

Does Bureaucratic Reform Improve Good Governance, Service Quality, and Performance of the Archival Offices in Indonesia?

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Abstract: *This study aims to explore the mediated effects of good governance and public service quality on the relationship between implementation of bureaucratic reforms and performance of the archival institutions in Indonesia. A total of 350 staff who are working at the National Archives of the Republic of Indonesia (ANRI) in Jakarta and at the 34 Provincial Office of Libraries and Archives (ROLA) in the country were selected as the respondents of the study using a multi-stage sampling technique. A 350 questionnaires were distributed and entirely returned by the respondents were then analyzed using the Structural Equation Modelling (SEM). The study found evidence that bureaucratic reforms have a positive and significant impact on the implementation of good governance principles and the quality of public services. Bureaucratic reform has no direct influence on the organizational performance, but its influence was found to be positive and significant through the implementation of the principles of good governance and improving the quality of public services. These findings indicated that in order to improve good governance and the quality of public services, the implementation of bureaucratic reform needs to be enhanced in the archival institutions in Indonesia.*

Keywords - *Bureaucratic reform, good governance, quality of services, performance of public organization.*

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I. Introduction

Similar to the public organizations in other developing countries, the performance of public organization in Indonesia has always been in the spotlight. The Political and Economic Risk Consultancy reported that the performance of bureaucracy in Indonesia has not improved in the last few decades. Indonesia is the country with the higher corruption and cronyism levels with the score of 9.91 and 9.09, respectively (Parliamentary Center, 2010). The Institute for Political Climatology conducted a public satisfaction survey of government performance in 34 provinces in Indonesia, involving 784 respondents and found that the level of public satisfaction with the performance of the government decreased. In 2016, there were 16 Ministries and Agencies whose performance were categorized as the lowest (Ministry of Administrative Reform and Bureaucratic Reform - Menpan and RB, 2015). These evidences showed that the condition of the performance of public organizations in Indonesia in the reform era, including the archival institutions has been not optimal, because there were still many bureaucrats failed to function as professional public servants. This is in accordance with the assessment of the Executive Director of the Institute for Democracy and Education, Gumilar (2015) that, in general, the quality of public services in Indonesia is still low both at the central and regional levels. Additionally, the failure of public organizations to fully realize their performance target is also caused by lacking implementation of good governance (Handayani, 2010; Duadji, 2012). By using the Simple Governance Quality Index, Shah (2009) found that, as compared to other countries globally, the Indonesian public organizations were in a lower category with a score of 38. Switzerland is the country with the best state governance with a score of 75, while Sudan and Liberia are countries with the lowest state governance with a score of 20.

Previous studies researched the effect of bureaucratic reforms on improving public services (Kidokoro, 2002; Teicher et al., 2002; Al-Mamari et al., 2013; Sá et al., 2016 a, 2016b). The reform of public management was found to improve organizational performance (Kim, 2009; Luarn and Huang, 2009; Kalsi et al., 2009; Rorissa and Demissie, 2010), network expansion and organizational efficiency (Varoudakis and Rossotto, 2004), and the reputation of the organization. In the Indonesian context, Prasojo and Kurniawan (2008) stated the success of the reform agenda in the Indonesian bureaucracy is by the quality of service and the implementation of good governance, which subsequently affect organizational performance (Garcia et al., 2012; Braun et al., 2013; Yıldız et al., 2014; Herman and Chiu, 2014; and Dubey et al., 2014).

Although there have been many studies that examine the effect of bureaucratic reform on the implementation of good governance, service quality, and public service quality, but as far as our concerned, there has been no single study empirically and comprehensively examined the effect of the implementation of the reform agenda on the implementation of the principles of good governance and improving the quality of public services and their impacts on performance of the government offices in Indonesia. Thus, it is indeed timely this study is conducted to examine and analyze the effect of bureaucratic reform on the implementation of good governance principles and improvement of public services and their performance, taking the archival offices in Indonesia as the case study.

As the pioneer study investigating this issue, the findings of this study are expected to contribute towards enriching theoretical and practical dimensions, especially on the efforts to enhance the implementation of the principles of good governance and improve the quality of public services through the implementation of bureaucratic reform that subsequently contribute towards improving the performance of public organizations in Indonesia.

