

# **ACCOUNTABILITY PRACTICES IN A MALAYSIAN LOCAL AUTHORITY: A GROUNDED THEORY APPROACH**

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**ACCOUNTABILITY PRACTICES IN A  
MALAYSIAN LOCAL AUTHORITY: A  
GROUNDED THEORY APPROACH**

**By**

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## LIST OF ABBREVIATIONS

ACA	Anti-Corruption Agency
AI	Accountability Index
AP	Accountability Practice
CIM	Chartered Management Institute
CPI	Corruption Perception Index
GCR	Global Competitiveness Report
GT	Grounded Theory
GTP	Government Transformation Program
KPI	Key Performance Indicator
KPKT	Kementerian Perumahan dan Kerajaan Tempatan
MACC	Malaysian Anti-Corruption Commission
MAMPU	Malaysian Administrative Modernization and Management Planning
MHLG	Ministry of Housing and Local Government
NKRA	National Key Result Areas
PAC	Public Accounts Committee
PBT	Pihak Berkuasa Tempatan
PCB	Public Complaints Bureau
PEMANDU	Performance Management and Delivery Unit
QDA	Qualitative data analysis
SIRIM	Standard & Industrial Research Institute of Malaysia
SPRM	Suruhanjaya Pencegahan Rasuah Malaysia
SU	Setiausaha / The Secretary
Taklif	Everyone is accountable for his actions or inactions on the Day of Judgment, where a ‘molecule’ of sins will be counted for punishment.
TI	Transparency International
TSL	Transformational style of leadership
WEF	World Economic Forum
YDP	Yang DiPertua

## LIST OF CONFERENCE PAPERS

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# **AMALAN AKAUNTABILITI DI PIHAK BERKUASA TEMPATAN MALAYSIA: PENDEKATAN TEORI GROUNDED**

## **ABSTRAK**

Kerajaan Malaysia telah melakukan pelbagai pembaharuan dan pendekatan atas desakan pelbagai pihak bagi memastikan akauntabiliti perkhidmatan awam berada di tahap tertinggi. Walaubagaimanapun, sehingga sekarang kepincangan akauntabiliti di sektor awam masih lagi menjadi topik hangat yang sering diperbincangkan. Oleh itu, satu kes di sebuah Pihak Berkuasa Tempatan diambil bagi meneliti kenapa isu kepincangan akauntabiliti masih lagi wujud dengan meneliti bagaimana proses dan prestasi akauntabiliti itu dicapai. Kajian kes kualitatif ini menerangkan amalan akauntabiliti Pihak Berkuasa Tempatan di Malaysia berdasarkan data yang dikutip menerusi 31 peserta dan lebih dari 45 temubual, pemerhatian dan penelitian dokumentasi yang relevan. Pendekatan “Teori Grounded” di gunakan dalam analisis data yang mana akan membentuk satu penerangan teoritikal terhadap kajian ini. Kajian ini mengenalpasti lima faktor penyebab yang menerangkan punca kepincangan amalan akauntabiliti di Pihak Berkuasa Tempatan. Ianya adalah struktur dan polisi organisasi yang statik, kekurangan sumber kewangan dan tenaga pekerja, ahli politik yang mencampuri urusan pentadbiran dan keputusan, pemimpin (Yang Dipertua) yang sering bertukar kerana tempoh perjawatan yang singkat, dan pemimpin yang tidak mempunyai kuasa sebenar dalam membuat keputusan. Ini telah membawa kepada pelaksanaan strategi dan tindakan yang tidak berkesan disamping kekurangan pemantauan terhadap mekanisma kawalan dalaman dalam kerajaan tempatan. Punca yang paling utama kenapa kepincangan akauntabiliti ini berlaku adalah kerana kuasa ketua di Pihak Berkuasa Tempatan adalah terbatas. Pemimpin tidak dapat membuat keputusan untuk kebaikan organisasi tanpa

mendapat kelulusan daripada ahli-ahli majlis, kerajaan negeri dan persekutuan. Oleh itu, sesetengah keputusan yang tidak mendapat kelulusan telah menyebabkan pentadbiran dan operasi organisasi tidak berjalan lancar. Amalan akauntabiliti yang baik dalam Pihak Berkuasa Tempatan boleh dicapai apabila pemimpin boleh menjalankan peranan kepimpinan beliau. Oleh itu, pemimpin harus diberikan jumlah kuasa yang munasabah dalam mentadbir atau menguruskan organisasi. Isu-isu pekerja di dalam kerajaan tempatan seperti faedah-faedah kakitangan dan kemajuan kerjaya, kekurangan dana mahupun sumber dan gangguan politik boleh diselesaikan oleh pemimpin dengan kerjasama oleh kerajaan negeri atau persekutuan bagi memastikan amalan-amalan baik akauntabiliti Pihak Berkuasa Tempatan.

