

**CUSTOMER SATISFACTION ON MUNICIPAL SERVICES:  
A CASE STUDY OF SUNGAI PETANI**

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**by**

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## LIST OF ABBREVIATIONS

|          |  |
|----------|--|
| LAAs     | Local Authorities  |
| NGOs     | Non-Governmental Organizations                           |
| UK       | United Kingdom   |
| MAMPU    | Malaysian Administrative and Modernization Planning Unit |
| MHLG     | Ministry of Housing and Local Government                 |
| JKT      | Jabatan Kerajaan Tempatan                                |
| NSWMD    | National Solid Waste Management Department               |
| KPIs     | Key Performance Indicators                               |
| MPSPK    | Majlis Perbandaran Sungai Petani Kedah                   |
| MDKM     | Majlis Daerah Kuala Muda                                 |
| MSCI     | Malaysian Customer Satisfaction Index                    |
| IT       | Information Technology                                   |
| LA21     | Local Agenda 21  |
| MPK      | Majlis Perbandaran Kuantan                               |
| MPPJ     | Majlis Perbandaran Petaling Jaya                         |
| MPM      | Majlis Perbadaran Miri                                   |
| CSI      | Customer Satisfaction Index                              |
| SERVQUAL | Service Quality  |
| BSC      | Balanced Score Card                                      |
| TQM      | Total Quality Management                                 |
| MPSP     | Majlis Perbandaran Seberang Perai                        |
| MSP      | Municipal Service Partnership                            |
| CBO      | Community-Based Organization                             |
| ICMA     | International City/County Management Association         |



|        |   |
|--------|---|
| UNDP   | United Nation Development Program                         |
| JKKKP  | Jawatankuasa Kemajuan dan Keselamatan Kampung Persekutuan |
| MKK    | Majlis Ketua Komuniti/Majlis Ketua Kampung                |
| SSM    | Suruhanjaya Syarikat Malaysia                             |
| NCLG   | National Council of Local Government                      |
| PBT    | Pihak Berkuasa Tempatan                                   |
| NKRAs  | National Key Result Areas                                 |
| PCB    | Public Complaint Bureau                                   |
| MCC    | Mobile Complaint Counter                                  |
| IMCC   | Integrated Mobile Complaint Counter                       |
| MESRA  | Mesra Rakyat Program                                      |
| DBKL   | Dewan Bandaraya Kuala Lumpur                              |
| ICT    | Information Communication Technology                      |
| SRS-LA | Local Authority-Star Rating System                        |
| MPKT   | Majlis Perbandaran Kuala Terengganu                       |
| PRO    | Public Relation Officer                                   |
| JKR    | Jabatan Kerja Raya  |
| JPS    | Jabatan Perparitan dan Saliran                            |
| TNB    | Tenaga National Berhad                                    |
| ADUN   | Ahli Dewan Undangan Negeri                                |
| AO     | Area Officer  |
| OSC    | One Stop Centre   |
| MAKSUM | Pertubuhan Masyarakat Sejahtera dan Harmoni Kuala Muda    |

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**KEPUASAN PELANGGAN TERHADAP PERKHIDMATAN PERBANDARAN:  
KAJIAN KES SUNGAI PETANI**

**ABSTRAK**

Kementerian Perumahan dan Kerajaan Tempatan telah memperkenalkan “Key Performance Indicators” (KPIs) untuk meningkatkan mutu perkhidmatan awam kepada pelanggan dan pihak-pihak berkepentingan. Berdasarkan kepada pencapaian di dalam projek-projek terpilih di bawah KPIs, satu pekeliling pentadbiran telah dikeluarkan pada Mei 2005 bagi menyediakan panduan dan arahan di dalam pelaksanaan KPIs untuk mengukur kecekapan dan keberkesanan kepuasan pelanggan. Di samping itu, Biro Pengaduan Awam (BPA) telah diperkenalkan dalam usaha mengendalikan aduan yang diterima daripada orang ramai. Secara purata, 50 peratus daripada aduan yang diterima adalah melibatkan kegagalan atau kelewatan memberi maklumbalas terhadap keperluan pelanggan secara efektif. Walaubagaimanapun, di sebalik penambahbaikan yang diperkenalkan, banyak kajian dalam kepuasan pelanggan di Malaysia masih lagi di tahap rendah terutamanya dalam perkhidmatan perbandaran. Banyak kajian terdahulu mengenengahkan masalah kekurangan usaha dan inisiatif yang dilakukan oleh pihak berkuasa dalam menganjurkan program penyertaan awam yang berkesan dalam pengurusan sampah, kebersihan, dan sistem perparitan dan saliran yang berkesan. Namun demikian, senario kurangnya sambutan di kalangan penduduk di dalam aktiviti setempat membawa kepada persoalan samada wajarkah hanya pihak berkuasa dipersalahkan? Sekiranya pihak kerajaan menyediakan tempat dan peluang yang memenuhi keperluan golongan awam, adakah keadaan ini akan menggalakkan penyertaan golongan awam?

