THE RELATIONSHIP BETWEEN GOOD GOVERNMENT GOVERNANCE AND ORGANIZATION PERFORMANCE: THE CASE OF MARA CREDIT CONTROL DEPARTMENT

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ABSTRACT

The issue of governance has become an essential and a critical issue for the public sector especially in Malaysia. The Prime Minister of Malaysia has stressed and given more focused on the issues of governance which required public sector to operate within a system of check and balance. Further, the Right Honorable urged to emulate a value system that emphasis more on the issue of ethics, openness, accountability, transparency, and integrity in the public sector. This issue need to be addressed accordingly as it gives bearing on the performance of an organization.

This study seeks to examine on the relationship of good public sector governance and the performance of organization, namely, Majlis Amanah Rakyat (MARA). The objectives of this study are: i) to determined and measure the level of good public sector governance score in MARA, Credit Control Department, ii) to examine the possible relationship between good public sector governance and the performance of MARA, Credit Control Department, iii) to identify the significant element of good public sector governance that contributes to the variation of the performance in MARA, Credit Control Department, and iv) to identify the relative problems in collecting the educational loans faced by the Credit Control Department, MARA.

In this study, the good public sector governance practices, as independent variables, is assessed by using the Australian National Audit Office (ANAO) Good Public Sector Governance framework which consists of leadership, stakeholder relationship, risk management, accountability, planning and performance monitoring, information and decision support and review and evaluation. The dependent variable, perceived public sector performance, is being represented by the efficiency and effectiveness, productivity and cost and customer satisfaction. A research framework was developed and eight main hypotheses were posited and tested. The study utilized survey research design and was a cross-sectional in nature. The study adopted the non-probability sampling and it is a purposive in nature. The survey was carried out in the Credit Control Department, MARA headquarters, and 82 respondents participated in the study. The data were collected using structured interview aided by questionnaires and as well as collection of information through observation and examination of files, records and office documents. The study hypotheses were tested using descriptive, correlation, and regression analyses. The result supported all the hypotheses posited for the study. The results of correlation analyses revealed that, good public sector governance and its dimensions are associated positively with the department performance. Further, the results from regression analyses also revealed that good public sector governance as a whole has a significant effect on the public sector performance. Meanwhile, the element of risk management and monitoring is statistically significant to the efficiency and effectiveness of the operation in the Credit Control Department. Performance monitoring contributes to the productivity and cost of recovery action in collecting the educational loan, and none of the variables tested was found to be statistically significant to the customer satisfaction

In conclusion, this study provided insight and further understanding of the relationship between good public sector governance and organization performance. It allows practitioners and academia to gain in depth knowledge about the implementation of good public sector governance in relation with the performance in an organization.

KEY WORDS; Public Sector Governance, ANAO, Performance measurement, Performance indicator, Public Sector.

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CHAPTER 1: INTRODUCTION OF THE RESEARCH

1.1 Background of the study

In the early 90's, the world was stunned by the collapse of Maxwell Communication, BCCI, Polly Peck, Arthur Anderson, Enron and WorldCom and other established companies which had a good profit in the past (Clarke, 2004). No one ever knew that their accounts were not as good as they reported. The problems in these companies can be overcome if they have implemented a good governance system.

Clarke (2004) states that these companies had shared some common characteristics that causes it to fail. These include, the power given to a few CEO and senior's managers, the weak roles played by boards of directors and there were questionable transactions or fraud in the companies' accounts. Finally, the financial reporting of the organization were over optimistic, too much profit and too ambitious.

Some researches have found evidence to support that the failure of these companies is due to the lack of corporate governance in managing the operation of their businesses (Clarke, 2004). Apparently, corporate governance has emerged as a high profile issues and one of the critical interest for managers, regulators of various countries, investors, and the academicians (Parker, Peters & Turetsky, 2002). As such, many people nowadays have started to acknowledge the importance of corporate governance not only in the private sector but also in the public sector (George, 2005).

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