# **ACCOUNTABILITY PRACTICES IN A MALAYSIAN LOCAL AUTHORITY: A GROUNDED THEORY APPROACH**

## **ABSTRACT**

The Malaysian government has spearheaded various initiatives to upgrade and improve accountability practices in its local authorities. Despite concerted efforts, accountability continues to remain an issue at the local authorities and the effectiveness of these initiatives is debatable. Hence, a case in a local authority was chosen to explore why the issue of lack of accountability encountered in ensuring good accountability practices in local authority by examining critically how the process accountability and performance accountability are achieved. This qualitative study is explanatory in nature whereby the information was collected from more than 45 interviews involving thirty one participants and from observations and documentary reviews. A grounded theory methodology is applied to analyse data and develop a theoretical explanation of the study. The findings of this study reveal the presence of five factors that could explain the lack of accountability practice in the local authority, namely, the static structure and policies of the local authority, limited financial and human resources, constant political interferences, frequent changes of leadership, and the lack of real executive power of the leader to make decisions. The limited power of the leader of the local authority emerges as the most important factor that contributes to the lack of accountability in local authorities. Leaders cannot make unilateral decisions for the good of the local authority without the prior approval of various authorities, including the Council members, State and Federal governments. The failure to obtain approvals for some of the decisions have compromised the efficiency of the administration and impaired the smooth operations of the local authority. A good accountability system could be implemented and practised in local authorities if the leader is able to exercise effectively his leadership role. Therefore,

the leader should be allowed a reasonable amount of power to administer or manage an organization. Issues that emerge in local governments, such as employee benefits and career development, lack of funding and limited resources and political interferences could be resolved by the leader in collaboration with the State and Federal Government authorities if he is given sufficient latitude of power. A strong leader is able to ensure that good accountability practises are observed in the local authority.

# **CHAPTER I**

## **INTRODUCTION**

This chapter describes the background and objectives of the study. It begins with a brief discussion on the background of the study which consists of the importance of accountability in government setting, its definitions and the initiatives that introduced by the government of Malaysia in ensuring good accountability. Then, the problem statement is presented given to the nature of short tenure of leadership in local authorities and how they led to the current study. The objectives of the study are highlighted followed by research questions and significant of the study to theory and practice. Finally, this chapter explains the outline of the contents of this study.

### **1.1 Background of the study**

Accountability is acknowledged as one of the essential principles and an integral component of good administration. The rules governing accountability are essential and imperative in the public sectors and thus, they have to be observed and practiced by all civil servants in Malaysia. Accountability is significant in the public sector since it involves public money. If these precepts are not given the due priority in the management of public services in Malaysia, financial fraud, wrongful conduct, corruption and abuse of power could easily occur (Siddiquee, 2010 and 2014; Siddiquee & Mohamad, 2007). The nexus to the principles of accountability has a significant contribution to the quality of service and image of governmental authorities and departments. The highest benefits accruing from good accountability practices are ‘waste reduction’ of both financial and other resources (Agus, Barker & Kandampully, 2007;

Siddiquee, 2010; Siddiquee, 2014; MAMPU, 2013). The Malaysian government is committed to uphold public sector accountability, not merely because of its responsibility to the public, but to maintain public trust and confidence in the government (MAMPU, 2013).

Accountability is defined as a clearly identified employee obligation for the quality conduct of a specified function and be answerable for performance achievement (Bebbington, Unerman, & O'Dwyer, 2014; Bovens, Goodin, & Schillemans, 2014; Mansbridge, 2014). The public anticipates higher ethical expectations from the public servants as they represent the government and work for the benefit of the public. These expectations extend beyond the demarcations of fiscal accountability to include respecting the rights and dignity of all the citizens and stakeholders. Codes of ethics, standards of conduct, and other internal guidelines for quality work serve as regulatory measures for channelling and influencing the behaviour of employees in the provision of services is an accountability practices perspectives that evaluating this perspectives could reduce the mistrust in the government's delivery system (Chong, La Porte, Lopez-de-Silanes & Shleifer, 2014; Girth, 2014; Grossi, Mori & Bardelli, 2014; Karim, Hakim, Wijaya & Kusuma, 2014).

Various new approaches and transformation programmes were introduced to improve the operations and accountability of the public sector in Malaysia (Siddiquee, 2010; Siddiquee & Mohamad, 2007; Siddiquee, 2014; MAMPU, 2013). For example, the government has followed the global trend by introducing results-based management by adopting the concept of 'new public management' and managerialism in the early 1990s.

The government has introduced various quality enhancement programmes for its agencies and departments. The programmes include the Productivity Improvement Initiatives in 1991, Total Quality Management in 1992, Client's Charter in 1993, ISO in 1996, Benchmarking in 1999, Key Performance Indicators (KPIs) for government-linked companies in 2004, Key Performance Indicators (KPIs) for all other government agencies in 2005, Treasury Strategic Results Area and Strategic KPIs in 2007, Auditor-General's Star Ratings on Financial Management or Accountability Index in 2007, MAMPU's Star Rating System on Public Management in 2008, Government Transformation Programme in 2009 and Key Performance Indicators (KPIs) for the ministers and the ministries in 2009 (Abu Bakar & Ismail, 2011).