Menggunakan pendekatan “mixed-methods”, penyelidikan ini mengkaji faktor-faktor yang mempengaruhi komuniti Sungai Petani yang dapat menerangkan kecenderungan untuk berpuas hati dalam perkhidmatan perbandaran. Hubungan yang rapat antara pemimpin komuniti dan persatuan dengan perasan positif terhadap persekitaran kejuruan memainkan peranan penting dalam mempengaruhi seseorang untuk lebih puas hati dalam perkhidmatan perbandaran.

Justeru, penyelidikan ini mengkaji tentang tahap kepuasan hati dalam perkhidmatan perbandaran daripada sudut pelanggan luaran dan pelanggan dalaman, dan mengkaji sekiranya terdapat hubungan antara kepuasan pelanggan dan karakter-karakter sosial seperti kesedaran dan kepuasan, maklumbalas terhadap aduan, saluran informasi, penyertaan dan jangkaan serta persepsi sebagai penduduk dan pelanggan Sungai Petani. Selain mengkaji faktor-faktor tersebut, penyelidikan ini juga cuba menghuraikan isu-isu yang timbul dalam proses kepuasan pelanggan seperti ketelusan, kualiti dalam program perkhidmatan perbandaran dan agenda yang dikemukakan oleh para penduduk. Berdasarkan kepada penemuan-penemuan dalam penyelidikan ini, dipercayai bahawa pembentukan strategi untuk meningkatkan keberkesanan kepuasan pelanggan dalam perkhidmatan perbandaran pada masa hadapan perlulah memfokuskan kepada amalan yang sedia ada lebih kondusif dan golongan awam lebih terdenderung untuk berpuas hati dengan memainkan peranan lebih aktif.

# **CUSTOMER SATISFACTION ON MUNICIPAL SERVICES: A CASE STUDY OF SUNGAI PETANI**

## **ABSTRACT**

Ministry of Housing and Local Government has introduced the Key Performance Indicators (KPIs) to as enhance the delivery of public services to customers and stakeholders. Based on the results of the pilot projects under KPIs, an administration circular was issued in May 2005 to provide guidelines on the implementation of KPIs as to measure the efficiency and effectiveness of customer satisfaction. In particular, the Public Complaints Bureau stepped up efforts to promptly deal with complaints received from the public. On average, 50 per cent of complaints received were on the failure or delays in attending or responding to the needs of customers effectively. However, despite these efforts, past studies on customer satisfaction in Malaysia highlight low awareness from the public in municipal services. The previous studies mainly address the lack of efforts and initiatives of the authorities in organizing effective participation programs in waste management, cleanliness, drainage and culverts affairs. However, the scenario of low turns up among customers in local activities raise the question whether the authorities are alone blamed for these problems? If the government provide adequate platform and opportunities for the public, will that encourage to higher respond from their localities?

By using the mixed-methods approach, this study attempts to examine the factors that influence the community in Sungai Petani and this may help to explain the tendencies to satisfy on municipal services. It is strongly felt that close relationship among the community leaders and associations and positive feeling among neighbourhood do have influence in

making people to be more satisfied towards municipal services. The extent of satisfaction level in municipal services, both from internal customers and external customers attempt to establish association between customer satisfaction and social characteristics which categorized by factors of such as awareness and satisfaction, feedback towards complaint, information channel, participation and expectation as well as perception as resident and customer of Sungai Petani. Apart of analyzing these factors, this study explains the issues that arise when people get involved in the issue of the transparency of the whole customer satisfaction process, the quality of municipal services programs and authorities interest are being put forward by the residents. Based on the findings in this study, it is thought that in order to make customer satisfaction increase on municipal services, future strategies need to be done by focussing on making customer satisfaction exercise more satisfactory and people more satisfy and participative.

## CHAPTER 1: INTRODUCTION

### 1.1 Introduction

This chapter provides the overview of customer satisfaction in public services particularly in municipality services. It also explains the experiences of the developing and developed countries in administering local services for different target groups. The chapter further explains the Malaysian experience in handling the customer satisfaction on municipal services, belows with the problem statement, objectives as well as the significance of this study.

### 1.2 Customer Satisfaction in Public Services: An Overview

The quality of a product or service can be measured with the value of customer satisfaction based on the quality of goods and services purchased and used. The perceived quality of a service should have a direct effect on satisfaction. Term of satisfaction can be the tool of a customer's quality experience with a product or service in psychological approach. This quality experience consists of primary components which are the degree to which a product or service provides key customer requirements (customization), and how reliably these requirements are delivered (reliability) (Evans, 1997; Montalvo, 2009). In rapid development nowadays, customers do not only demand the efficiency, effectiveness, economy and transparency in service delivery but they also want public agencies to be more responsive to the users as well as consumers of public services (Drewry, 2005). The close relationship between government and civil society leads democratic practices and facilitates better provision of public services (Kamarudin et al., 2011).