The remaining parts of this study are organized as the following sequences. Section 2 reviews previous studies related to the investigated issue. Section 3 discusses the estimated model and data, followed by the discussion of the findings of the study in Section 4. Finally, the conclusion is presented in Section 5.

II. Literature Review

Issue of low performance of public organizations in Indonesia has been increasingly becoming the focus of society, policy makers and researchers. This is a sign that the public expect an increase in the performance of the public organizations. Previous studies have found that many factors influence the performance of public organizations. This implies that efforts to improve the performance of public organizations should be focused on improving those determinants.

There have been many studies investigated the determinants of organizational, starting from performance models that only focus on single factor, multiple factors, and multidimensional factors. According to Talbot (2010), a professor of public policy and management at the Business School of the Manchester University, the public organization's performance model has evolved from univariate, multivariate, and multidimensional models. The performance of public organizations has been measured by four models, namely: (1) Univariate Models, focusing on a single aspect of performance; (2) Multivariate Models, focusing on multiple factors, criteria or performance elements; (3) Multidimensional Models, focusing on a group of factors into a limited number of dimensions; and (4) Multiple Models in Single Framework, focusing on multidimensional model groups into a comprehensive theoretical framework. This shows that the most relevant and current model for measuring the performance of public organizations is the Multidimensional Performance Model.

In more detail, Talbot (2010) mentioned that, in addition to employees, according to Treasury (2001), the resources that contribute to organizational performance include infrastructure, information technology systems, and management reform. Previous studies have also found that service quality had influenced performances of private and public sector (Milakovich, 2000, Haynes and Fryer, 2000), and banking (Al-Hawari and Ward, 2006).

In addition to service quality, the implementation of good governance also proved able to improve organizational performance, reduce corruption in India (Bhagwan, 2007) and in Africa (Lawal and Tobi, 2006), improve the organizational efficiency, effectiveness and sustainability (Méon and Weil (2005), increase public participation in public decision policy, and ensure the consistency and certainty of laws (Lawal and Tobi, 2006).

Furthermore, the implementation of bureaucratic reform is found to positively influence implementation of good governance (Mardiasmo et al., 2008; and Minogue, 2002). Implementation of the agenda of bureaucracy reform also proved to have been instrumental in improving the quality of public services. Treasury (2001) states that, in addition to the quality of employees, the resources that contribute to the quality of service including the availability of infrastructure, information technology systems, and management reform. Bureaucratic reform is an urgent effort in creating good governance. Bureaucratic reform and public sector reform are seen as mutually supportive reforms of good governance (Minogue, 2002).

The above reviewed studies showed that the effect of bureaucratic reform on the quality of services and the good governance and their impact on public organizational performance have not been studied comprehensively, focusing both on direct and indirect effects simultaneously. Thus, this provides more motivation for this study to investigate the mediated effect good governance and public service quality on the relationship between the implementation bureaucracy reform agenda on the performance of the archival offices in Indonesia nationwide.

III. Research Methods

3.1. Research Framework

Based on the review of previous studies, it is clear that there is an influence of the bureaucracy reform agenda on the implementation of the principles of good governance and service quality, and it subsequently on the improvement of organizational performance. Referring to previous theories and empirical findings, this study proposed the following model, as illustrated in Figure 1:

