



Value of Intermediaries Services and Client Satisfaction in Malaysian Local Government

Sharinaz Samsudin¹, Shireen Haron², Ahmad Naqiyuddin Bakar³

¹ *Petaling Jaya City Council, Selangor Malaysia*

² *Centre for Bio-Diversity and Sustainable Development,*

³ *Centre for Strategic Planning (PPS),
Universiti Teknologi MARA,*

sharinaz74@yahoo.com.my

Tel.: 012-2089289

Abstract

This paper aims to determine the value of intermediaries' services toward the client satisfaction in the Local Authority in Malaysia in the process of issuance and renewal of business licenses in Petaling Jaya City Council (PJCC). The mediating effect of the intermediaries between the operational issues in PJCC and client satisfaction was evaluated. A purposive sampling technique was used in this study. The findings show that there is an effect of intermediaries towards operational issues and the client satisfaction. Finally, the study highlights some recommendations that can help top management of PJCC in ensuring higher level of satisfaction among the clients.

Keywords: Local authority; value of intermediaries; client satisfaction

eISSN 2514-7528 © 2018. The Authors. Published for AMER ABRA cE-Bs by e-International Publishing House, Ltd., UK. This is an open-access article under the CC BY-NC-ND license (<http://creativecommons.org/licenses/by-nc-nd/4.0/>). Peer-review under responsibility of AMER (Association of Malaysian Environment-Behaviour Researchers), ABRA (Association of Behavioural Researchers on Asians) and cE-Bs (Centre for Environment-Behaviour Studies), Faculty of Architecture, Planning & Surveying, Universiti Teknologi MARA, Malaysia.
DOI: <https://doi.org/10.21834/jabs.v3i7.268>

1.0 Introduction

Local authorities are the third level of government administration that is closed to the citizens and recognized the needs of the people such as development factors, social needs and problems. Petaling Jaya City Council (PJCC) covers an urban area in which the citizens live are administered through major functions such as town planning, street lighting, building control, licensing, trades control and others related. The citizens who live in Petaling Jaya, Selangor, Malaysia are directly deal and experience with the services given by the PJCC.

The operational issues pertaining to the application and renewal of business licenses are always a major concern for many local authorities. The implementation of Business License Electronic Support System (BLESS) and eLicence by PJCC for instance, have received lukewarm response from the business clients (PJCC By-Law, 2007). Instead, traders and businessmen in the area of Petaling Jaya prefer to apply for business licenses and/or renew their licenses by using the service of authorized parties (PJCC By-Law, 2007). While the management of PJCC concerned about the potential issues associated with the services of intermediaries (e.g. Falsification of documents, unethical practices etc.), the role of intermediaries cannot be simply eliminated as it is legally accorded under the legislation (PJCC By-Law, 2007). Meantime, businesses have been complaining about the lengthy procedures and the slowness on the part of the PJCC, and thus welcome the services of intermediaries. The intermediaries are generally perceived to be more efficient and effective in the process of application or renewal of licenses. This scenario does not augur well for the future image of the local authority, particularly in Malaysia. If the services given by the local authority are perceived as poor, the future of good governance and professional images of this local authority will be at stake. There is an urgent need to examine the perception of the business people themselves on this situation. What exactly are their concerns on operational issues especially in PJCC? How do these issues influence the level of client satisfaction? How can intermediaries have a mediating effect between PJCC and client satisfaction? Knowledge of this is critical to the better understanding of not only in terms of why the intermediaries' services are relied upon, but also in the context of value added factors that influence client's choice and levels of satisfaction on the services provided by PJCC.

At the same time, because there are many procedures and government agencies involved that need to review from technical standpoint, businesses are likely to perceive that the process of obtaining a business license is complicated and troublesome and welcome the use of intermediaries. However, issues regarding the intermediaries attract a lot of attentions from the top management of PJCC, such as falsification of documents, time taken for the approval or bureaucracy and lack of transparency. Therefore, the objective of this paper is to determine the effect of the intermediaries toward operational issues in PJCC and client satisfaction in getting services for application and renewal business license.

