinary enforcement) are embedded to govern employee conduct.

External measures like career development requirements and performance appraisal tremendously influence conduct. Nevertheless, both rule-based and non-rule-based measures are apparently crucial to educate the employees on the distinction between obeying the rule and acting ethically. Furthermore, good governance is not merely practicing good values but performance and conformance need to be balanced accordingly (Ross, 2011; Davis, 2005). This aligns with the Stewardship Theory whereby the stewards ought to be responsible in managing the organization by aligning their conduct with organizational goal while satisfying stakeholders’ needs in the most ethical manner. From the human governance spectrum, a rule-based system is notably unnecessary. However, in this particular study, it is seemingly viable if the people in Organization A have strong ethical foundation.
Additionally, the results show the practices related to good governance are helpful, up to a certain extent. For employees, what is important is the completion of work, and MS ISO 9001 serves as a framework or guideline towards operations. Through the implementation of MS ISO 9001, work-based processes are done in a systematic manner, with all necessary documents being thoroughly organized and managed. Due to the clear details presented through MS ISO 9001, employees understand their responsibilities and duties. Good governance practices facilitate the process, by ensuring that proper management practices are displayed while giving attention to the efficiency of services, in this case, public service. It has to be noted though, that good governance practices have to be monitored to be practiced by everyone in the organization. There might be employees who look for shortcuts to perform tasks; hence, it is up to superiors and auditors to have a checking mechanism to ensure consistent conformity and progress. This is in accordance with the Stewardship Theory, which emphasizes on taking up managerial roles and action not due to personal interest but for the sake of the organizational vision. With superiors and internal auditors playing their respective parts, it is possible to see an enhancement in good governance practice in the public agencies. Finally, it is found that good governance practices are beneficial towards ensuring high standards of employee performance, organization-wide. Also, the respondents interviewed indicate that principles of good governance practices are beneficial towards the productivity and output of employees as well as the organization as a whole. Although these initiatives are found to be the driving forces behind a workplace, it can be burdensome to employees due to the rigidity involved, in addition to the amount of detail and documentation that they are subjected to.

5.0 Conclusion

This study investigates the outcome of good governance inculcation programs. Additionally, the outcome of good governance practices towards the implementation of the MS ISO 9001, and the performance within public agencies are also explored. Respondents are made up of employees working in a public agency, while secondary data related to good governance and performance is obtained from internal sources i.e the reports and publications issued by Organization A.
The results of this study suggest that the impact of rule-based and external measures are seemingly effective compared with non rule-based measures. The finding seems to indicate moderate outcomes of good governance inculcation programs with regard to values internalization. To some extent, it is due to the psychological nature of humans who tend to capture what is observable rather than intangible. Therefore, rule-based and external measures like KPI, disciplinary actions, extrinsic rewards and recognition appear to influence conduct. Moreover, there are barriers existing along the implementation phase involving reluctance to change, tedious groundwork, environment, personal background, and perception. Drawing on good governance practice, past literature emphasized that good governance should entail sound performance and conformance by incorporating good values into the practice. Therefore, appropriate measures to rectify the issues should be deployed, perhaps to conduct an in-depth study on the occurrence or to incorporate corporate values into the organization. This is important in order to ensure that good governance should not be just a cliché and rhetoric.

There are a few drawbacks or limitations associated with this study, which may have impacted the results obtained. First, the results of this particular study may not make it possible to form generalizations and would not be able to represent the true population of public agencies in Malaysia. Hence, it is suggested that a larger sample size be adopted, a quantitative or triangulation method is implemented for similar research in future to enhance the results obtained and suitable and acceptable generalizations are proffered. Future research on good governance practices is recommended to be performed on a larger setting involving private industries in Malaysia. By looking at other major industries in Malaysia such as IT, construction or retail, a detailed feedback regarding good governance, its practices and impact could be analyzed and improved on. This would allow better utilization of manpower and resources towards more effective processes and administration.

Acknowledgments

The paper is partially supported by UiTM under the BESTARI grant scheme (Project No.: 600-IRMI/PERDANA 5/3 BESTARI (094/2018).
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doi:http://dx.doi.org/10.1108/17506160810902194.


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