

IMPROVEMENT OF THE LICENSING SERVICES MECHANISM AT THE ONE-STOP INVESTMENT AND INTEGRATED SERVICE OFFICE USING SOFT SYSTEM METHODOLOGY

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Abstract: This study geared to analyze current problems faced by the One Stop Investment and Integrated Services Offices (Dinas Penanaman Modal dan Pelayanan Terpadu Satu Pintu/DPMPTSP) in delivering licenses to private sectors and subsequently to construct conceptual models in improving their performance. Respondents of this study are experts and leaders representing Ministries/Institutions, DPMPTSP, Technical Offices, Local Governments, and business actors, which total up to 36 respondents. The data were analyzed through Soft System Methodology (SSM) techniques. The results showed that the improvement of licensing service mechanism is the most relevant effort to support the realization of an integrated investment licensing service. Improved licensing service mechanisms are expected to be able to create more effective and efficient licensing services in terms of time, process, and requirements that have been expected by business actors. Through the application of seven stages of SSM analysis, two action plans for improvement are proposed, namely the improvement of the Online Single Submission (OSS) system and Institutional Improvement. Further research is needed to study the implication of time and cost saving could be made if the new models were implemented.

Keywords: Investment, Licensing, Soft Systems Methodology



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The implementation of regional government in Indonesia through the implementation of the principle of decentralization, among others, is intended to develop Indonesia from the regions by realizing new economic growth

clusters. One of the goals of decentralization is to internalize democratic values to the lowest levels of government (Bunte, 2009). That is in line with the mandate of Law No. 23 of 2014 concerning Regional Government, in Article 349 which states that the effectiveness and results of the administration of regional government are achieved both through improving public services and through increasing re-

gional competitiveness (Government of the Republic of Indonesia, 2014).

Regional development is an embodiment of the implementation of government affairs that have been submitted to the regions as an integral part of national development. Development is intended to answer various problems and challenges with the ultimate goal of improving community welfare (Sulistiawati, 2012).

Quality public services are one of the objectives of the regional government. Public services are services provided by the state or government to the community (Hodgkinson *et al.*, 2017). Public services tend to reflect the political factors and institutional behavior of government organizations (Lane, 2000). This concept needs to be completed so that it can illustrate the dynamic and interconnection side of the modern public service system. The concept of contemporary public services requires the involvement of many stakeholders whose interactions with each other, both directly and indirectly, cannot be isolated but are part of a broader ecosystem (Jaakkola & Helkkula, 2015). To be able to provide quality public services, good public sector management is needed. The delivery of public services requires a complex governance system and is not only determined by a particular organization individually (Osborne *et al.*, 2014).

Indonesia's current economic growth strategy cannot rely solely on fiscal and monetary instruments. The third policy space, namely structural policies based on building quality institutions, is a new priority for the Government's approach. Reform in the supply system has the essence of renewing the regulation, bureaucracy, and public sector services needed for the establishment of a conducive and competitive business climate. The government implemented structural reforms that were manifested in economic policy packages in the form of deregulation and bureaucratization (Regional Autonomy Implementation Monitoring Committee, 2016).

Investment plays a very important role in the national economy. "Investment is also important as it is one of the prime determinants of an economy's long-run growth and productivity performance"

(Dornbusch & Fischer, 1990). Improvement of the investment climate needs to be worked seriously and continue to improve the ease of doing business so that capital owners feel comfortable investing in various regions in Indonesia.

One of the government's targets to improve the ease of doing business is to increase its ranking. The government has set a specific target for improving the ease of doing business index. The investment will only come and develop if it is strongly supported by a conducive-competitive business environment (Regional Autonomy Implementation Monitoring Committee, 2016). The crucial issue in investment policy is the ease of doing business, which can be seen in some derivative issues including the regulatory framework, transaction costs, and licensing procedures. Investment attractiveness will arise if the government can facilitate the ease of investors in starting business activities through licensing mechanism. Another portrait related to the ease of doing business in Indonesia is the results of a doing business survey conducted by the World Bank.