The objectives of these programmes are premised on providing a sound foundation for government agencies to deliver quality service to the public. These plans were initiated to raise the capacity of government departments to deliver quality management and services (MAMPU, 2013). High administrative costs are incurred to undertake these programmes and the expenditure continues to increase (Abata & Adejuwon, 2012; Boog, Tom, & Jensen, 2002; Crowe, 2011; Olson, Humphrey, & Guthrie, 2001; Power, 1997; Van Thiel, 2001).

Accountability in the public sector requires public participation and cooperation. The public plays a significant role indirectly in notifying any negligence, misconduct, dereliction of duty or mismanagement by civil servants in undertaking their responsibilities and duties. A department known as the Public Complaints Bureau (PCB) was established to resolve complaints from the public and it represents one of the responsibilities of the Government to the public to ensure that they always receive excellent and quality services from government departments and agencies. Through

PCB, the public or interested parties could forward their complaints or grievances regarding the quality of the services of government agencies such as unprofessional conduct, mismanagement, negligence and misuse of power and seek remedial measures on their complaints from the relevant agencies (Abdul Karim, 1995; Siddiquee, 2010; Siddiquee and Mohamad, 2007; Siddiquee, 2014; PCB, 2013).

Another measure launched by the government of Malaysia to improve accountability of civil servants is the establishment of Malaysian Anti-Corruption Commission (MACC) in 2008, formerly known as the Anti-Corruption Agency. This Commission plays a major role in combating corruptions in order to guarantee independence and transparency of public sector's services. Since then, MACC has revealed and solved many cases involving corruptions in the public sector of Malaysia (SPRM. 2013).

## **1.2 Statement of the Problem**

The issue of lack of accountability in public sectors or local authorities continue to be raised by various parties in Malaysia, despite the Malaysian government's efforts towards enhancing accountability practices of its civil servants, by introducing new initiatives and approaches. The civil service continue to be recognised as problematic. The civil service in Malaysia are still struggling from inefficiency and corrupt practices (Siddiquee, 2010; Siddiquee & Mohamad, 2007; Siddiquee, 2014; The New Straits Times, 2013, 2014; The Star, 2010, 2013, and 2014; AUDIT, 2013; SPRM, 2013). The existing institutional mechanisms to fight corruption and inefficiency have not been successful. The public management transformations are considered as ineffective in changing bureaucratic ethics and attitudes of civil servants (Agus, Barker, &

Kandampully, 2007; Siddiquee, 2010; Siddiquee, 2014; The Star, 2010, 2013, and 2014; AUDIT, 2013; SPRM, 2013).

The increased number of complaints received by the Public Complaints Bureau (PCB) is one of the evidences that indicate accountability practices among civil servants in Malaysia continue to be at unsatisfactory levels. The PCB had received many complaints that were lodged against civil servants for unsatisfactory services such as delays in carrying out official duties, unfair actions or decisions, biased decisions, abuse of power, and failure to enforce regulations and laws (The New Straits Times, 2013; PCB, 2013).

Similarly, corruption among civil servants imposes a heavy burden on the government. MACC highlighted that there were 5496 cases reported in 2012 whereby 1078 cases were subjected to further investigations. In 2013, there were 6476 cases reported and 1304 cases were investigated (SPRM, 2013). The number of cases filed in Malaysian courts annually is a reflection in continual fraud and transgressions, despite the efforts made by the government.

In addition, the Transparency International Corruption Perception Index that measures the degree to which corruption is perceived to exist among public officials and politicians and covers 180 countries across the globe (Transparency International Malaysia, 2013) disclosed that Malaysia has made no significant improvement over the years as far as corruption is concerned. Malaysia ranked 54 in 2012, 60 in 2011, 56 in 2010, and 56 in 2009 (Transparency International Malaysia, 2013; SPRM, 2013).

In fact, the lack of accountability in the public sector has been constantly highlighted by the Auditor General of Malaysia as reported in The New Straits Times:

*The lack of accountability relates to the failure in the implementation and monitoring stage. I believe that it is incumbent on all controlling officers to ensure that corrective actions are effectively taken and their officers and staff are adequately trained to handle their tasks. Leadership is important. Because of staff changes, this may affect the continuity of actions at the departmental/agency level and it is the responsibility of controlling officers to ensure this continuity of action. (Tan Sri Dato' Setia Haji Ambrin bin Buang, as reported in the The News Straits Times, 2010).*

The Auditor General (AG) emphasized that, in view of the frequent staff changes, the leaders of the government authorities or departments have to play a crucial role in securing the continuity of processes or plans, as the leader is the core factor that influences good governance of the governing body (The New Straits Times, 2010). Nevertheless, the most frequent criticism concerning public sector leadership is their lack of commitment to the fundamental principles of public service and the well-being of the people who need to be assisted (Siddiquee, 2008; The New Straits Times, 2003, 2010, 2013; The Star, 2010, 2013, and 2014).