Citizens are often sceptical towards the public sector when they are asked in general and abstract terms, but relatively satisfied with more specific services when demands and needs are well received by them (Christensen and Læg Reid 2005). Does the level of trust is same for all kinds of public institutions? This question gives challenges to government's respond due to the level of serving people is different to each other. It can be concluded that citizen's trust varies extensively from one public institution to another; it differs according to the type of functions they have to perform and what should be measured in different approach.

The customer experience, as well as other factors such as the level of observation, the nature of the information and environmental changes should be positive significant with the size of predicted relationship. In reality, service gaps arise when customer perceptions differ from expectations and result of action (Parasuraman, et al 1988). The customer expectations are not being met in negative gap while a positive gap implies that customer expectations are being exceeded. The perceived quality of the service will occur when the larger the gap, the greater the disparity between customer expectations. Citizens always asked their demands and necessity and if they are satisfied with their local official's performance, they may express greater support for the system (Montalvo 2009).

### 1.3 An Overview of Customer Satisfaction and Municipality Services

Many countries in Asia have experienced rapid development in economic, social and politics growth and led to a rapid rise in their urban populations over the past 20 years. However, the quality of life of an average urban resident remains low even there is a significant increase in national wealth and standard cost of living in urban



area (Hazman, 2006). The common problems that always occurred in local services are squalor; slums, traffic congestion, flash flood, illegal dumping and shortages of water and power characterize urban centres in Asia. While the national governments pursue the goals of economic development and it is generally left to local governments to manage rapidly growing urban areas and provide basic services for their residents until the grass-root. Local governments have to meet the challenges of urban growth in partnerships with other stakeholders (internal and external) due to the limited resources and capacities of urban local governments. Regardless many constraints in getting allocation and grant by upper level, sometimes local governments fail to manage its service delivery in a good manner. As a result, the activity of urban management has evolved from its narrow meaning of the functioning of municipal government to the broader theme of focus groups among municipal manpower, community leaders, and households (Jamaliah, 2004).

In addition, this local council is legally instituted through its elected members or not to administer the municipality as an executive authority in collaboration with local community. A municipality council is different than other local authority due to its political structures, administration community, power, and multifunction. The functions of them accordance with political statutory and other relationships among its political structures and has a legal personality (Venter et al., 2007). The legitimacy of the political structure and executive departments of municipalities could be in jeopardy if people believe that municipalities do not provide the level and standard of services as they expect and hope. By improving the levels of performance of municipality, knowledge performance approaches and indicators should be followed accordingly (Goh, 1990). Effective performance management

requires the decisions from the fact-based, objective political and administrative decision making process (Phang Siew Nooi, 1989).

Grote (2002) explains that the terms 'performance management' and 'performance appraisal' are sometimes use interchangeably. To ensure that quality improvement is in the right place, a performance orientation is required and should become a way of looking the entire municipal context. This means, they have to look at variables such as municipal instructional structures and systems, environmental constraints, resource management, working conditions and other aspects that could have either positive or negative impact on municipal performance.

Municipal performance is not a simple task to measure since various quantitative methods and unquantifiable variables are crucial to take into consideration. These quantitative aspects can be rather complex and intangible, such as the general welfare of a community, business community and hence can make performance improvement and productivity measurement extremely in different manners (Wright 1994 & Curtis 1999). Municipalities are required to address a wide range of daily activities, some of which may be in unsettled disputes. Matters are complicated to address due to no single dimension of performance that is projected in the public sector, and different stakeholders may have widely different perception of success and failure (Carter & Narasimhan, 1994). Byrne & Lemay (2006) reviews the dimensions of performance in the context of the public sector and divides them into five conceptual categories which are outputs, efficiency, effectiveness, responsiveness and democratic outcomes.

Performance by municipalities' in general even good performance must be constantly improved to meet the needs of stakeholders and improve their quality of life (Putnam & Mumby, 1993). It is poor performance in particular that needs to be improved. In order to do this, it is important that causal and contributory reasons for poor municipal performance could be analyzed. Furthermore, municipality service delivery involves the visible products and reliable provision of goods and services to the community. This needs to be conducted in accordance with integrated structural plan and strategic planning, and within the allocated budgetary funds constantly approved by the council of a municipality. This outcome simply depends on too many factors and stakeholders (Putnam 2000; Osborne and Gaebler, 1992 and De Buijn (2002).