Investment attractiveness is determined by various factors, including the quality of infrastructure; the quality of human resources and labor; tax incentives; the degree of conducive industrial relations between the government, employers and employees (laborers); and legal certainty in doing business, as well as licensing services. The Government through Volume XVI Economic Policy Package and Presidential Regulation Number 91 Year 2017 Regarding the Acceleration of Business Implementation has not been able to improve the ease of doing business and strengthen Indonesia's position which is currently ranked 4 (four) as a prospective investment destination country in 2017-2019 (United Nations Conference on Trade and Development, 2017).

Proper, fast, easy, and affordable licensing by the public, and potential investors also determines the realization of investment commitments. However, the facts from the field show that licensing service conditions are still faced by apparatus performance, overlapping regulations, convoluted procedures, unclear completion times and high licensing costs, the many conditions that must be met, the attitude of less responsive officers, the facilities

which is not supportive, licensing is still partial and not integrated, and only a fraction of them use information technology.

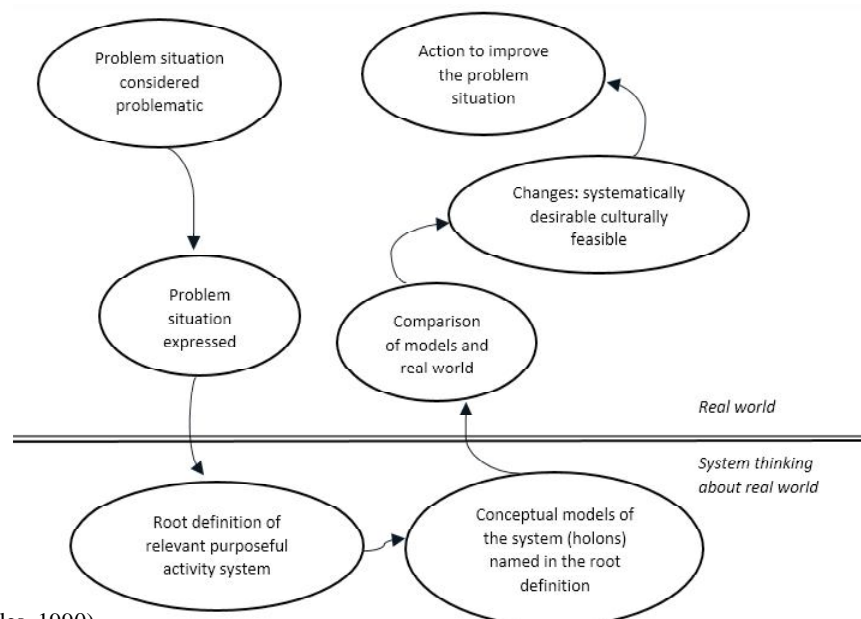
Based on the description of the background and the existing problems identified, the purpose of this study is to analyze current problems faced by the One-Stop Investment and Integrated Services Offices (Dinas Penanaman Modal dan Pelayanan Terpadu Satu Pintu/DPMPTSP) in delivering licenses to private sectors; to collect opinion from experts by conducting series of Focus Group Discussions (FGDs) and in-depth interviews; to process and analyze the data using seven steps of SSM; and finally to construct conceptual models in improving their performance. The model developed is expected to be useful for policymakers at the central level; especially the Coordinating Ministry for Economic Affairs, the Ministry of Home Affairs and the Investment Coordinating Board in making policies related to the establishment of national standard guidance; and the establishment of performance control system of services delivered by Local Government and DPMPTSPs. Provincial and Regency/City Governments are expected to benefit from this study in formulating policies related to delegation of authority from Head of Local

Government to DPMPTSP regarding licensing service. Moreover, Local Government is expected to benefit from DPMPTSP's improvement of institutional mechanism and OSS application system, as well as the ability to control performance of services delivered by DPMPTSPs.