2.0 Literature Review

The administration of the local authorities in Malaysia were enacted in three parent laws which are the Street, Drainage and Building Act 133 (1974), Local Government Act 171 (1976), Town and Country Act 172 (1974). Thus, the local authorities have wider power in

order to ensure the effectiveness and efficiencies of the administration of local authorities (Shireen & Fazimah, 2002). According to Bateson (1997), Berry (1980), Rathmell (1966) and Shostack (1977), the characteristics of services are intangible, inseparability of production and consumption, heterogeneity and perishability

Align with the operational issues there are obvious problems in Malaysian public management, inefficient, red-tape, wasteful, unresponsiveness, bureaucratic, lack of flexibility, lack of transparency and poor performance are the general symptoms of a couple of management issues (Hazman, 2006). According to Siddique (2006), the public management reform in Malaysia has so far failed to bring about desired changes.

Transparency refers to the ability of the public to get information on procedures in a service without any difficulty. According to Nadler and Schulman (2006), transparency means that "something can be seen through".

According to Sarji (1996a; 1996b) as cited in Ndubisi (2006) bureaucracy exist in public agencies that have exercise red-tape on the ways of doing things, delay in a process of service delivery and did not take appropriate on the regulations and procedures for the benefit of their clients.

Intermediaries are independent business organizations that do not fall under the some degree of control as employees. The intermediaries introduce themselves as purchasing agents for their clients by a product line or their client (Hardy & Magrath, 1988). The role of intermediaries helps a service industry to market its services or products to serve its target market. Delegating specific service elements such as giving out information, taking reservations, advice and exceptions categories save costs of operation (Lovelock & Wright, 2002).

Figure 1 illustrates the theory of flower of service to illustrate how the original supplier may work in partnership with one or more intermediaries to deliver a complete service package to customers (Ibid, 2002).



Fig. 1. Splitting Responsibilities for Supplementary Service Elements
Sources: Lovelock and Wright (2002)

The flower created by originating firm in light blue colors shows it is a core services been provided. The flower is enhanced by the intermediaries with dark blue colors and fully dark blue color flower experienced by customer shows that is a total services that experienced by the customer.

According to Jarvinen and Lehtinen (1997), intermediaries are valuable to the customer because they provide extra benefits offered such as frequent contacts; maintain relationship;

co-operation; mutual goal setting; and other relationship elements. Here customer will experience a core product, and the added value of the additional services will lead to greater customer satisfaction.

In real day-to-day operations, intermediaries will make the process of service faster by passing on some of the transaction, possessing the necessary knowledge, having a relationship with internal control and others. The Chinese Intermediary Organisation (2003) reported that, intermediaries play various roles by having a good relationship with government agencies. This can make them more knowledgeable and experienced about the procedure involved (China.org, 2003).

In order to evaluate why intermediaries are so famous in the market and exist as intermediaries in MBPJ, a few probability variables have been identified through a survey of literature.

The “customers do not wish to be “passed around” when contacting the council and expect more flexibility from local authority service delivery”. Communication is defined as “the consumer’s perception of the extent to which the intermediaries interact with their regular customers in a warm and personal way” (De Wulf et al., 2001, p. 36; Metcalf et al., 1992).

Communication with the service was recognized as an important element and some advisors felt isolated because services did not keep informing them. The advisors commented that repeated calls stemmed largely from lack of knowledge or understanding, being misinformed, lack of current information and from services not completing on service delivery (Lurry & Lyon, 2008).

Uлага and Eggert’s (2006) grounded that perceived benefits may influence clients to sacrifice operational costs such as including the time, aggravation and risk associated with supplier exchanges. The definition of value of the intermediaries proposed by Gronroos and Christian (1998) is that the value of intermediaries should have cost saving, delivery and reliability dimensions.

Barry and Terry (2008) stated that relationships do not matter: “it all comes down to best value, where we look at total life cycle costs”.