Nevertheless, internal customers, i.e. the employees within the organization are equally important towards delivering the service quality. In the context of this study, with referring to Malaysian Local Authorities (LAs), "service provider" refers to management staff including employees of LAs which involves day-to-day tasks as implementers. They face pressure, interference and challenges from many parties such as politicians, public, central government or even council members. Therefore, the study of internal customer satisfaction must not be overlooked. Although other researchers rarely focus on them, Stershic (1990) recognized that "employees are the critical link in delivering service quality and customer satisfaction". This enables managers to exercise internal marketing as to understand the employee's requirements, thus, they are able to meet the needs of the customers (Putnam, 2002). Customer satisfaction can show that what go wrong are the little things, where people feel as if they have not been treated with care. Customers are, after all, the

experts on what they feel like to use a service. From the staff attitude to the right information, a focus on customer satisfaction helps to get things right and improving services in a cost-effective way (White & Dahl, 2002; Evans 1997; Tandler 1997; Montero and Samuels 2004 & Montalvo 2009). In return, the evidence is clear that staff feel more motivated where they work for an organisation with a strong customer focus. Customer segmentation identifies key groups of service users such as Non-Governmental Organizations (NGO's), Households, Community Leaders and Local Authority staff can be a powerful way of building diversity into strategic planning from the start (Kamarudin et al., 2001).

#### 1.4 Local Government System: Experiences of Developed and Developing Countries

The United Kingdom (UK) has a long and well established system of local government evolving from the ancient boroughs through the establishment of the modern municipal corporations in 1835 and various special purpose boards from the 1850s. Malaysia, on the other hand, inherited a British legacy in terms of local government objectives and style and has been influenced deeply by the British precedent (Norris, 1980). The basis for the modern system of local government in Malaysia (at that time Malaya) was introduced by the British in 1801 when a 'Committee of Assessors' was set up at Penang and charged with the responsibility of planning and implementing urban development. The first local government legislation was introduced based on regulations issued under the East India Company's Charter and these were followed by the Indian Legislation Act and the Municipal Rates Act in 1848 as to establish municipal committees in the areas of

Penang, Malacca and Singapore (also known as the United Settlement) ( Nahappan Report, 1970).

Local authorities in the UK provide and manage major services in their areas and therefore there is a need to account for a significant use of resources. In contrast, local authorities in Malaysia only provide smaller scale activities or less vital service to the wide body of the citizenship if compared to the UK counterpart. Some of the critical services operated by UK local authorities have been privatised in Malaysia, such as refuse collection and disposal, and these are totally outside local authority control. UK local authorities, also, receive a higher level of government grant in support of their services in comparison to Malaysian local authorities (Phang Siew Nooi, 1985).

Despite the differences among states, local governments of the United States follow the general principles of the British system, except for the strong executive (Olsen & Epstein, 1997). The county remains the usual political subdivision, although it has retained more authority in rural than in urban areas, and in which the incorporated municipalities have most of the local power. In both rural and urban areas the local government's relationship with the state is a complex connection of the shared authority and carefully defined areas of legal competence. Local governments are pulled by two ways, increasingly reliant on state and federal funding to carry out their expected duties, while fearful of losing their traditional degree of local control (Ahmad Atory Hussain, 2002).

Australian local government has been undergoing extensive and virtually continuous reform for over 25 years. The “first wave” of reforms (Gerritsen and Osborn, 1997) was in the structure of local government; powers and responsibilities; forms of participation; funding; and the occupational structure and workforce management. In Australia, they have 3 main tiers of government: Federal Government, State (or Territory) Government and Local Government. All local governments are approximately equal in their theoretical powers, although LGAs that encompass large cities such as Brisbane and Gold Coast Cities command more resources given based on their larger population base. As a result of this federal structure and the subordinate role of local government, each state determines whether specific services are delivered either by state or local government organizations, or by both (Anderson & Norgrove, 1996).

Urban local government bodies are synonymous with municipal government and have a long history in India. Municipal bodies here are created by the British. The first such body called a Municipal Corporation was set up in the former Presidency town of Madras in 1688 and then was followed by the establishment of similar corporations in Bombay and Calcutta in 1762. Lord Mayo's Resolution of 1870 encouraged the introduction of an elected President in the municipalities. Since then, the structure of municipal bodies has remained by and large the same even though the number of urban areas has increased and their problems have become more and more complex. There are two kinds of statutory provisions creating a municipal authority. The extent of the municipality's power as well as the extent of government control over a Municipality/Municipal Council depends on the statute enacted for its creation (Gangadhar & Mohanty, 1993; Christensen and Laegreid, 2005).

## 1.5 Malaysian Case

Like in other developing countries, the administrative system of government of Malaysia is always under pressure to make more effective, efficient and trustworthy in delivering goods and services to the people. The research findings of a number of studies conducted in the past twenty years have shown that public service provisions are ineffective and overly expensive (Crew, 1992). The current trend of new public management principles is organizing efficient and effective service delivery and better service provision and management at the local level in demands. In Malaysia, there has been growing media attention on cases of public sector customer grievances, especially at the local government level. The response has been pushed to improve the quality of public service delivery. The Malaysian Federal Government established a unit called Malaysian Administrative and Modernization Planning Unit (MAMPU) as to introduce a 'best-practice' initiative to LGAs, and assist their capacity-building through providing training programs and operating procedures guidelines. Quality control initiatives have been introduced to LGAs throughout the past decade (MAMPU, 2005).