METHOD

Efforts to improve the licensing service mechanism in Indonesia are all mysterious human activity systems; complex; messy; constantly changing; improved through Soft System Methodology (SSM). The complex problematic situation (ill-structured complexity) dominates the problem in improving the licensing service mechanism. Therefore, it is necessary to think holistically by looking at the object being studied concerning components at certain environmental boundaries that work towards the goal.

Soft System Methodology (SSM) is carried out classically through 7 (seven) stages, which are grouped in real-world groups and systems thinking groups (systems thinking about real-world). Checkland and Scholes describe these stages as presented in Figure 1.



Source: (Checkland & Scholes, 1990)

Figure 1 Seven Stages of SSM

The first stage of the SSM series is to identify problematic situations from the conceptual design of an integrated investment licensing model. This initial stage becomes the basic information to begin the making of the rich picture which is the second stage of SSM. A rich picture is a way to provide the best information to get a picture of a problematic situation that must be investigated (Bjerke, 2008). Through this rich picture, the information obtained will be complete and can be seen the root of the problem that occurs.

The next step is the identification of the Root Definition (RD) of the relevant purposeful activity model. The RD of the relevant purposeful activity system stage is the third stage of the SSM that reflects the diversity of actors' perspectives for improving accommodative conditions and constructing it into CATWOE. Based on the RD generated in the third stage, the researchers proceed to the fourth stage which is to formulate a conceptual model of the activity system that has a relevant purpose. This conceptual model represents the perspectives of actors about the desired system in the form of transformations that are modeled in their activities. Conceptual models can be used as intellectual tools utilized to discuss and discuss real world situations considered problematic (Hardjosoekarto, 2012).

The fifth stage is a comparison between models and real world, comparing conceptual models obtained from stage 4 with problem situations that raise many questions. Differences arising from comparing between conceptual models and the real world encourage the desired changes refer to changes in the perspectives of the parties involved and interact. That is the sixth stage of the SSM process; namely changes: systematically desirable culturally feasible, which is the formulation or formulation stage of proposed changes, improvements or improvements to real-world situations that are considered problematic to bridge the actors or parties involved and interact in design and improvement of licensing service mechanisms. The last step is to take action to improve the problem situation.

SSM analysis was performed on the results of primary data processing obtained from FGDs and

in-depth interviews with practitioners consisting of DPMPTSP in Indonesia, BKPM, Coordinating Ministry for the Economy, Ministry of Home Affairs, APINDO, and KADIN.

RESULTS AND DISCUSSION

Stage One and Two: Introduction of Problematic Situations and Development of Rich Picture

Investment growth is one of the important benchmarks in economic growth. Investment is placed as part of the development process. Economic growth is a tangible manifestation of the success of the development of a country as part of the government's goals to prosper the life of the nation.

Realization of investment value in Indonesia in 2014 until 2018 showed a positive trend with an increase in the average value of 11.86% per year, the slowest growth rate occurred in 2017 amounted to 4.26%. The weakening investment in the year was due to the decline in the value of foreign investment as a result of the declining global investment climate.

Based on the Ease of Doing Business Ranking (World Bank Group, 2019), Indonesia is ranked 73. This position is far behind compared to neighboring Singapore, which is ranked two, and Malaysia which is ranked 15. That has led to investment competition, especially foreign investors becoming heavier. The licensing process as a condition for starting a business for investors is one of the factors considered in the EoDB assessment. The ease of the licensing process of starting a business will have a significant impact on investment growth. The results of an interview with the Deputy Chair of the Indonesian Chamber of Commerce and Industry (KADIN), Antonius J Supit, stated that besides the ease in licensing, legal certainty is needed to invest in Indonesia, investors hope that the regulations governing licensing and investment in Indonesia will not change quickly.