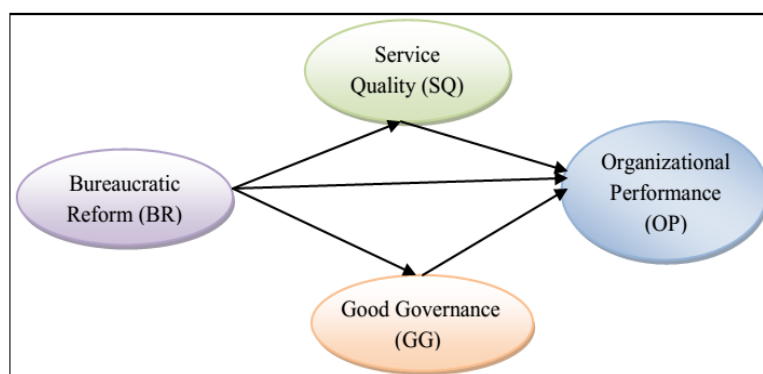


Figure 1. Proposed model

3.2. Population and Selected Sample

This study investigated the mediated effects of good governance and public service quality on the relationship between the bureaucratic reform and the performance of public the National Archives of the Republic of Indonesia (ANRI) and all Provincial Office of Libraries and Archives (ROLA) in 34 Provinces of Indonesia. Thus, the population of this study is all employees of the ANRI and the ROLA in 34 Provinces in Indonesia, totalling 1,226 employees. A total of 350 employees have been selected as sample of the study triangulation sampling technique, which is a combination of cluster sampling with proportionate stratified random sampling. Determination of the number of samples is based on the Slovin formula (Sekaran and Bougie, 2010) with a 5% precision level. The determination of the number of sample in this study is also adapted to the needs of the model of analysis. Since the study used the Structural Equation Modeling (SEM), thus the sample size should be at least equal to five times of the number of indicators of variables (Hair et al., 2010).

To gather the data, a total of 350 questionnaires with 5 point Likert Scale were distributed to 56 employees working at the ROLA of West Java, 45 employees at the ROLA of North Sumatra, 39 employees at the ROLA of South Sulawesi, 25 employees at the ROLA West Kalimantan, 25 employees at the ROLA of the Papua, and 159 employees at the ANRI. The respondents are asked to answer the questions/statements that most relevant to them using the 5 point-Likert Scale.

3.3. Measurement of Variables

In this study, four variables are studied and analyzed, consisting of one endogenous variable (organizational performance), two mediating variables (good governance and service quality), and one exogenous variable (bureaucratic reform). In this study, these variables are measured based on the following definitions. Bureaucratic Reform is an effort to make renewal and fundamental changes to the system of governance, especially concerning the aspects of institutional (organization), management, and human resources apparatus (Menpan-RB, 2011). Good governance is a good governance principle based on transparency, accountability, responsibility, independence and fairness, and equity needed to achieve organizational sustainability by taking into account the stakeholders (National Committee on Governance Policy, 2006). Quality of Public Service is the effort of service provider (serving) the need of person or society having an interest in public organization in accordance with the basic rules and the established procedure (Frost and Kumar, 2000). Meanwhile, the organizational performance is the basis for assessing the success and failure of the implementation of activities in accordance with the objectives and targets set in order to realize the vision and mission ANRI (National Archives of the Republic of Indonesia, 2016).

3.4. Data Analysis Technique

This study used Structural Equation Modeling (SEM) approach to test the hypotheses. However, prior to data analysis, this study conducted first various instruments' tests, namely tests of validity, reliability, and outliers. Goodness of fit models is also performed, including tests of χ^2 -Chi Square Statistics, the Root Mean Square Error of Approximation, Chi-Square/Degree of Freedom, Goodness of Index, Adjusted Goodness Fit Index, Tucker Lewis Index, and Comparative Fit Index. These tests are solely done to ensure that the

instruments used in this study are able to measure all the variables studied so that the findings of the study to be robust and can be inferred.

The SEM approach used in the study is aimed at examining the mediated effects of good governance and service quality on the relationship between the bureaucratic reform and organizational performance. Thus, based on the proposed models, the following equations are estimated:

$$GG = \lambda_{11}BR + \varepsilon_1 \quad \dots\dots\dots(1)$$

$$SQ = \lambda_{21}BR + \varepsilon_2 \quad \dots\dots\dots(2)$$

$$OP = \lambda_{31}BR + \varepsilon_3 \quad \dots\dots\dots(3)$$

$$OP = \lambda_{41}BR + \lambda_{42}GG + \lambda_{43}SQ + \varepsilon_4 \quad \dots\dots\dots(4)$$

where GG is the Good Government Governance, SQ is the Quality of Public Services, BR is the Bureaucratic Reform, OP is the Organizational Performance, λ_i are the estimated coefficients of each variable, and ε_i are structural error terms for each structural equation.