The quality of a service is a crucial for a company to be competitive. Therefore, companies need to improve the quality of their relationship with their clients in order to satisfy them and win their confidence. According to Ndubisi (2006), overall customer satisfaction can be interpreted when the customer or client trusts by having a long duration relationship in business, or in other words loyalty commitment, service, conflict resolution, and interpersonal communication. According to Roberts et al (2003), in the service sector, have been similarly demonstrated that relationship quality affects clients and loyalty positively (Henning–Thurau et al., 2002).

Conceptual Framework

Based on the review of literature, the conceptual framework is developed based on the Lovelock and Wright Theory of Principles of Service Marketing and Management.

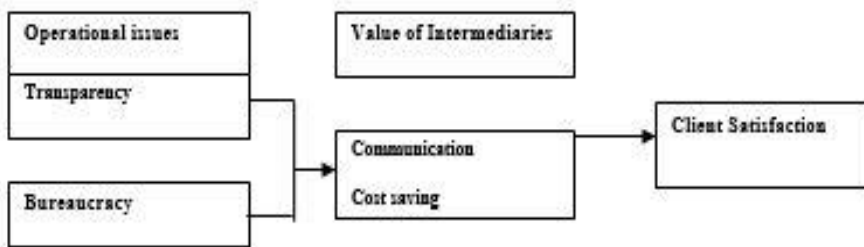


Fig. 2. Conceptual Framework based on Christopher Lovelock and Lauren Wright's theory of principles of Service marketing and Management.

Figure 2 shows the conceptual framework of this study. Independent variables explained as factors of operational issues (transparency and bureaucracy), with value of intermediaries services (communication and cost-saving) as the mediating variables, and client satisfaction as the dependent variable.

Independent Variables: Operational Issues

As a tax payer, citizens of a city claimed that inefficiency and poor performance lead to the lack of transparency (Hazman, 2006). It can be assumed that the higher the operational issues in PJCC in dealing with clients, the higher the probability of client satisfaction towards the services provided in PJCC.

Mediating Variables: Value of Intermediaries

The term "value of intermediaries" is used to describe "partnering between buyers and suppliers who recognize value from sustained relationships". (Anderson and Anderson, 2002). In the process of applying and renewal a business license in MBPJ, the buyers refer to the businessmen in Petaling Jaya, and suppliers are the intermediaries who provide an extra services to the clients.

Dependent Variable: Client Satisfaction

The quality of a service is crucial for a company to be competitive. Therefore, companies need to improve the quality of their relationship with their clients in order to satisfy them and win their confidence. According to Ndubsi (2006), overall customer satisfaction can be interpreted when the customer or client shows trust by having a relationship of long duration in business, or in other words, shows loyalty commitment, service quality, conflict resolution, interpersonal communication. This item can be known as relationship quality.

3.0 Research Method

The purpose of this study is to determine the effect of the intermediaries toward the services provided by MBPJ and client satisfaction in the process of application and renewal of

business license. It used cross sectional survey in which the data for a particular time only using quantitative method.

Data were collected by using questionnaires that distributed to the respondents and the purposive sampling technique with minimal interference was used consisting 123 respondents who are the businessmen that had an experience in using the intermediaries services. The questionnaires took about one (1) month to distribute in order to make sure that the sample size was large enough to give meaningful result in the study. The questionnaires were distributed by the frontline staff of PJCC.

The research design enabled the researchers to test for internal validity of measurement. This paper discussed the existence of the intermediaries have a mediating effect of the operational issues in MBPJ and client satisfaction.

Data Analysis

Descriptive analyses were used to describe the profile of the respondents. Pearson's Product moment correlation analysis was used to determine the correlation between each independent variable and the dependent variable, with a 0.05 level of significance. Multiple regression analysis was used to test the hypotheses and influence of the variables. The results represent whether the operational issues in MBPJ and the value of intermediaries' services have any impact on client satisfaction. The data were analyzed by using Statistical Package for Social Sciences (SPSS), Version 19.

4.0 Findings

The respondents for this study are businessmen in Petaling Jaya. Total number of the new applications and renewal of business license applications during the period from September to November 2011 was 132 applications. A sample size 97 would be large for the study (Sekaran, 2003). The researcher managed to collect 123 questionnaires of which 110 were fully completed and usable.