Investment growth is one of the solutions to alleviate the problem of unemployment in Indonesia because, with an easy licensing system, it will not be complicated to build a better business climate. The ease of business operators in accessing per-

mits will open up business opportunities that have an impact on increasing employment and economic growth. Growth in the value of investment provides room for the possibility of increasing production capabilities, which in the long run, are expected to have an impact on improving the welfare of the community. Licensing is defined as government authority given to individuals/groups who will carry out certain activities as part of the supervision and control process in the administrative mechanism (Sutedi, 2010). This shows that the government plays an important role in creating a licensing system that can administratively support the development of the business climate. Licensing is a part of public service that must be carried out by the central and regional governments to realize good governance. This requires central and regional governments to be able to provide excellent and professional public services.

The results of interviews with the Executive Director of the Indonesian Employers' Association (APINDO), Agung Pambudi stated that the success of public services is supported by policies/institutions, appropriate mechanisms, and licensing HR personnel. APINDO's Executive Director's statement is in line with the public service theory. Surjadi (2009) defines public service as providing excellent service to the community, which is a manifestation of the obligation of the community apparatus as public servants so that there are three elements of public service, namely institutional elements, service providers, and human resources service providers. A public service is a form of government responsibility as an institution formed to carry out government functions to its citizens (Apdiansyah, 2012).

The results of the FGD, from the DPMPTSP stated that implementation of licensing services is constrained by the limitations of competent human resources. Moreover, the lack of delegation of authority from the Regional Head to DPMPTSP caused the role of the Technical Office in the licensing service process is still very dominant. Also, the evaluation process and the provision of technical recommendations by the Technical Service were considered to belong and convoluted.

BKPM (2019) states that increasing the value

of the investment in Indonesia will continue to show a positive trend with the establishment of a good public service delivery system. One that has been developed in public services in Indonesia is Online Single Submission (OSS) based licensing. OSS was built to make it easy for investors to register or submit an online business license that can be implemented from anywhere.

The application of OSS that only began since the issuance of Government Regulation 24 of 2018 at present is still in a transition period and has not yet satisfied business players' expectations. The concept of OSS development, which was previously directed as One Stop Service, is still far from an integrated service system because the OSS process that is currently running is still in the facilitation stage for issuing a Business Identification Number.

OSS as an application requires the availability of internet access and other technological support for its operation, which must reach all areas including remote areas. This technical support is one way to accelerate the implementation of investment licensing by optimizing the use of digital technology (Sari, 2018). The current condition of internet and technology support for the implementation of electronic licensing has not yet been fulfilled by all regions.

A rich picture is flexible graphical presentation that may be used as part of Checkland's soft system methodology. Referring to Figure 1, the development of a rich picture takes place in step two "problem situation expressed". In the second stage stakeholders describe their concern of problems according to their perspectives. The stakeholders also discussed the whats and hows of the improvement would be addressed.

