

Public Management Innovation and Public Service Reform in the ASEAN Economic Community Era

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Abstract: The implementation of the AEC has increased competition among member countries and has required governments to enhance their capacity to deliver efficient, responsive and competitive public services. Innovation in public management has been an important strategy to improve national competitiveness and to support sustainable economic development. The paper discusses the role of public management innovation and public service reform in improving Indonesia's readiness and competitiveness in the era of the ASEAN Economic Community. This research uses a narrative literature review method to review some concepts of public management innovation, public service reform, human resource development, and the implementation of PTSP as a strategy to improve service effectiveness and efficiency. The discussion suggests that public service innovation is important for streamlining administrative procedures, improving service quality and creating a more conducive environment for economic activity and investment. Furthermore, effective public service reform necessitates the existence of competent human resources, institutional commitment and sustained efforts to improve the governance practices. Thus, improving Indonesia's competitiveness in an increasingly integrated regional economy is still crucial in terms of boosting public management innovation and public service reform.

Keywords: Public management innovation, public service reform, ASEAN economic community, one-stop integrated services, competitiveness.

Introduction

The creation of the ASEAN Economic Community (AEC) has changed the economic landscape of Southeast Asia, by forging a more integrated regional market with the freer movement of goods, services, investment, capital and skilled labour. This integration has created competition among ASEAN member countries and motivated the governments to improve

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their competitiveness to take advantage of regional economic cooperation ([Kampan, 2017](#); [Madan & Ashok, 2023](#)). In this context, competitiveness is not only a matter of economic performance and private sector productivity, but also the ability of public institutions to provide efficient, transparent and responsive public services. Indonesia, being the largest economy in Southeast Asia, has great potential to benefit from regional economic integration. However, realising these opportunities will require sustained efforts to improve the quality of governance and the performance of the public sector. Bureaucratic inefficiencies, protracted administrative procedures and limited access to public services are still challenges that can undermine economic competitiveness and deter investment. Thus, public sector reform has been an important agenda in supporting national development and improving Indonesia's position in the ASEAN Economic Community ([Adhariani, 2020](#); [Do et al., 2020](#)).

The changing nature of economic and social problems has also changed people's expectations of government performance. Citizens and business actors are increasingly demanding fast, transparent, accessible and accountable public services. Traditional bureaucratic methods with their emphasis on rigid procedures cannot meet the needs of modern society. Consequently, government agencies are encouraged to develop novel ways of improving the quality of service while retaining accountability and efficiency. Public management innovation has become a key strategy to tackle these challenges. Innovation in the public sector is about the development of new ways, systems and practices that help organisations to perform better and to deliver better services. Innovation can help public institutions to improve decision making, optimize resource allocation and improve citizen satisfaction, and to streamline administrative procedures. Public management innovation is of strategic importance in the context of regional economic integration for creating a more favorable environment for investment, entrepreneurship and economic growth ([Gugler & Vanoli, 2017](#)).

One of the important types of public service innovation in Indonesia is the implementation of One-Stop Integrated Services (PTSP). The system was created to simplify the licensing and administrative procedures by combining several public services in one service mechanism. PTSP is expected to be able to reduce complexity of bureaucracy, increase efficiency of service, increase transparency, and provide convenience to the citizens and business actors ([Ho, 2019](#)). The system has therefore become an important part of broader public sector reform programmes. Besides administrative reforms, the success of reforms in public service also depends on the availability of competent human resources and effective management of institutions. Civil servants are important actors in the implementation of government policies and in the provision of services to the citizens. Hence, investments in human resource development, organizational learning and institutional capacity building are critical to ensure

that public institutions are able to respond effectively to the demands of an increasingly competitive regional environment ([Opasanon & Kitthamkesorn, 2016](#)).

Despite several reform initiatives, there are ongoing challenges in making public management innovation contribute to meaningful improvements in public service performance and national competitiveness. Therefore, understanding the role of innovation and public service reform is important to assess the government's readiness to respond to the opportunities and challenges created by regional economic integration. This paper then analyzes the role of public management innovation and public service reform in supporting Indonesia's competitiveness in the ASEAN Economic Community era. Emphasis is placed on public sector innovation, institutional reform, human resource development and the introduction of integrated public service systems as strategic tools for better quality of governance and for enhancing national competitiveness ([Wong et al., 2022](#)).