Reliability Analysis

The Cronbach's alpha coefficient is computed to test the reliability of the questionnaire. Table 1 shows the reliability of the construct variables used in this study.

Table 1 illustrates the Cronbach's alpha analysis for this study. The alpha value of the items measuring the construct range between 0.825 and 0.936 which indicated the items are highly consistent and reliable. All the alpha values of the items are greater than value of 0.6 suggested by Sekaran (2003) and can be considered reliable.

Intermediaries have a Mediating Effect between Operational issues in MBPJ and client satisfaction

Since the objective of this paper is to determine the effect of intermediaries on the relationship between operational issues in MBPJ and client satisfaction. The regression for mediator analysis was used to test this hypothesis in order to prove that intermediaries have a

mediating effect on the relationship between operational issues in MBPJ and client satisfaction.

Table 1: Reliability Analysis

Construct	No. of Items	Alpha, α , Value
Independent Variables		
Operational Issues		
Transparency	6	0.936
Bureaucracy	7	0.825
Mediating Variables		
Values of Intermediaries		
Communication	9	0.933
Cost Saving	8	0.908
Dependent Variable		
Client Satisfaction	6	0.929

Baron and Kenny (1986) as cited in Hazman (2010) described the procedure for analyzing the mediating variable by using regression analysis. The first step is to compute the relationship between independent variables (IVs) and dependent variable (DV), than the relationship between IVs and mediating variable (MV), the relationship between MV and DV and finally the relationship between IV and MV and DV. Therefore, the beta, β , value for all the analyses should be significant.

The result shows that there is a significant relationship between the mediating effect of intermediaries between operational issues in MBPJ and client satisfaction. This is shown in Table 2. This test is able to determine the value of intermediaries' services in determining clients' satisfaction.

Table 2: Regression Analysis for Mediating Variables

Variables	Model A	Model B	Model C	Model D
	IVs * MV	IVs * DV	MV * DV	IVs * MV * DV
IVs (Operational Issues)	Beta, β , Value	Beta, β , Value	Beta, β , Value	Beta, β , Value
Transparency	0.495	0.518		0.431
Bureaucracy	0.370	0.374		0.295
MV (Value of Intermediaries)				
Communication			0.515	0.026
Cost Saving			0.276	0.179
R ²	0.655	0.701	0.569	0.706
F	101.704	134.60	71.264	62.937
Sig of F	0.000	0.000	0.000	0.000

Note: IVs are independent variables; DV is dependent variable and MVs are moderating variable

Table 2 shows the regression analysis for mediating variables (value of intermediaries) on the relationship between operational issues and client satisfaction. The values of the R² for all the models in this study are between 0.569 and 0.706, thus they are acceptable. Table

2 shows that R^2 for model D is 0.706 and for model B it is 0.701. Thus the models are good. Both of the models are significant with $p < 0.001$ (Field, 2009).

Table 2 illustrates the β values for all the models in this study. The β value for model B, which is the relationship between operational issues and client satisfaction, are 0.518 for transparency and 0.374 for bureaucracy. This indicates that transparency has a large effect on client satisfaction ($\beta = .518$) while bureaucracy has medium effect on the client satisfaction ($\beta = 0.374$) (Field, 2009, p.173). After confirming the value of intermediaries as mediating variables which are communication and cost saving in the relationship between operational issues (IVs) and client satisfaction (DV), the values of R^2 for the models higher from 0.701 to 0.706. This shows that the clients are more satisfied with the services given by intermediaries than those of PJCC, due to the operational issues on transparency and bureaucracy.

The value of intermediaries exist in determining client satisfaction because of the presence of bureaucracy and transparency in PJCC, with the $\beta = 0.026$ for communication and $\beta = 0.179$ for cost and time saving. The existence of intermediaries is important to evaluate client satisfaction, which $\beta = 0.515$ for communication and $\beta = 0.276$ for cost and time saving. The β value of communication as the mediating variable is $\beta = 0.026$, indicating that communication has a medium effect on the relationship between operational issues and client satisfaction. The β value of cost and time saving as the mediating variable is $\beta = 0.179$; this indicates that cost and time saving also has medium effect on the relationship between operational issues and client satisfaction.