It is difficult for the authorities such as the AG's office or the State and Federal governments to identify the responsible party, given frequent changes in leadership. In fact, the failure of the former leaders in implementing government agendas often being a burden or carried on by the new leader (The New Straits Times, 2010). Thus, the short tenure of leaders aggravates further the issue of accountability, such as who should implement and monitor the organizational performance and assume responsibility for its consequences.

In the context of an appointment as the Yang Di Pertua (YDP) or president in Malaysia's local government, the tenure is normally for the duration of three years. However, it is possible for the leader to be reappointed for another five-year term depending upon the

exigencies at that time (Local Government Act 1976; Pekeliling Perkhidmatan Bilangan 12, 2008; Stevens, 2006). Presently, in some states, the rotation of leaders takes place on average after a two-year term. Subsequently, this situation has exacerbated the accountability practices in local authorities in Malaysia.

Therefore, the issue of lack of accountability in local governments in Malaysia should be exhaustively explored and analysed. A systematic explanation is required in identifying and understanding 'why' and 'how' the matter evolved from the perspective of the people involved in the situation.

Most empirical studies on public sectors especially in Malaysia context do not explain the reasons of lack of accountability. Most of the research on accountability are mainly examined the mechanism of accountability such as the use of budget and performance measurement system (Ferry & Eckersley 2015; Agyemang & Ryan, 2013; Goddard, 2004; Harrison, Rouse, & De Villiers, 2012; Johansson & Siverbo, 2014; Ling & Roberts, 2014; Merang, Muluk, & Patton, 2014), key aspects of accountability, levels of accountability and accountability policy or element such as transparency, clarity, consistency, reciprocation and few others (Artley, Ellison & Kennedy, 2001; Adewale, 2014; Adams, Muir & Hoque, 2014; Ahmad, 2014; Bane, 2014; Bartlett, Johnson, & Reckers, 2014; Bebbington, Unerman, & O'Dwyer, 2014; Bovens, Goodin & Schillemans, 2014; Cherrueau, & Südholt, 2014; Dhanani & Connolly, 2014; Gray & Jenkins, 1993; Grossi, Mori & Bardelli, 2014; Grossi & Steccolini, 2014; Jamal, Essawi, & Tilchin, 2014; Karim, Hakim, Wijaya, & Kusuma, 2014; Kraak, Swinburn & Lawrence, 2014; Noonan, McCarthy, Shea, Marcus & Mandell, 2014; Messier, Quick, & Vandervelde, 2014; McFarlane & Cooper, 2014; Quinlivan, Nowak & Klass, 2014;

Schillemans, & Busuioc, 2014; Steinbauer, Renn, Taylor & Njoroge, 2014; Vesey, 2014). Thus, this subject has created an urgent need for this study to be undertaken.

### **1.3 The Objective of the Study**

The main objective of this study is to construct a theoretical insight from the pool of data using grounded theory approach to assess how the accountability is being carried out (the practice, i.e. process accountability and performance accountability) and why this phenomenon (lack of accountability) occurs. Hence, additional theoretical insights or understanding on the reasons of lack of accountability in local authority would be made available.

The theoretical insight would further assist interested parties in comprehending the limitations in adopting good accountability practices under certain situations or conditions in the local authority. Thus, this insight could provide a solid foundation for the government and practitioners to develop and implement more effective policies to ensure better accountability.

### **1.4 The Research Questions**

The research questions are developed to understand how the accountability is being carried out (the practice, i.e. process accountability and performance accountability) and why this phenomenon (lack of accountability) occurs by examining the how processes and performance accountability are achieved. The following questions would assist in addressing the principal query.

- i. How are the following being practiced and contribute towards the process and performance of accountability, i.e.,
  - the aspects of accountability (mutual agreement, results orientation and obligations, and reporting and evaluation)
  - the levels of accountability (personal, team accountability and stakeholder accountability)
  - the environments of accountability (leadership, transparency, consistency, etc.)
- ii. What are the constraints faced in ensuring accountability practice in the organization and the reasons for these constraints?
- iii. How are the leader's and the staff's accountability affected by the short tenure of appointment of the leader in the local government?

### **1.5 The Significant of the Study**

There is a lack of empirical research on accountability practices in local authorities, particularly in the Malaysian context. This case study setting within the local authorities in Malaysia offers exclusive insights since it is less explored, especially in terms of accountability practices. Methodologically, this study is a pioneer of several empirical accountability studies on local authorities in Malaysia that applies a grounded theory approach to ascertain the participants' views and experiences on this subject. This approach develops a theoretical insights from the pool of data available on the subject.