Literature Review

The debate on public management innovation and public service reform cannot be divorced from the larger trends in public administration. The changes in the economic, social and governance environment have promoted governments to continuously improve the quality of public services through various forms of innovation and institutional reform. The importance of these efforts is growing in the context of the AEC where governments are expected to create public services that would be efficient, responsive and capable of supporting national competitiveness. Therefore, this section discusses several key concepts concerning public management innovation, public service reform, the ASEAN Economic Community, and PTSP as the basis for the following discussion.

Innovation in Public Administration

Innovation of public management has become an important part of administrative reform in many countries. Innovation is usually defined as the introduction of new ideas, methods, processes or organizational practices that lead to improvements in performance and service delivery. Innovation in the public sector is not just technological innovation but also changes in organizational structures, management systems, service procedures and governance mechanisms. The increasing demand for effective and responsive public services has motivated governments to embrace innovative methods of managing public organizations. Traditional bureaucratic systems are typically characterized by rigid procedures, hierarchical decision-making, and lengthy administrative processes. These systems lend stability and control, but these same systems also limit organizational flexibility and the ability of institutions to respond quickly to changing public needs. Innovation has thus become a tool

of strategy to improve the effectiveness of government and increase the public value ([Torugsa & Arundel, 2017](#)). The innovation of public management can be various types, such as administrative innovation, service innovation, organizational innovation and technological innovation. Administrative Innovation Development of improved management practices and decision-making processes. Service innovation is to improve the quality and availability of public services. Organizational innovation refers to changes in institutional structures and work arrangements. Technological innovation is related to the use of digital technologies to improve efficiency and communication. These innovations result in better governance outcomes through better quality of services, lower administrative burdens and higher satisfaction of citizens. The importance of innovation has been increasingly obvious in the modern public administration. Governments are expected to provide services that are transparent, accountable, citizen-oriented, and ensure efficiency in the use of public resources. Therefore, public management innovation is generally seen as an important factor for improving institutional performance and promoting sustainable development.

Reforming public services and public administration

Public service reform refers to efforts to improve the quality, efficiency, effectiveness and accountability of public service delivery. Reform measures are typically taken to address the weaknesses of the traditional bureaucratic systems and to ensure that public institutions can respond to the changing needs of society. The ultimate objective of the public service reform is to establish a governance system which is more sensitive to the citizens, while being transparent and accountable. There have been major changes in the evolution of public administration over the years. Classical public administration was characterized by hierarchical authority, procedural compliance, and centralized decision-making. This system provided administrative stability, but it was often criticized for being inflexible and inefficient in meeting complex public needs. The constraints pushed Governments to search for other ways of managing the public sector ([Basloom et al., 2022](#)).

One of the most influential approaches was New Public Management (NPM), emerging as a response to concerns of bureaucratic inefficiency. NPM advocated the adoption of private sector management techniques in public organizations, emphasizing efficiency, performance measurement, decentralization, competition and results-oriented management. Governments implemented this approach to improve organizational effectiveness and quality of services through an emphasis on measurable results and efficient use of resources. New Public Management has been criticized for its over-emphasis on efficiency and managerial performance, despite its contributions. Critics argued that public institutions should not only be efficient, but they should also embrace democratic values, citizen participation and public

accountability. The critique contributed to the advent of the New Public Service (NPS) approach, which perceives citizens as active contributors to governing, not just consumers of public services. NPS stresses the importance of collaboration, participation, transparency and the generation of public value as essential elements of good public administration. The reform of contemporary public service is still guided by the principles of both NPM and NPS. Although efficiency is still a priority, governments are increasingly expected to balance managerial effectiveness with citizen engagement and accountability. Thus, successful public service reform depends not only on organizational improvement but also on the development of governance practices that increase trust and responsiveness ([Zheng & Gong, 2022](#)).