Malaysia has 3 levels of government consisting of Central, State and Local, and there are 149 local councils in Malaysia made up of city councils, municipal councils, district councils, and special authorities (MHLG, 2009). The Ministry was renamed the Ministry of Housing and Local Government on July 18, 1978, as a result of merger between Ministry of Housing and Rural Development and the Department of Local Government. Their main functions are on the provision of adequate housing for all citizens; planning and implementation of MHLG policies; setting up of local

authorities; provision of efficient fire and rescue services; and strengthening and implementation of Town and Country Planning Act (172) 1976.

The MHLG official website features tribunal for homebuyer claims, housing loan scheme and legal clinic, prosecuted and find developers, complaints, licensing, recycle and solid waste and public cleansing management. Jabatan Kerajaan Tempatan (JKT) is department under the MHLG and the main function is to guide and facilitate the Local Authorities (Pihak Berkuasa Tempatan-PBT) with planning and implementation of socio-economic development programmes and municipal services. The JKT official website features JKT profile, info and statistic of Local Authorities (LA) by state, announcements and services. Under public cleansing, JKT is responsible in managing the work of cleaning of public streets, public places, public toilets, public drains, public hawker centres, public markets and beaches; cut the grass at the edge of curb civil and public places, and transfer the dead.

National Solid Waste Management Department (NSWMD) was established under the Solid Waste and Public Cleansing Management Act 2007 (Act 672). The act was passed in Parliament on 17 July 2007 and gazetted on August 30, 2007 as a way to integrate solid waste management system at the national level. The Act empowers the executive to the Federal Government to meet its obligations regarding the management of solid waste and public cleansing. This department has role in policy making, strategic planning and solid waste management integrated macro level, as well as responsible for drafting the regulations as contained in the (Act 672) and set the standards and specifications (NSWMD, 2008).



The provision of municipal services is the core business of municipalities, and being responsive to citizens' needs and concerns as the key to effective and efficient service delivery. Among the more critical services are the solid waste management and the public grievances. Mayors will be judged by how well these and other services are provided to their municipality's residents. Transparency International Malaysia Public Opinion Survey in 2001 found that municipal councils were seen as more corrupted than: the land office, judicial office, environment department, health department, police and road transport department. Only 13 cases or 5.4% of arrests for corruption in the public sector were local council officers (Anti-Corruption Agency) (International Malaysia Public Opinion Survey in 2001).

In Malaysia, there have been a number of government circulars showing what is expected in improving the performance and the current premier has introduced the Key Performance Indicators (KPI's) for the public sector (MAMPU, 2005). Else, there is no serious effort in introducing any effective and efficient measuring method to appraise the performance of the public agencies and including local government. A study by Kamarudin (2005) and Kamarudin et al. (2011) on the effectiveness of the local government in Malaysia found that local government officers and councillors indicated that they are largely responsible and accountable to the State and Federal agencies as well as the people they serve. On the other hand, the Public Complaints Bureau under Prime Minister Department identified that about 17% of total complaints received are attributed to local governments throughout the country (Public Bureau Complaints, 2010).

## 1.6 Customer Satisfaction on Municipal Services in MPSPK

Due to the extensive expansions of the business activities, Sungai Petani Municipal Council's (MPSPK) area has developed tremendously, creating diverse difficulties for MPSPK as the service provider to cater the needs of the community. Sungai Petani is the 2nd largest town in the state of Kedah. It has changed from a sleepy one main road town to the fastest growing city. The early establishment of the system of the local government in Sungai Petani started after the enactment of the Local Council Ordinance 1952. Later in 1953, the administration of Sungai Petani Town Board was established. On 1 February 1978, the District Council of Kuala Muda (MDKM) was formed due to the enforcement of the Local Government Laws Act 124 (Temporary Enactment) which was enforced according to Section 3, Local Government Act 1976 (Act 171) (MPSPK, 2010).

The drivers for this research have arisen in response to a numbers of perceived weaknesses in service delivery identified in various sources. Many municipalities including MPSPK, however, are unable to deliver services to residents especially in sanitation, cleanliness, drainage and culverts matters (MPSPK, 2010). Many complaints rise up in daily activities around MPSPK territory. This might be possible because of the lack of manpower, or lack of capacity to provide a good service at an affordable price. Thus, this study is proposed to facilitate a better understanding on what makes customers satisfied and how this can be measured on MPSPK's operation and performance.