Therefore, the β values of the relationship between operational issues and client satisfaction is reduced because of the existence of the value of intermediaries as a mediating variable. However, there is an effect of the intermediaries' services on the relationship between operational issues and client satisfaction.

5.0 Discussion

The findings of this study show that intermediaries have a mediating effect between operational issues in PJCC and client satisfaction. The finding shows that the existence of the intermediaries may facilitate the clients in the process of issuance and renewal of business licenses, thus enhance client satisfaction. Therefore, the β value for communication is equal to .026 and for cost and time saving is equal to .179. The existence of the intermediaries is important in determining the client satisfaction, which is $\beta = .515$ for communication and $\beta = .276$ for cost saving. It can be assumed that the existence of the operational issues in PJCC and cost and time factor for the clients encourage the use of the intermediaries in fulfilling licensing procedures.

In addition, the clients were satisfied with the level of transparency and bureaucracy provided by PJCC, even though the effect of transparency and client satisfaction is only .5, and bureaucracy and client satisfaction $\beta = .4$. Thus, PJCC still need to improve and enhance the level of transparency and reduce the bureaucracy. It shows that there is substantial number of clients who are not satisfied with the transparency and bureaucracy practiced in PJCC.

These are some of the comments from the clients in which they are more concerned about the time consumed for business license approval and renewal. It was reported that the clients have to wait at least two and half hour for the renewal of business license (Nair, 2011). Other reasons given by clients of PJCC are the inadequate number of parking lots for their clients where clients face difficulties in parking. Furthermore, they stated that the environment at the counter is not comfortable for the client, waiting to be served.

As a conclusion, there are relationships and effect between operational issues of PJCC and the level of client satisfaction. The quantitative evidence from the survey is supplemented by comments from the clients, giving a more complete picture of the services and their satisfaction.

6.0 Conclusion

The findings from this study proved that the intermediaries' services have significant effect towards the client satisfaction. In assessing the services provided by the intermediaries makes possible a better understanding of how they play their role in various dimensions which may affect the degree of the client satisfaction.

It is suggested that the senior management and administration of PJCC should revise the procedure policy and by laws in order to protect the client's right and gain trust from the public. According to K2 Global Consulting (2010), businessmen who use the intermediaries' services need to have a proper understanding of the requirement, role, activities, and method used by the intermediaries in the process of applying for new licenses and for the renewal of existing business licenses.

The second recommendation that MBPJ should structure a policy for the appointment of intermediaries. This action is to protect the rights of the client from being defrauded by the intermediaries. MBPJ should hire the intermediaries by licensing them as registered agents with appropriate rules and regulations. The best practice recommended for this study is adapted from Citywide Merchandise Licensing Program (New York City Global Partners, 2010).

Acknowledgements

Special thanks to Associate Professor Dr. Abdul Raufu Ambali for his assistance and kindness in giving advice, and also to the Mayor of PJCC Datuk Haji Mohamad Roslan Bin Sakiman and all the staff of Petaling Jaya City Council thank you for your support and sharing their tacit knowledge.

References

- Anderson, P. & Anderson, E.(2002), "The New E-Commerce Intermediaries", *MIT Sloan Management Review*, Vol. 43, no.4, pp.53-62.
- Barry, J. and Terry, T.S. (2008) Empirical Study of Relationship Value in Industrial Services, *Emerald Group*

Publishing Limited, 228-241.USA.

Bateson, John E.G. (1977), "Do we need Service Marketing?" in Marketing Consumer Services: New Insights marketing Science Institute, Report pp. 77-115 (December).

Berry L.L. (1980), "Service Marketing Is Different," Business, 30 (May-June), 24-29. China.org. (2003), Functions of Intermediary Organizations. Retrieved from <http://www.china.org.cn/english/2003chinamarket/79477.htm> on 21 July 2011.