Public service reform in the era of ASEAN economic community

The establishment of the AEC has spurred competition among ASEAN member states and economic integration in the region. The greater movement of goods, services, investment and qualified labour has given rise to new opportunities for economic growth but has also increased the pressure on governments to improve institutional performance and competitiveness. In such an environment the quality of public service becomes an important determinant of national competitiveness. Inefficient administrative procedures, too much bureaucracy and limited access to services can create barriers to investment and economic activity. Conversely, good public services can contribute to a business environment conducive to investment and economic development ([Szczepaniak et al., 2022](#)). Consequently, public service reform has become a strategic priority for those governments aiming to bolster their position in the regional economy. In the public administration literature, there has been an increasing interest in the relationship between quality of governance and economic competitiveness. Countries with sound institutions and responsive public services are generally better positioned to attract investment and promote growth in the private sector. Thus, innovation and reform of public organizations are important to create a favorable environment for economic activities and sustainable development. For Indonesia, reform of public services is closely linked to efforts to strengthen national competitiveness in the ASEAN Economic Community. Increasing the quality of governance, reducing administrative barriers and enhancing access to services are important to enable public institutions to play their role in economic development and regional integration ([Uroos et al., 2022](#)).

One-Stop Integrated Services

Pelayanan Terpadu Satu Pintu (PTSP) is one of the major public service reform initiatives in Indonesia. The PTSP was created to simplify administrative procedures by combining a variety of licensing and non-licensing services into a single service mechanism. Such an approach provides citizens and business actors with access to multiple services through a single

institution thus reducing complexity and improving efficiency. The PTSP implementation is part of broader efforts to modernize public administration and improve service quality. Consolidation of service processes is being undertaken by PTSP to shorten processing time, increase transparency, decrease bureaucratic obstacles and enhance public satisfaction. The system also provides greater certainty to administration, and this is particularly important for investment and business development activity. Besides making the service more efficient, PTSP can also be beneficial to the principles of good governance which include accountability, accessibility and responsiveness. These features are essential for building confidence among the people and developing a better environment for economic activities. Thus, PTSP has become an important instrument for the reform of public services in Indonesia. PTSP shows how public management innovation can help to increase national competitiveness in the ASEAN Economic Community. PTSP streamline procedures and enhance service delivery to support investment, facilitate business activities and strengthen the capacity of public institution to respond to the challenges of regional economic integration.

Research Method

This research was conducted to explore the role of public management innovation and public service reform in supporting Indonesia's competitiveness in the era of the AEC with a narrative literature review methodology. A narrative literature review was chosen as the method, because the aim of the study was not to empirically test hypotheses, but to develop a comprehensive understanding of concepts, policies and practices of public management innovation and public service reform. The study used secondary data from academic literature, government reports, regulations, policy documents and relevant publications related to public management, public service innovation, governance reform and regional economic integration in ASEAN. The literature was chosen for its pertinence to the research topic and its contribution to the understanding of the relationship between public sector innovation and national competitiveness ([Costa & Moreira, 2022](#); [Hong et al., 2022](#)).

The data were analyzed through descriptive and analytical approaches. Key issues on public management innovation, human resource development, public service reform and the implementation of the PTSP were examined by identifying, categorizing and interpreting relevant information from selected sources. The analysis aimed at identifying challenges, opportunities and strategic roles of public sector innovation in improving the quality of governance and supporting Indonesia's competitiveness within the ASEAN Economic Community. Thus, the study provides a conceptual discussion of how innovation in public management and reform of public services can contribute to the enhancement of government

performance and the creation of a more conducive environment for economic growth and regional competitiveness ([Zhang et al., 2022](#)).

Result and Discussion

Innovation in Public Management and National Competitiveness

The establishment of the AEC has further integrated the regional milieu. Member countries now compete not just in terms of their economic resources but also in terms of the quality of their institutions and systems of governance. In this respect, public administration has an important role to play in supporting economic activities through the provision of efficient, transparent and accessible services. The quality-of-service delivery among government institutions can also affect investment choices, business growth and economic performance. The capacity of governments to respond to changing social and economic conditions has long been a central concern in public administration. Traditional bureaucratic approaches are usually slow and inflexible, which makes it difficult for public institutions to respond quickly to emerging challenges. Hence innovation is an important element of reforms in the public sector. Innovation can help governments improve organizational performance, reduce administrative procedures and provide better services to meet the expectations of the public. Public management innovation in Indonesia has become a part of the overall efforts to improve the quality of governance and strengthen the competitiveness of the nation. Some reforms have been introduced to improve efficiency and accountability and reduce bureaucratic barriers that might hamper economic activities. The above initiatives show that innovation is not only administrative but a strategic tool that can support long-term development and competitiveness in the ASEAN region.