The findings suggest a vital integration of the contextual factors that lead to lack of accountability practices in a local authority from the perspectives of the people involved in the context of short-term tenure of the leader in a local authority of Malaysia, thereby

contributing to the body of literature and practices which are *weak structure and lack of Acts or procedures, political interference, lack of resources, frequent changes of leadership and constraint in making decision / lack of executive power of the leader.*

Consequently, the theoretical insight developed from this study can enhance an understanding on the issues of accountability in local authorities setting and would further assist understanding of the limitations in adopting accountability practices under certain situations or conditions in the local authorities. This would assist government and practitioners to understand accountability issues in local authorities and provide a solid foundation to develop and implement more effective policies or procedures to ensure better accountability.

## **1.6 The Outline of the Study**

This study is divided into seven chapters. This chapter is the introduction and explains the background of the study, a statement of the problem, the objectives of the study, research questions, and contributions of the study as well as the organization of the study.

Chapter Two reviews the literature to understand the concepts, elements, and gap previous studies on accountability practices to gain broader perspectives or lens, to examine the subject matter of this study. Then, the commonly used theories in accountability studies are discussed in order to justify the use of grounded theory method in this study. The chapter ends with the discussions on the effects of the frequent leadership changes.

Chapter Three highlights the context of the study which is local authorities. Document reviews include official documents of the Malaysian government, such as the Acts, guidelines and the circulars, excerpts of parliamentary procedure to capture what has been done in writing and compared to the current state of affairs or activities. This is to gain a better understanding of the subject, besides serving as triangulation actions.

Chapter Four outlines the research methodology applied in this study. This study employs the grounded theory approach in obtaining and compiling data from the participants in the organization. The organization under study was thoroughly examined and observed. The understanding of accountability practice and its constraints was garnered through in-depth document reviews, observations, and interviews, which covered almost all aspects of accountability practice in the organization.

Chapter Five presents the data findings that focused on the underlying constraints of accountability practice in the selected organization. By examining the aspects of accountability, the levels of accountability and the environments of accountability, the researcher obtained an overall perspective on the limitations, mechanisms applied as well as the participants' views on related issues.

Chapter Six provides the emergent theoretical insights of the research findings based on grounded theory approach. This study identified the causal impacts that affect accountability practice in a local government in Malaysia. It also aims to make a contribution towards developing theoretical insights from the data and observations.

Lastly, chapter seven gives an overall conclusion on the whole study, followed by theoretical and practical contributions of the study, limitations, and suggestions for future research.

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This chapter starts with concept of accountability in public sector. Previous studies on accountability in public sector are discussed to gain broader perspective and research gaps. Then, the main theories commonly used in accountability research are discussed in order to justify the use of grounded theory method in this research. The chapter ends with the discussions on the effects of the frequent leadership changes for further understanding on the context of the study.

#### **2.1 The Concept of Accountability in Public Sector**

The general conceptualisation of accountability, either for profit organisation or for public sectors is similar. It is comprised the notion of responsibility, answerability, blameworthiness, liability, and other terms related to the expectation of accountability (Almquist, Grossi, van Helden, & Reichard, 2013; Auditor General of Alberta, 1997; Eivani, Nazari & Emami, 2012; Gray & Jenkins, 1993; Neale & Anderson, 2000; Romzek & Dubmick, 1987; Salazar, 2013; Saliterer & Korac, 2013). However, in public sector organizations or local authorities, they have unclear demarcations on principal or ownership. As for the public sector, the principals could be the government (elected by the public or parliament), the parliament (elected by the public or government), or the public, whereas the traditional understanding of accountability in this theory is linked to ownership (Bellé, 2013; Davis & Donalson, 1997; Jacobs, 2013; Laughlin, 1990).

Normally, the word 'responsibility' is compounded with the term 'accountability'. However, they are actually slightly different in substance. Responsibility is the obligation to perform or act while accountability is the liability, a commitment to answer for responsibilities and a compulsion to report the results (Bebbington, Unerman, & O'Dwyer, 2014; Bovens, Goodin, & Schillemans, 2014; Frost 1998). Authority is another important term in understanding accountability. Authority is the right to act without prior approval from higher management and without challenge from the peers. Authority is assigned while responsibility is a delegated obligation to perform. Authorized persons have responsibilities and might delegate their tasks, but it does not absolve them from the assumed liability of that responsibility (Bebbington, Unerman, & O'Dwyer, 2014; Bovens, Goodin, & Schillemans, 2014; Mansbridge, 2014).

Accountability is about the processes through which an establishment creates a commitment to respond and balance the needs of stakeholders in its decision-making and natural processes, and delivers its service against this commitment. Any systems that focus on accountability contribute towards increased credibility and legitimacy with stakeholders, stronger governance structures and increased organizational learning and innovation (Salazar, 2013; Saliterer & Korac, 2013).