## 1.7 Problem Statement

Malaysian LGAs have been often criticised for their poor services, bureaucratic, inefficient, wasteful, and unresponsive and not citizen friendly (Hazman, 2006). The Malaysian Customer Satisfaction Index (MCSI) for service sector industry, ranked City Council in the lowest position (14th) with a score of 61.6, which is below the average of national score of 67.8 points (Abdullah et al, 2003). The Public Complaints Bureau under the Prime Minister's Department revealed that around 17% of total complaints on civil service are on local governments. Much have been written about how IT could be and has been used to enhance service quality (Ali & Green, 2007; Rosacker & Olson, 2008; Shirley-Ann & Frances, 2003; Chooi-Leng, Mark, & Paul, 2000; Zhu et al, 2002).

Foster & Gupta's (1994) study is among the earliest studies, in the accounting literature which emphasises the importance of monitoring customers on the premise which an organization should value customers as an asset. In citizen charter, there is provision of grievance or complaint handling in which citizens as customers of public services have rights to complain about the services if they feel that something has gone wrong in the course of service delivery. The consumer-orientation of the citizen's charter program empowers citizens to redress when services are not as promised (Barron, 1991). In some cases, it has been found that the complain system has not worked properly.

According to Beale & Pollitt (1994), there are three types of standards: (i) minimum standard: it is a standard which must be reached in respect of all or virtually all service interactions; (ii) average standards or norms: it is the level of services that

most service provider may be expected to meet most of the time; and (iii) standards of best practice: it represents what can be attained with highly trained and motivated staff, adequate resources and up-to date technologies and the charter suggestions about the complaint system appear to fall in the categories of promoting best practices (Beale & Pollitt 1994).

In Malaysia, although elections are held to elect people's representatives at the Federal and State level, but not in the grass- root level since 1970's due to resolution of Athi Nahappan Report (1970) where the staff bearers are appointed by the State Government which is the statutory owner. The citizens are also ill-equipped with what can be expected from their local governments although their awareness on this respect has been rising over the time. As such, it is not surprising to say that most of the local governments are also uninterested to disseminate information to their residents on how their revenue is spent fearing that they will be burdened with too many unwanted complaints and queries. This view is on the contrary with the statement by Osborne & Plastrik (2000) who proposes that the performance of different local governments must be publicised in the form of balanced scorecards.

Public sector organizations, and those operating in local government specifically, are not immune from these pressures to improve the customer service on a continuous basis. Some of these pressures arise internally within local authorities from a genuine desire by managers to improve the quality of services provided to local citizens. Hence, over the years, the Local Authorities (LAs) in Malaysia have been soundly criticized for poor services. Due to the importance of the local services that the LAs provide, they are subjected to daily barrage of questions and complaints directly in

the press and through higher ups at the state and federal levels (Hazman, 2003). LAs are allegedly bureaucratic, inefficient, wasteful, and unresponsive and not citizen-friendly. Furthermore, lack of financial and human resources and often times, due to poor management and incompetence and not to mention sheer arrogance, services are fraught with problems (Ambrin, 2006).

In 2000, MHLG implemented the Local Agenda 21 (LA21) programme into four local authorities which were Majlis Perbandaran Kuantan (MPK), Majlis Perbandaran Petaling Jaya (MPPJ), Majlis Perbandaran Miri (MPM) and Majlis Daerah Kerian (MDK) in a way to collaborate between stakeholders in promoting the greater local services. Started from that, many local authorities including MPSPK tried to follow as what been achieved by those local authorities but sometime failed to provide well due to some constraints on manpower and finance. An uncollected assessment rate in 2009 was RM18 million and this became a serious problem in MPSPK. This amount should be pumped on the municipal services of garbage management, cleanliness, lamppost and street maintenance but failed to collect due to tax avoidance among tax payers (MPSPK, 2010). These pressures come on the form of new demands and challenges to increase and improve service delivery of local government of their roles at local, national and abroad.

In MPSPK scenario, they have to bear with the burden of having to pay for some of the privatized services especially the privatisation of solid waste disposal and related cleaning services. The private organizations which undertake the provision of the solid waste disposal and urban cleaning services are paid by the MPSPK but still have to face the lack of funds to pay to the organizations due to the higher cost of

services. Thus, in December 2009, E-Idaman Company was appointed by Federal Government through NSWMD to manage waste disposal, cleanliness and drainage matters in four states in northern region (MPSPK, 2010). This privatization happened due to rapid growth and the pressure to fulfil multiple needs of local citizens and private sector community. The common complaints always made by citizens in MPSPK are garbage and refuse uncollected on time, waste management is not well served, problem of cleanliness such as cutting trees and drainage always stuck when flood come over, lamppost is not functioning and so forth. As per month, many complaints have been lodged to MPSPK due to unsatisfied of services among customers (MPSPK, 2009).