IV. Findings and Discussion

4.1. Characteristics of Respondents

The respondents of this study were government employees at the Provincial Office of Libraries and Archives (ROLA) and the National Archives Office of the Republic of Indonesia (ANRI). Of 1,226 employees, 350 of them (28.55%) were selected throughout the archival institutions in Indonesia as the respondents of the study. 350 questionnaires were distributed to the respondents, and all were returned and filled in completely. Of the 1,226 archival employees in Indonesia, 197 (16.07%) of them worked in the ROLA of West Java, 159 (12.97%) worked at the ROLA of North Sumatra, 137 (11.17%) worked at the ROLA of South Sulawesi, 86 (7.01%) employees at the ROLA of West Kalimantan, 89 (7.26%) worked at the ROLA of Papua, and 558 (45.51%) worked at the ANRI. In terms of gender, the number of respondents in this study is almost equal between men (52.3%) and women (47.7%). In terms of education, the respondents of this study are dominated by undergraduate (46.3%), postgraduate (20.3%), diploma (16.9%), and high school (16.6%). From the perspective of monthly income, the majority of respondents (52.6%) had income of at least IDR5.5 million and minority of them (10%) had revenues of IDR1.5 – 2.49 million, and IDR2.5 – 3.49 million, respectively. Furthermore, in terms of age, 28.9% were between 20-35 years, followed by age 36-45 years (20%), more than 55 years (7.7%), and less than 20 years (4.6%). This is also indicated by the years of employees' working experiences, where more than 28.6% of respondents have a working period of over 25 years and only 9.1% have a working period of less than 5 years. Lastly, in terms of working rank, most respondents (58.3%) were in grade III, 28.2% were in grade IV, 13.5% were in grade II, and none of them in grade I. In short, it can be concluded that employees in archival and library office in Indonesia are dominated by male employees with age of 46-55 years old, undergraduate education qualifications, monthly income of at least IDR5.5 million, working rank III, and with working experiences of more than 25 years.

4.2. Description of Research Variables

A total of four variables were studied, comprising one exogenous variable (bureaucratic reform), two mediating variables (good governance and quality of service), and one endogenous variable (organizational performance). A total of 12 closed questions were posed to the respondents to assess the variables of bureaucracy reform, 22 questions to measure five dimensions of good governance, 8 questions to measure the quality of service and performance of the organization, respectively.

Of the 12 questions, the highest indicator of bureaucratic reform was "faster office services" with an average score of 4.04, while the lowest bureaucratic reform indicator was "growing anti-corruption culture in the offices" with a mean score of 3.46. This indicates that bureaucratic reform has been well implemented in the archival offices in Indonesia with a mean value of 3.84. For good governance variable measured by five dimensions and 22 indicators, overall, respondents perceived that the principles of good governance have been implemented well in the archival institutions in Indonesia with an average value of 3.81. This showed that in terms of responsibility, respondents were very concerned about social responsibility and work freely from conflict of interest, although with the level of transparency that still felt not optimal.

Furthermore, service quality is measured using Internal Service Quality (INTSERVQUAL) approach (Frost and Kumar, 2000). Of the 8 questions posed to the respondents, the highest service quality indicator was "the service quality in accordance with standard operating procedures with a mean score of 3.91, while the lowest service quality indicator was the quality of services provided by supporting staff has been in line with the expectations of front-line staff and "employees with good service related to the office" with an average score of 3.67, respectively. Overall, it can be concluded that the quality of service provided to the public by archival institutions in Indonesia was well perceived by the respondents, with a mean value of 3.76. Finally, of the 8

questions raised for measuring organizational performance, the highest organizational performance indicator was "getting a good opinion on the financial statements by the National Audit Board "with a mean score of 3.89, while the lowest indicator was "the number of network nodes management system and network information national or regional archives" with an average score of 3.32. This showed that the performance of the organization of the archival institutions in Indonesia was good with the average value of 3.51.