Accountability is interpreted as the construction of a codification of conduct and performance and a set of measures to be utilized to assess government performance. It has become an essential part of the "good governance" discourse (Newell and Bellour 2002). The concept of accountability affects all aspects of government planning and activities. The fundamental ideas of accountability are ownership, reporting, and justifying outcomes or an obligation to respond to decisions and actions made on behalf of stakeholders (Almquist, Grossi, van Helden, & Reichard, 2013; Barton, 2006; Brennan

& Solomon, 2008; Cochrane, 1993; Greiling & Halachmi, 2013; Humphrey, Miller Korac & Scapens, 1993; Oakes & Young, 2008; Saliterer & Korac, 2013; Mayston, 1993; Mohammad & Nadir, 2013; Rivenbark & Allison, 2003).

The conceptualization of accountability has expanded. It is contended that the term 'answerability' is inappropriate in determining accountability in the public sector, as accountability involves matters handled by public agencies and their staff regarding various expectations emanating from internal and external groups in organizations (Almquist, Grossi, van Helden & Reichard, 2013; Eivani, Nazari & Emami, 2012; Romzek & Dubmick, 1987).

The component of accountability is integral in financial and performance reports as well as in appraisals on administrative management, involving managerial actions and obligations (Behn, 2001; Neale & Anderson, 2000). Managerial accountability emphasizes the provision or disclosure of information through a transparent process or reporting and performance management. Accountability not only encourages the exchange of information but also analyses behaviour and evaluates performance, thereby, fosters trust and mutual connections between individuals in the organization and the stakeholders. This signifies that each individual is accountable and has to explain their activities to everyone in the organisation (Behn, 2001; Zapico-Goni, 1997).

In terms of leadership, a leader must ensure that accountability exists in dealings, judgment, choices, regulations, management, governance, and implementation of decisions in the organization. Therefore, a leader is required to report, offer clarifications, and be answerable for the outcomes (Agyemang, 2009; Couto, 2011; Crowe, 2011; DeLuna, 2011; Frank & Fink, 2008; Samkin & Schneider, 2010). The leadership in an

organization must define in a transparent manner the mission, objectives, strategies, and activities of the organization, as well as evaluate and report on the outcomes. The report on outcomes must be associated with inputs and benchmarked to compare performance with other similar organizations. Through this, the management would be able to take corrective actions on the imperfections (Armstrong & Tomes, 1996). Accountability encourages the staff to perform their best in delivering their services, as they have to answer to their superior and other stakeholders (Couto, 2011; Crowe, 2011; DeLuna, 2011).

On the psychological aspects, accountability is an embedded expectation based on one's feelings, beliefs, and attempts to satisfy other people's anticipations (Pitesa & Thau, 2013; Semin & Manstead, 1983; Tetlock, 1992; Waring, Alison, Cunningham & Whitfield, 2013). According to Behn (2001) and De Vries (2007), a psychological approach is required to motivate the people and organizations to believe that they must act accountably.

The literature indicates that there is a lack of universal or mutual definition of accountability in the governmental context. Nevertheless, this study opts for the definition that is appropriate and best fits this study, which is, accountability is defined as a clearly identified employee obligation for the quality conduct of a specified function and be answerable for performance achievement (Bebbington, Unerman, & O'Dwyer, 2014; Bovens, Goodin, & Schillemans, 2014; Mansbridge, 2014).

## 2.2 The Commonly Used Theories in Accountability Research

The most commonly use theories in accountability research such as agency theory, stakeholder theory, and stewardship theory have been relied upon to explain and analyse corporate governance and accountability in past studies as shown in Table 2.1.

Table 2.1

*Commonly Used Theories in Accountability Research*

<b>Theory</b>	<b>Description</b>
Agency Theory	An implicit or explicit contract in which one or more persons (the principals) engage another person (the agent) to take actions on their behalf. The delegation of decision making rights of the shareholders of an organization (the principals) to a manager (the agent). The total costs of structuring, administrating, and enforcing such contracts are called agency costs.
Stewardship Theory	The stewardship theory is considered as one of the latest approaches in accountability research. The theory stresses the situation in which the performer is motivated or urged to act in the best interests of his principals. The stewardship theory assumes that there is a strong link between the success of the organization and the achievement of desired goals or principal's satisfaction. Thus, the performer would protect and maximize the stakeholders' wealth through organizational performance that maximizes the performer's total functions. The performer would do the best and be a good steward, thus becoming an organizational asset. A steward's behaviour would not depart from the organizational interests. This theory is in contrast to the agency theory which views agents as trying to maximize their personal interests.
Stakeholder Theory	A theory of organizational management and business ethics that deals with morals and values in managing an organization. The basis of the stakeholder theory is that companies are so large, and their impact on society so pervasive that they should discharge accountability to many more actors. This indicates that the stakeholder theory rejects the notion that the organization's existence is to only serve the interests of its owners. Rather, the theory is based on the idea that the organization must also serve the interests of their stakeholders