#### 1.8 Research Objectives and Questions

The main objective of this study is to map out the level of customer satisfaction with municipal services in MPSPK. This study was carried out to achieve research objectives specifically;

- i) To determine the extent of customer satisfaction on municipal services (waste management, cleanliness, drainage and culverts);
- ii) To examine the issues and problems of customer satisfaction; and
- iii) To analyze alternatives and recommendations to be adopted in municipal's performance.

The principle research question that this study seeks to address in order to achieve the study purposes is: How and why customer responds to satisfaction processes in different content? A series of sub-questions have guided to the enquiry of this study:

- How do customers satisfied, and to what extent?
- What are the main issues and problems facing by the focus groups?
- Who satisfies and who does not?
- Are the customers aware of the things that going on in their area, and are they aware of the opportunities for them to participate whether in formal or informal channels?

#### 1.9 Scope of the Study

Due to larger population in local government, the study is just focusing on the Northern Local Authority by selecting Sungai Petani Municipal Council (MPSPK) of Kedah as the case of the study and having five groups of segmentation such as community leaders, Business communities, councillors, MPSPK staff and households. These focus groups are chosen based on their experiences in using municipal services whether they are internal customer (MPSPK staff) or external customer (Community Leaders, business community and Households). This thesis explores on how far the focus groups have participated in satisfaction process which related to municipal services such as waste management, cleanliness, drainage and culverts in different level that one's satisfaction will have influenced in changing the existing policy or decision.

This thesis also concerns on the fact that uninvolved makes up the majority of the population in any community by not limiting the scope within the formal channels,

but including other informal channels of satisfaction processes such as meeting, participation in demonstration and writing to the representatives about the dissatisfaction issues. Many past studies in developed countries have highlighted some of the customers in a community explained why some customers have higher level of satisfaction, involved in community activities or in general community affairs (Beale & Pollitt 1994).

#### 1.10 Thesis structure

The thesis is made up of eight chapters.

**Chapter one:** This chapter deals with the introduction of the thesis. It explains the background of the study; states the research problem and highlights the purpose of the study. It also comprises of significance of the research and the organization of the thesis.

**Chapter two:** This chapter discusses the theoretical perspective used as the framework of the study. The discussion on theoretical part has been done with the help of theory of organization and political science concept which is in line with the customer satisfaction. It further provides an overview of theoretical framework and conceptual parts of good governance and municipal services of the study along with the variables that are chosen in the study.

**Chapter Three:** This chapter describes the methodology applied for conducting the thesis. It focuses on the research design, data collection methods and data analysis techniques. The study followed the quantitative and qualitative approach in which questionnaire survey and interviews used to collect data. Mixed methods studies



attempt to bring together methods from different paradigms and it provides reasons on why the quantitative and qualitative method are preferred and how they will be measured is highlighted as well.

**Chapter Four:** This chapter comprises the case study of MPSPK from its profile, management, core business, resources and physical development. All these aspects portrayed the picture of MPSPK's environment in detail especially in knowing what the currently practice of performance indicators applied among them.

**Chapter Five:** This chapter explains the concept of municipal services in Malaysia from its evolution in the local government, restructuring and development until today. This development covered the laws and regulations which have been practiced in local authorities including municipal council from 1801 until its recent implementation.

**Chapter Six:** Chapter Six provides a detail analysis on the impact of the level of citizen's satisfaction on the services with two sets of focus groups which are the households and business communities. This is to identify the differences between the ways different communities feel about their area and municipal services, namely waste management, cleanliness, drainage and culverts.

**Chapter Seven:** This chapter deals with three set of focus groups which are community leaders, councillors and head of department in measuring customer satisfaction on municipal services. These focus groups in this study are conceptualized as performance based trust which is collectively determined by one

factor, which by looking at their roles and contribution to municipal services performed to the public. If they are satisfied with municipal services then they will definitely prefer the services delivered, otherwise they may prefer alternative sources. What would be the people's preference if services have to be provided by the alternative sources such as voluntary organizations and private companies answered in this chapter.

**Chapter Eight:** The final chapter is about summary and conclusion of this study. It recapitulates the thesis and provides a brief discussion on to what extent focus groups are satisfied with the municipal services.

#### 1.11 Conclusion

This chapter in brief presented the introduction and background of the research along with the problem statement, objectives, and the significance of the study. An overview of the organization of the thesis is also given in this chapter. The next chapter discusses on the theoretical aspects of the study based on municipal services principles practice in Malaysia. Based on the discussions, variables of the study are determined. And to map the extent of relationship between dependent and independent variables are formulated and the analytical framework is developed for further analysis. This chapter also provides a short glimpse of Malaysia and its local governmental system.

CHAPTER 2: CUSTOMER SATISFACTION ON MUNICIPAL SERVICES:  
ORGANIZATIONAL THEORY, POLITICAL SCIENCE AND GOOD  
GOVERNANCE

2.1 Introduction

This chapter presents a review of the relevant literature of organization performance measurement and its relationship to achieve the customer's satisfaction on municipal services. It also aims to provide a summary of the theoretical background knowledge and explore research models that will ultimately form the compilation of an appropriate research instrument and the concept of customer satisfaction on municipal services accordingly.