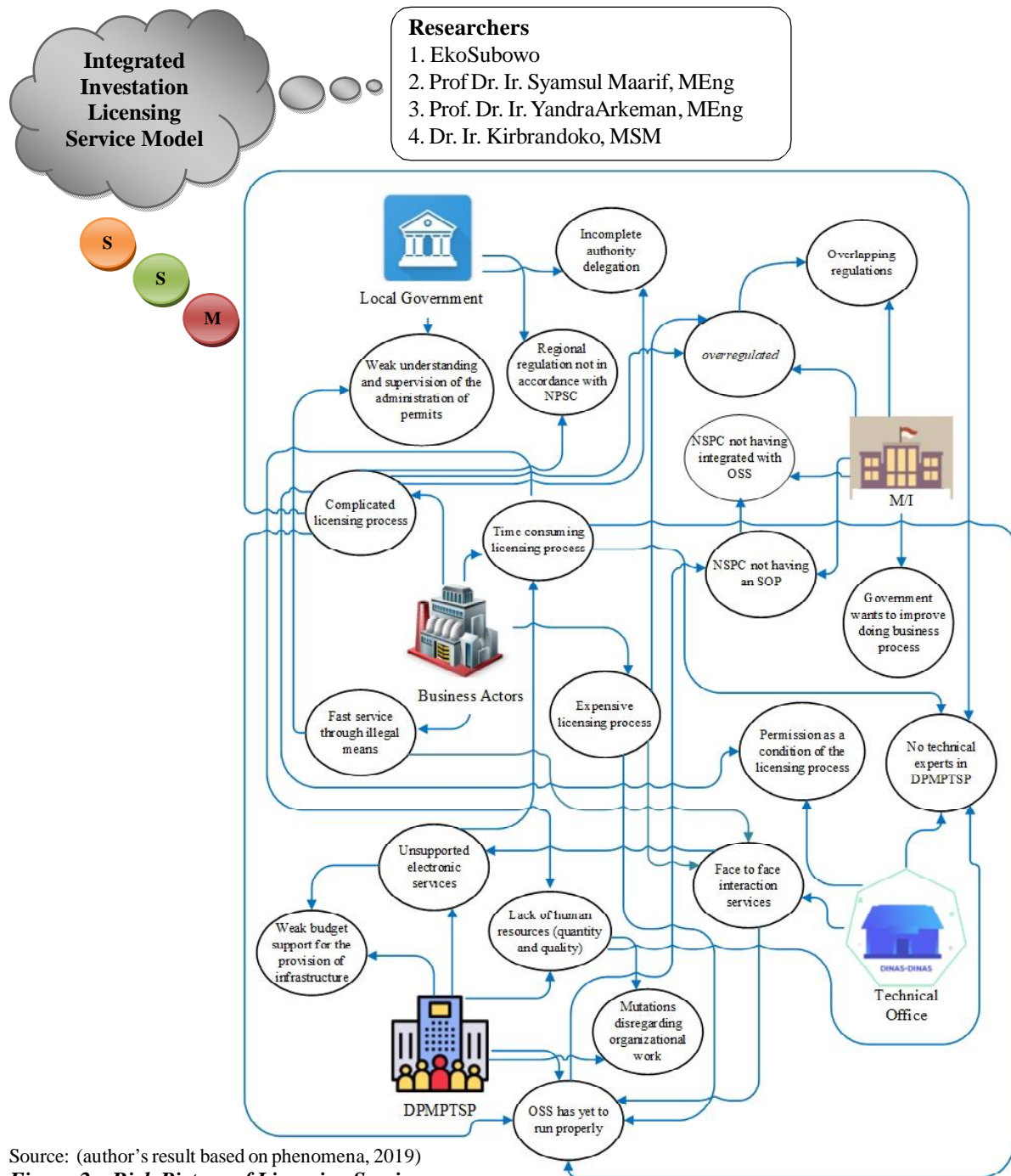
Five principal stakeholders in this study that are: Ministry/Central Institution, Local Government, DPMPTSP, Technical Office, and Business Actors. All of the stakeholders are facilitated to discuss their concerns about problems and problem resolution toward the improvement of licensing service mechanisms.

The opinion of stakeholders is varied from regulation, such as overlapping of laws, NSPC and SOP issues, delegation of authority issues, and the issu-

ance of local regulation. Some other stakeholders expressed their perspective that service mechanisms such as complicated, time consuming, and expensive licensing processes are the main problems. Another group of stakeholders figured that

human resources, funds, and infrastructure support are the most important aspects. A rich picture can be seen in Figure 2.

The above rich picture shows that five prime



Source: (author's result based on phenomena, 2019)

Figure 2 Rich Picture of Licensing Service

stakeholders have expressed their concern regarding the practices and problems related to service quality of DPMPTSP. Stakeholders from the ministries and central institutions stated that there is overlapping regulation, that hinders the quality of service. At the same time, central government also committed to improving doing business process. Some ministries at central level do not have complete NSPC and SOP, which easily followed by Province and Local Government. Provincial and Local Government, as well as DPMPTSP, also augmented the lack of NSPC and SOP. Local Government has not delegated authority to DPMPTSP completely as requested by law. Due to the lack of NSPC and SOP provided by central government, regional and local regulation cannot be established

properly.