Traditionally, agency theory framework remains a major choice as the methodological approach in corporate governance and accountability studies (Buchanan, Chai, & Deakin, 2014; Lee, Nor & Alias, 2013; Romano, 2013; Ross, 2013; Tillema & Ter Bogt, 2014; Yoo & Rhee, 2013). An agency theory is determined through an implicit or explicit contract, in which one or more persons (the principals) engage with another individual (the agent) to act on their behalf (Buchanan, Chai, & Deakin, 2014; Lee, Nor & Alias,

2013; Romano, 2013; Ross, 2013; Tillema & Ter Bogt, 2014; Yoo & Rhee, 2013). An example of an agency relationship is the delegation of decision making rights of the shareholders of an organization (the principals) to a manager (the agent). The total costs of structuring, administering, and enforcing such contracts are called agency costs (Lu & Wedig, 2013; Naiker, Navissi, and Sridharan, 2008; Yegon, Cheruiyot, Sang, Cheruiyot, Kirui & Rotich, 2014). Agency theory is applied widely as there is a clear definition of the principal and the agent. However, it is deemed as less appropriate to apply it to public sector organizations or local governments since they have unclear demarcations on principal or ownership. As for the public sector, the principals could be the government (elected by the public or parliament), the parliament (elected by the public or government), or the public, whereas the traditional understanding of accountability in this theory is linked to ownership (Bellé, 2013; Davis & Donalson, 1997; Jacobs, 2013; Laughlin, 1990).

Stakeholder theory is a theory of an organizational management and business ethics that deals with morals and values in managing an organization (Bridoux & Stoelhorst, 2014; Brower & Mahajan, 2013; Christopher, Hutomo & Monroe, 2013; Hasnas, 2013; Lafreniere, Deshpande, Bjornlund & Hunter, 2013; Phillip and Freeman, 2003; Sen & Cowley, 2013;). The basic premise of the stakeholder theory is that companies are essentially large, and their impact on society so pervasive that they should be accountable to diverse players. This indicates that the stakeholder theory rejects the idea that the organization's existence is to only serve the interest of its owners. Rather, the theory is based on the idea that the organization must also serve the interests of its stakeholders (Donalson & Preston, 1995; Elias, Cavana & Jackson, 2000; Christopher, Hutomo & Monroe, 2013; Hasnas, 2013; Lafreniere, Deshpande, Bjornlund & Hunter, 2013; Solomon & Solomon, 2005).

It is deemed difficult to apply stakeholder theory to public sector organizations as stakeholder theory is conceptualised primarily to address accountability issues in corporations or profit-oriented organizations. Accountability requirement is different between the public and private entities as the nature of services offered by the public and private sectors are different (Barrett, 2001; Lämsiluoto, Järvenpää & Krumwiede, 2013; Sen & Cowley, 2013). The accountability responsibilities of the management of a corporation are confined to financial operations. They are required to disclose financial information that indicate accountability in their financial statements and reports to the stock market. Stockholders and investors generally are not involved in decision-making and policy implementation processes which are usually undertaken by the management. The management might elect to keep certain internal affairs and information confidential and away from the stakeholders to maintain competition and preserve trade secrets. In fact, firms are entitled to safeguard the confidentiality of information from their competitors (Brower & Mahajan, 2013; Lafreniere, Deshpande, Bjornlund & Hunter, 2013).

Public service organizations are established to provide public goods and services to the community and are designated to make collective decisions on their behalf, especially with regard to financial allocations and the method of financing of these services. Transparency and accountability in decision-making processes are central requirements of public services (Birkinshaw, 2013; Hale, 2013).

Stewardship theory examines situations in which the steward is motivated to work in the best interests of the organisation, which implies that the steward would maximize his functions and increase stakeholder's wealth through high functioning and returns (Davis & Donaldson, 1991; Htay & Salman, 2013; Krzeminska, & Zeyen, 2013; Schillemans,

2013). The steward recognises the benefits from the exchange between personal needs and organizational goals and assumes that by working towards the achievement of the organizational goals, the personal needs would be met. Thus, the steward's opportunity is determined by the perception that the utility gained from involving in organizational behaviour is higher than the benefit that from individualistic behaviour (Davis & Donaldson, 1997; Krzeminska & Zeyen, 2013; Toivonen & Toivonen, 2014; Tillema & Ter Bogt, 2014). In relation to public accountability, ownership is difficult to be determined. As noted earlier, the principals in public organizations or non-profit organizations are actually numerous and indefinite.