4.3. Testing for Instruments

The validity, reliability, outlier and goodness of fit models were tested first before estimating the proposed SEM models. From the results of validity test by using confirmatory factor analysis, of the questions posed to the respondents, only six indicators of bureaucracy reform and two quality service indicators found to be invalid, because the estimated factor loading value is ≤ 0.50 , while the estimation of loading factor for other variables 'indicators' recorded the value of ≥ 0.50 , showing their validity. The invalid indicators were excluded from the analysis. As for reliability testing, all indicators were found to be reliable because their Construct Reliability value were greater than 0.70. Meanwhile, the test of outliers using the Mahalanobis Distance showed that all indicators were free from the category of outliers, thus making up a total of 27 indicators could be used to measure the investigated variables. As for 8 goodness of fit indices tested, four indices showed better fit, namely the X^2 -Chi Square Statistics, Parsimony Ratio (P. Ration), Expected Cross-Validation Index (ECVI), and the Akaike Information Criterion (AIC), while the remaining four goodness of fit indices, namely Root Mean Square Error of Approximation (RMSEA), Comparative Fit Index (CFI), Tucker-Lewis Index (TLI), and Incremental Fit Index (IFI) showed marginally fit because their indices were below the Cut-off value. This indicates that the overall estimated SEM model could be said to be fit. If one or two goodness of fit indices were marginally fit, while others are better fit, the estimated model could be concluded to be fit (Riva'i, 2009). In addition, it has been rare for the previous empirical findings to meet all the criteria of suitability of the model (Verbeek, 2012). Moreover, if the sample size of the study is large, as in this study, it is very difficult to find parsimonious models and satisfy all of the goodness of fit of the model (Williams et al., 1986).

4.4. Findings from the Estimated SEM

Table 1 summarized the findings from estimated SEM of the Equations (1) to (4). The models estimated the effect of bureaucratic reform on the organizational performance both directly and indirectly through good governance and the quality of public service of the archival institutions in Indonesia.

Table 2. The influence of BR through GG and SQ to OP

Effect	Estimated coefficient	Standard error	Critical value	p-value
KO <--- GG	0.380***	0.164	2.856	0,004
KO <--- KP	0.354***	0.052	6.229	0,000
KO <--- RB	0.005	0.089	0.067	0,946
GG <--- RB	0.163***	0.063	2.559	0,011

Note: S.E. is the standard errors; C.R. is the critical values of the estimated coefficients; and *** is the significance at the 1% level.

To examine the indirect effect of bureaucracy reform on organizational performance through good governance, the study followed the Baron and Kenny's approach (1986) and Sobel test (1982; 1986). Within this framework, three influences between variables, namely: (1) the effect of bureaucratic reform on organizational performance; (2) the effect of bureaucracy reform on good governance; and (3) the influence of good governance on organizational performance, should be first evaluated. Table 1 showed evidence that bureaucratic reform has no significant ($\lambda= 0.005$; p-value = 0.946) direct effect on the organizational performance. While bureaucratic reform has a positive effect on good governance at the level of significance of 1% ($\lambda= 0,163$; p-value = 0,011) and good governance also positively influence on the organizational performance at 1% significance level ($\lambda= 0,380$; p-value = 0,004). These findings indicated that directly bureaucratic reform did not significantly affect the performance of the organization, but indirectly bureaucratic reform significantly affected the performance of the organization through good governance. To ensure a significant mediating effect of good governance on the influence of bureaucratic reform on the performance of the organization, the Sobel test is performed where its finding is illustrated in Figure 2.