Chinese Intermediary Organisation (2003), Functions of Intermediary Organizations. Retrieved from <http://www.china.org.cn/english/2003chinamarket/79477.htm> on 21 July 2011.

De Wulf, K., Oderkerben-Schroder, G. and Iacobucci, D. (2001), "Investment in consumer relationship: a cross-country and cross-industry exploration", *Journal of Marketing*, Vol.65 No.4, pp. 33-51.

Field, A. (2009). *Discovering Statistics Using SPSS* (Third Edition Ed.). Singapore SAGE Publications Asia-Pacific Pte Ltd.

Gronroos and Christian (1988), "New Competition in the Service Economy: the five rules of service", *International Journal of Operations & Production Management*, p.9-19.

Hardy, K.G. and Magrath, A.J. (1988), *Marketing Channel Management*, USA.

Hazman, S.A. (2006) From Customer Satisfaction to Citizen Rethinking Local Government Services in Service Delivery by Local Authority Issues and Challenges. (113-119) University Publication Centre (UPENA). UiTM Shah Alam, Selangor.

Hazman, S. "Data Analysis," class notes for EMA702. Faculty of Administrative Science and Policy Studies, UiTM Shah Alam, Selangor, 2010

Henning-Thurau, T., Gwinner, K. and Gremler, D. (2002). 'Understanding relationship marketing outcomes', *Journal of service research*, Vol. 4 No.3, pp.230-46.

Lovelock, C. and Wright, L. (2002). *Principles of Service Marketing and Management* Pearson Education, Inc. Upper Saddle River, New Jersey.

Lurry, L. and Lyon, W. (2008) *Managing Service Quality*, Emerald Group Publishing Limited Vol. 18 No. 2, 194-208, UK.

Metcalf, L.E., Frear, C.R. and Krishan, R. (1992), "Buyer-seller relationship: an application of the IMP interaction model", *European Journal of Marketing*, Vol. 26 No. 2, pp. 27-46.

Ndubisi, N.O. (2006), "A structural equation modelling of the antecedents of relationship quality in the Malaysia banking sector", *Journal of Financial Services Marketing*, Vol. 11 No. 2, pp.131-41.

PJJC By-Law (2007), By-Law.

Rathmell, J. M. (1996), "What is Meant by Services?" *Journal of Marketing*, 30 (October). Pp 32-36.

Roberts, K., Varki, S. And Brodie, R. (2003), "Measuring the quality of relationship consumer services: an empirical study" *European Journal of Marketing*, Vol. 37 Nos ½, pp. 169-97.

Sekaran, U. (2003). *Research Methods for Business: A Skill Building Approach* (4th ed.). United States of America: John Wiley & Sons.

Shireen H., and Fazimah Hayati H. B. (2002). *Pentadbiran Kerajaan Tempatan*. Shah Alam. Institut Perkembangan Pendidikan (InED).

Shostack, G. L. (1977), "Breaking free From Product Marketing," *Journal of Marketing*, 41(April), 73-80.

Siddique, N. A. (2006), Public Management reform in Malaysia, Recent Initiative Experience, *International Journal of Public Sector* Vol. 19 No. 4 (339-358). Australia.

Ullaga, W. & Eggert, A. (2006), "Relationship Value and Relationship Quality", *European Journal of Marketing*, Vol.40, No.3, pp. 311-327.

Shireen H., and Fazimah Hayati H. B. (2002). *Pentadbiran Kerajaan Tempatan*. Shah Alam. Institut Perkembangan Pendidikan (InED).

Shostack, G. L. (1977), "Breaking free From Product Marketing," *Journal of Marketing*, 41(April), 73-80.

Siddique, N. A. (2006), Public Management reform in Malaysia, Recent Initiative Experience, *International Journal of Public Sector* Vol. 19 No. 4 (339-358). Australia.

Ullaga, W. & Eggert, A. (2006), "Relationship Value and Relationship Quality", *European Journal of Marketing*, Vol.40, No.3, pp. 311-327.