2.2 Theoretical Background: An Overview on Customer Satisfaction

In the public sector over the last decade, there has been an attempt to “reinvent government” in order to improve the performance of governmental operations. The United States has led to the introduction of legislation at the federal level embodied in the Government Performance and Results Act in 1993. Similar initiatives have been undertaken in Australia, Canada, New Zealand and the United Kingdom (Atkinson & McCrindell, 1997; Hood, 1995).

In Malaysia, the use of indicator to measure performance of government agencies is evolved from the issuance of Development Administrative Circular (No 2/2005) in April 2005 in which the guideline in implementing the Key Performance Indicators (KPIs) was set. As the purpose of the circular is to increase the service delivery, the emphasis for measuring performance is on the front-line agencies that provide

counter service to the public, industrial and business communities. The performance measurement of an agency is based on the process of providing and delivering services. Thus, output and activity measurement are the main types of indicators used to evaluate performance. The types of measurement used depend on the services provided and the core activities of the public agencies.

Furthermore, MAMPU in 2005 implemented a pilot project of KPIs implementation in six government agencies including one municipal council. The municipal council has identified its six core processes which comprised development control, infrastructure and public amenities, property tax evaluation, cleanliness and urban services, and enforcement. The targeted output is based on the actual delivery time as compared to the monthly productive period. However, the data and reports are used for internal circulation in improving its service delivery and re-evaluate the target of KPI's.

Recently, customers express the level of satisfaction with services that they experienced. This is not necessarily the same as an opinion expressed by someone who has not experienced the service themselves. In order to provide public value for their citizens, Municipal Council has made improvement to the local public sector service with a high quality and priority. However, there is a real debate about whether quality concepts can be successfully transferred from the private to the services provided by the public sector. Therefore, to ensure that quality concepts are successfully transferred, it is important to establish how this can be done most effectively and the conditions for doing so. For example, high-quality local services

and attention to an area's physical appearance can affect economic investment decisions (Sharpe 1990; Glaser 1991; Gottlieb 1997).

“...when governments fail to meet the most basic needs of their people, these failed states can become havens for terror”. (George W. Bush, 2002)

The value created in local settings is directly affected by the quality of local service delivery. If government fails to provide the basic needs, the functions of government itself are totally weak and open up for terror. A very important measurement of this value is citizen satisfaction, and one of the reasons is being the strong relationship between quality and satisfaction. Recent research indicates that these concepts are quite distinct (Nikmatul Adha, 2010). She explains that the level of public participation in local affairs is depending on the roles of councillors and development of social capital in its area. Customer satisfaction or dissatisfaction results from experiencing a service quality encounter and comparing that encounter with what was expected (Oliver, 1980).

Moreover, satisfaction assessments require customer experience while quality does not (Bolton and Drew 1991; Boulding et al. 1993; Cronin and Taylor 2000; Oliver 1980; Parasuraman et al., 1988). Value is seen to be more individualistic and personal than quality and involves both a get and a give component (Zeithaml, 1988). The empowerment of citizens through engagement in the design and delivery of services through such mechanisms as citizens' juries, community ownership of assets, and the ability to hold service providers to account will all provide impetus to improve the service quality and citizen satisfaction. However, there has been a little modelling of satisfaction with local government services that links evaluations of

administrative and common services with the overall satisfaction judgments that people formed on the performance of their local governments (Van Ryzin, 2004).

When the service provider understands how services are perceived by citizens, it will be possible to identify ways of managing these evaluations and influencing them in the desired direction. The relationship between the service concept, the service offered to citizens, and citizen benefits have to be clarified (Grönroos 2007). Individual public services will also have different elements which they need to cover, but these five factors should be applicable to all. The key drivers which lead to their impact as suggested by Grönroos are:

1. **Delivery** - the service delivers the *outcome* it promised and manages to deal with any *problems* that may arise.
2. **Timeliness** – the service responds *immediately* to the initial customer contact and deals with the issue at the heart of it *quickly* and without *passing* it on between staff.
3. **Professionalism** – Staff is *competent* and treats customers *fairly*.
4. **Information** - the information given out to customers is *accurate* and *comprehensive* and they are kept informed about *progress*.
5. **Staff attitude** - staff are *friendly, polite* and *sympathetic* to customers' needs.

(Grönroos , 2007)

Access is also a factor affecting people's satisfaction with public services (made up of the choice of different ways to access a service and how easy to access a service, including opening hours). However, it does not come out as a significant driver of satisfaction in this analysis. Performance on key drivers, reflecting overall satisfaction, tends to be high especially on ratings of staff. However, satisfaction with