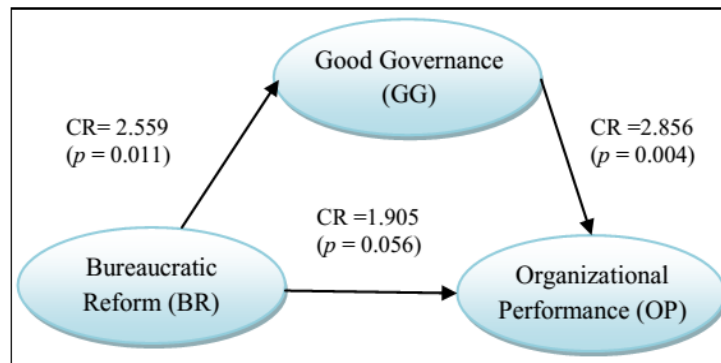


Figure 2. GG mediates the influence of BR on OP

Figure 2 showed that the result of Sobel test has a Critical Ratio (CR) value of 1.905 and p-value of 0.056, meaning that there was an indirect effect of bureaucracy reform on organizational performance through applying the principles of good governance at the level of 10% significance. Due to the absence of significant direct influence of bureaucratic reform on the performance of the organization, thus the variable good governance served as a full mediator as it fully mediated the influence of bureaucratic reform on the performance of the organization. Referring to the Presidential Regulation No. 81/2010 on the Grand Design of Bureaucratic Reform (2010-2025), the finding of this study was very logical. Bureaucratic reform agenda aims to realize the smoothness and integrity of the implementation of duties and functions of governance based on the principles of good governance, which in turn affects the performance of the archival institutions in Indonesia. The results of this study are supported by previous studies (Mardiasmo et al., 2008; Goran and Ken, 2003; and Minogue, 2002; and Hajar, 2015). The significance of adopting the principles of good governance in improving the performance of the archival institutions in Indonesia is supported by many previous studies, such as Lawal and Tobi (2006), Bhagwan (2007), Méon and Weill (2005), and Quah (2013). The results of this study indicated that to improve organizational performance, the main focus should be given to the application of good governance principles as the realization of a comprehensive bureaucratic reform agenda, covering five key aspects: transparency, accountability, accountability, independence, and fairness.

As observed from Table 1, the bureaucratic reform has a positive effect on the quality of service at the level of significance of 1% ($\lambda = 0.373$; p-value = 0,000) and the quality of service also positively affected the organizational performance at a significance level of 1% ($\lambda = 0.354$; p-value = 0,000). These findings indicated that directly bureaucratic reform has no significant effect on organizational performance, but indirectly bureaucracy reform has a significant influence on the organizational performance through the improvement of quality of public services. These findings are illustrated in Figure 3.

As observed from Figure 3, the Sobel test has a Critical Ratio (C.R) of 3.796 and p-value of 0.000, indicating the existence of a significant indirect influence of bureaucratic reform on the performance of the organization through the enhancement of quality of public services. Due to the presence of evidence of significant influence of bureaucratic reform indirectly to the organizational performance through quality of service, and insignificance influence of bureaucratic reform directly to the organizational performance, thus it can be concluded that the quality of service variable acted as a full mediator, as it fully mediated the influence of bureaucratic reform on the performance of the archival institutions in Indonesia.

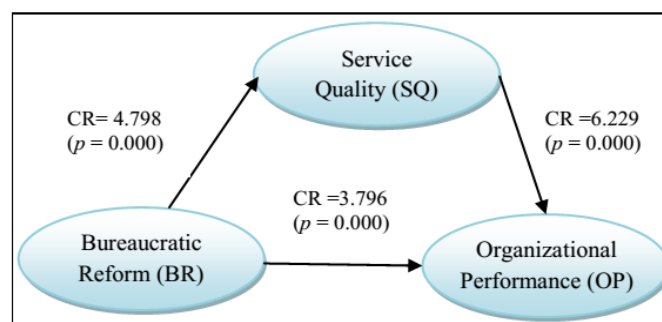


Figure 3. SQ mediates the effect of BR on OP

The findings of this study are in harmony with previous studies. For example, Hajar (2015) stated that the bureaucratic reform agenda was able to improve government services in the province of West Sulawesi.

Improving the quality of public services has relied heavily on the bureaucratic reform as well as reform of office management (Kidokoro, 2002). Furthermore, improving the quality of public services in the archival institutions in Indonesia has increased the number of archives service access by the public, as one of the indicators of the archival institutions' performance improvement. Improving the quality of services that are perceived by internal officers has motivated them to provide better archival services to the public. This showed that the improvement of service quality provided by the archival institutions has contributed positively to the improvement of their organizational performances. These findings are in line with empirical evidence that service quality positively affected public sector performance (Milakovich, 2000; Haynes and Fryer, 2000; Cheruiyot and Maru, 2013).

V. Conclusion

This study analyzed and explored the mediated effect of the good governance and public service quality on the influence of the implementation of bureaucratic reform on the performance of archival institutions in Indonesia using the Structural Equation Modeling (SEM). Of the 1,226 employees working at the archival institutions in the country, a total of 350 employees at the National Archives of the Republic of Indonesia and five regional library and archives representing 34 provinces in five islands in Indonesia, namely the provinces of West Java, North Sumatera, South Sulawesi, West Kalimantan, and Papua have been selected as respondents of the study using multi-stage sampling technique. The study found evidence that bureaucratic reform has an effect on the implementation of good governance principles and public service quality of the archival institutions in Indonesia. Bureaucratic reform has no direct influence on organizational performance, but its influence is found to be positive and significant through the implementation of the principles of good governance and improving the quality of public services. The results of this study indicated that in order to improve good governance and the quality of public services as well as their subsequent effect on the archival institutions' performance, the implementation of bureaucracy reform needs to be improved.

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