Public Sector Reform and Human Resource Development

The quality of human resources in government institutions is directly related to the success of the public service reform. Policies and reform programmes can only succeed if they are backed by public servants with the necessary knowledge, skills and professional competence. So human resource development is an integral part of modernization of the public sector. The problems that confront public institutions today are not like those of earlier decades. Technological advances, changing public expectations and increased demands for accountability mean government workers must continually upgrade their skills. Public servants should not only be engaged in the administrative work, but also in solving problems, innovating and improving the organisation. In the context of the ASEAN Economic Community, the importance of the development of human resource is further accentuated. Governments are expected to perform in a highly competitive environment where institutional

performance has a direct impact on national competitiveness. Investment in education, training, leadership development and organizational learning should thus be seen as long-term strategies to improve the performance of the public sector. Furthermore, an encouraging organizational culture is also important to facilitate the innovation. “Reforms are more successfully implemented in public institutions that facilitate collaboration, knowledge sharing, and continuous improvement. Thus, the capacity development of human resources should be a priority in efforts to improve the quality-of-service delivery and governance.

Reform of Public Service PTSP

One of the most important innovations in public service in Indonesia is a the PTSP. The PTSP was born out of a need to tackle the issue of bureaucratic complexity and inefficiency of services, particularly in licensing and administrative processes. Before the integration of services, citizens and business entities had to go through lengthy procedures involving several government agencies, which led to longer processing times and increased administrative costs. PTSP offers a single service mechanism for a variety of licensing and non-licensing services. This makes the administrative complexity easier and more convenient for the services users. PTSP increases efficiency and transparency in public administration by reducing the procedures needed to get services. The implementation of PTSP also exemplifies broader endeavors to enhance the relationship between government institutions and the public. Easier access to services, clearer procedures and shorter processing times can enhance the public’s perception of government performance. Furthermore, the introduction of more simplified administrative procedures could help in creating a more favourable climate for investment and business development. From a broader perspective, PTSP shows how innovation in the public management can be translated into tangible reforms with direct impact on citizens and economic agents. The PTSP experience suggests that administrative simplification remains a key strategy for improving governance quality and supporting national competitiveness in an increasingly integrated regional economy.

Difficulties and Future Directions

Some improvements have been made in the delivery of public services but there are many challenges that affect the implementation of innovation and reform in public institutions. Resistance to organizational change, limited institutional capacity and relatively rigid bureaucratic procedures may make reform initiatives less effective. Innovation programs fail sometimes because they require changing organizational culture and established administrative practices. An another challenge is to implement innovation efforts uniformly in institutions and regions. Inconsistent reform outcomes can be a result of differences in resources, leadership capacity and institutional preparedness. The success of innovation in

public services therefore depends, often, on policy-making, but also on the capacity of organizations to adapt and sustain change over time. In the future, public management innovation should still be oriented towards improving service quality, building institutional capacity and increasing responsiveness to public needs. There are considerable opportunities to improve public sector performance through technology use, organizational learning and interagency cooperation. At the same time, greater citizen involvement can help to keep public services in line with social expectations. Ultimately, the innovation and adaptability of public institutions will remain key factors in their contribution to governance quality, economic development and national competitiveness. Governments need to be able to respond effectively to the opportunities and challenges arising from regional economic integration, which requires continuous efforts to reinforce public service reform.

Conclusions

The AEC has increased the importance of improving quality governance and public sector performance in supporting national competitiveness. In the regional environment that is increasingly integrated, government institutions are demanded to provide public services that are efficient, transparent, responsive and able to support economic activity and public welfare. The study underscores the significance of public management innovation in improving organizational performance and service delivery. Innovation enables public institutions to adapt to shifting social and economic environments, as well as to improve efficiency and accountability. Moreover, the success of public sector reform is largely dependent on the availability of competent human resources capable of implementing policies, managing public resources and addressing emerging challenges. The discussion also shows that public service reform through The PTSP is an important effort to simplify administrative procedures and improve service accessibility. The PTSP has a role to play in the broader efforts to strengthen the quality of governance and create a more conducive environment for investment and economic development by reducing bureaucratic complexity and improving the efficiency of service delivery. In summary, public management innovation and public service reform are still important to improve government performance and enhance national competitiveness. There is need for sustained efforts in human resource development, institutional capacity building and service delivery improvements for effective response by the public institutions to the opportunities and challenges of regional economic integration.

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