DPMPTSP expressed their aspiration that there are some operational problems such as weak budget support for the provision of infrastructure, unsupported electronic services, and the lack of human resources (quantity and quality). Those problems are shared by the technical office.

Business actors complain about the complicated, time consuming, and expensive licensing process. Face to face interaction services sometimes causes fast service through illegal means.

Stage Three: Development of Root Definition (RD)

From the above rich picture, there are actually

Table 1 Root Definition (RD)

RD Name	Activity
Improvement of Service Mechanism	The system owned by DPMPTSP in improving service mechanisms (P) through the integration of electronic service systems (Q) to create service processes (R)

Source: (author's result based on phenomena, 2019)

several issues that can be grouped into Root Definitions (RDs). Among others are issues related to the ambiguity of regulation both at central and provincial/local levels, issues related to the need for improvement of service mechanism, and issues related to the importance of personnel quality improvement. However, due to several limitations the following scope of analysis of this article is limited to the second RD. Improvement of Service Mechanism is expected to be able to create more effective and efficient licensing services in terms of time, process and requirements that have been expected by business actors.

Root Definition is prepared by looking at the current conditions of licensing service mechanisms that still received negative feedbacks from business

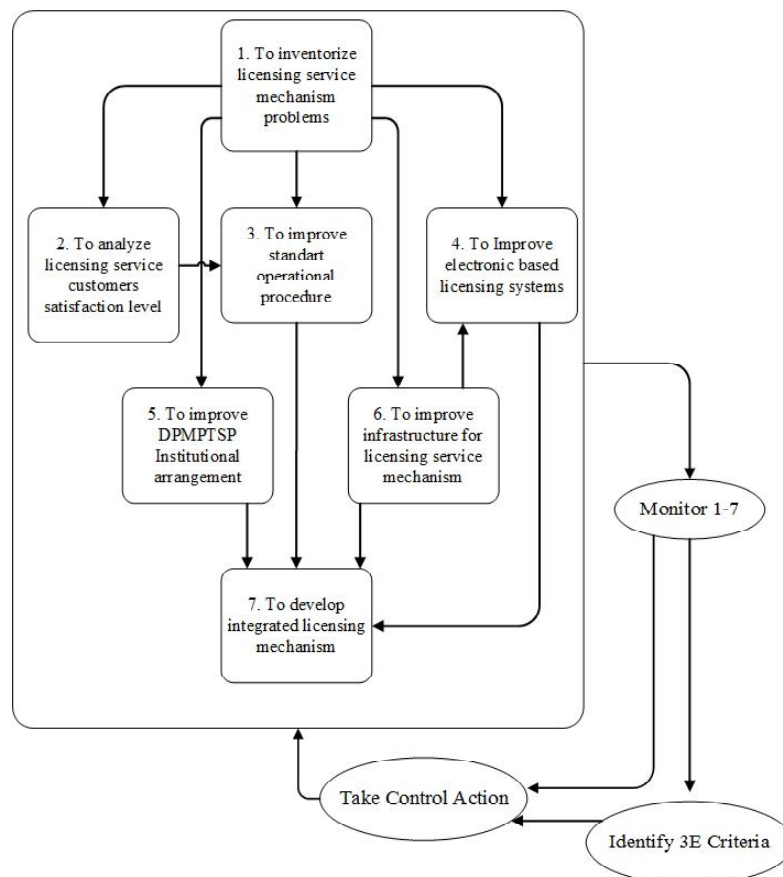
actors as users. The recommended transformation to improve the system is through improving the electronic licensing system, the process of preparing technical recommendations, administrative requirements, and issuing effective licenses. The point of view of this system is the change in licensing service mechanism that is easier, faster, transparent, and integrated to improve the business climate/investment. This system can be said to be running effectively when the achievement of licensing and investment service mechanisms to accelerate the realization of increased investment.