The methodological approach and application of research techniques and theories in studying accountability have expanded, thus allowing wider perspectives and dimensions. As the studies develop, researchers are applying different forms of analytical methodologies, which are better than the traditional techniques and resemble a more interpretive methodological approach. Qualitative methods like case studies that utilize in-depth participant observer approaches are increasingly becoming popular where the researcher is less engrossed in testing established hypotheses, but more focused on acquiring a novel theoretical framework, using the grounded theory approach (Goddard, 2004; Solomon and Solomon, 2006).

The grounded theory is ideal for exploring integral social relationships and the behaviour of groups where there has been little exploration of the contextual factors that affect individual's lives (Crooks 2001; Treviño, den Nieuwenboer, Kreiner, & Bishop, 2014; Wolfswinkel, Furtmueller & Wilderom, 2013) and beyond speculation and preconception to exactly the underlying processes of what is going on, so that

professionals can intervene with confidence to help resolve the participant's main concerns (Glaser 1978).

According to Dr Bergsteiner in his book, “Accountability Theory meets Accountability Practice”, larger extents of failures in the corporate sector are due to failure of accountability. Regrettably, most studies on accountability tends to be problematic research, difficult to understand, limited scope of models, weak conceptualization of key constructs, context insensitivity and lack of methodological integration. Due this, grounded theory approach is most useful in integrating and adding the extant accountability literature which provides a holistic view of accountability (Bergsteiner, 2012).

### **2.3 The Types of Public Service Accountability**

There are several types of public service accountability (Stone, Jabbara & Dwivedi, 1989), namely political accountability, ethical accountability, administrative accountability, market accountability, constituency relations, and public or private overlaps. Political accountability is the accountability of the government, civil servants, and politicians to the public and legislative bodies, such as congress or parliament (Bovens, Goodin & Schillemans, 2014; Grube, 2014). Ethical accountability is the concept of enhancing individual and organizational performance by cultivating and introducing a reliable mechanism and nurturing qualified expertise, as well as promoting a favourable environment for the people and organizations to adopt a culture of continual advancement. Ethical accountability involves personal aspects, the institution or organization, and the government (Pashang, Österlund & Johansson, 2014; Soltani & Maupetit, 2014).

Administrative accountability is bounded by internal regulations, norms, and some autonomous authority. The employees are the workers in the organization and accountable to their superiors. The autonomous authorities are independent entities which inspect and take action on the lack of accountability in the departments. In addition, the authorities investigate complaints from the public and government departments to reinforce the accountability of civil servants to the public (Odigbo, Anuforo & Edeoga, 2014; Schillemans & Busuioc, 2014).

Market accountability refers to services that are more “customer-driven” under the public sector agenda, which proposes to improve the convenience and offer various choices to the public (Craig, Amernic & Tourish, 2014). The public sector is continuously being compared to the private sector with respect to their potency and efficiency in rendering services (Jing & Besharov, 2014). Outsourcing the delivery of services is one mechanism to practice market accountability. The government selects a company from among a short list of companies, to undertake the outsourced service for a certain period on a contract basis and this would make the company accountable for the task given. Under the Federal Constitution of Malaysia, the relevant government departments are accountable if they receive complaints from agencies, groups or institutions, which are outside the public sector and represent citizens’ interests in a particular constituency or field. It is because the government is appointed by the public through the electoral process (Hanssen & Falleth, 2014; Sorsa & Johanson, 2014).

Stewart (1984) explores the differences between the public and private sector definitions of accountability in a much broader term than commercial accountability that compares market standards. There are few or no predetermined standards for public accountability. Public accountability and its applications are challenging even though it might appear to

be simple since there are various forms of government organizations. It is the responsibility of the government to ensure that the persons assigned with public assets are held accountable by the relevant departments. The government also has the authority to hold these agencies accountable for their actions. The connection involving government and public sector agencies is depicted by Stewart (1984) as the 'bond of accountability'. Stewart's accountability framework based on the relationship or bond of accountability comprise several steps which he identifies as a 'Ladder of Accountability'. These steps are policy accountability, programme accountability, performance accountability, process accountability, probity and legality accountability.

Policy accountability stresses on targets and objectives. There are no set standards applied in the formulation of policies but the government is finally accountable to the electorate for its policies (Bracci, 2014; Piotrowski, & Steccolini, 2014). Programme accountability emphasizes the accomplishment of targets and purposes, whether the work undertaken realizes the goals and objectives. Siegel-Jacobs and Yates (1996) classified accountability as process accountability and performance or outcome accountability.

Performance accountability refers to the accomplishment of obligatory standards and stresses on the quality of the results or decisions. The focus or concentration of performance accountability is on the results of the process or decisions and is greatly motivated by the incentives for positive results and high commitments (Lerner and Tetlock 1999; Ford, Ford & McNamara, 2002). Outcome data should be included in the financial data and collated at the programme level. The report also must provide data on objectives and how easily they are matched. Performance and programme information should relate financial inputs to the outputs (Ayomi & Khan, 2014; Karim, Hakim, Wijaya & Kusuma, 2014; Kyohairwe, 2014).