The above CATWOE analysis provides clarity

Table 2 CATWOE and 3E

Customers	Business Actors
Actors	One Stop Investment and One Stop Integrated Services Institution (DPMPTSP), Ministry/Institution, Local Government, Technical Office
Transformation process	Improvement of licensing service mechanisms through improvements to the electronic licensing system, the process of preparing technical recommendations, administrative requirements and issuing effective licenses
Worldview	Changes in the licensing service mechanism that is easier, faster, transparent, and integrated to improve the business/investment climate
Owners	M/I, DPMPTSP
Environmental constraint	Infrastructure aspects, business process aspects, application system aspects, NPSC aspects, institutional aspects
Efficacy	Integrated licensing service mechanism
Efficiency	Minimal infrastructure, institutionalization, human resources, and financing
Effectivity	The achievement of licensing and investment service mechanisms in the context of accelerating the realization of increased investment

Source: (author's result based on phenomena, 2019)



Source: (author's result based on phenomena, 2019)

Figure 3 Conceptual Model of Improved Service Mechanism

to issues that have multiple perceptions and makes explicit what each actor concerns about the improvement of DPMPTSP's service mechanism. The CATWOE analysis facilitated researcher to gather the perceptions of different respondents consist of experts and leaders from the Coordinating Ministry of Economic Affairs, Ministry of Home Affairs, Investment Coordinating Board, Local Governments, DPMPTSP, and Local Technical Office. That allows different respondents to exercise assumptions, positions, and ethical angle in each stakeholder analysis; and forms the ground for either effecting integration between two or more perspectives, prioritizing different perspectives based on the merits of the respective worldview, or selecting one perspective, overriding other perspectives.

Stage Four: Conceptual Model

The conceptual model of the improved service mechanism can be seen in Figure 3.

The conceptual model developed from the root definition (Figure 3) is a sub-system owned and operated by DPMPTSP, M/I, Local Government, and Technical Office in improving the licensing service mechanism through improving the electronic licensing system, the process of preparing technical recommendations, administrative requirements and issuing effective licenses to realize the mechanism licensing services that are easier, faster, transparent, and integrated so as to improve the business/investment climate, consisting of 7 (seven) activities: (1) Conducting an inventory of licensing service mechanism problems; (2) Analyzing the level of customer satisfaction with licensing services; (3) Improving SOPs in the publication of the technical recommendations; (4) Improving electronic based licensing systems; (5) Organizing DPMPTSP institutional arrangements; (6) Improving facilities and infrastructure in improving service mechanisms; and (7) Building an integrated investment licensing mechanism.

The improvement of integrated service mechanisms is an effort that needs to be done to support investment growth and economic growth. The improvement of service mechanisms that are easier, cheaper, and faster begins with the mapping of ser-

vice problems through the assessment of customer satisfaction, in this case, business actors. Business Satisfaction as customers becomes a benchmark for licensing service issues. Existing licensing services are still not felt to provide support to the growth of the business climate, because the process tends to be convoluted and long, causing time and material losses. According to Mulyadi (2018), an improvement in the investment climate and economic growth needs to be supported by easy, inexpensive and fast licensing service mechanisms.

The mechanism improvement is continued with the improvement of Standard Operating Procedure (SOP) of licensing services implemented by DPMPTSP. SOP improvements can be made in terms of setting service deadlines, standard service costs, and clarity in informing the stages to customers. The developed SOP is expected to be implemented by all DPMPTSP so that there are no differences in services between regions. The improvement of the SOP is also expected to be able to minimize delays and the emergence of fees outside the provisions in the licensing service process.

The electronic-based licensing service system that is currently being developed is still not optimal, because the process is only done up to the issuance of Business Identification Number. Therefore, it is necessary to improve the system so that all stages of licensing can be informed through the OSS system. Improvements to the electronic-based service system also need to support infrastructure, which has been an obstacle in realizing integrated licensing services. Supporting adequate infrastructure and systems will create easy access for customers to apply for a permit.

Also important in creating an integrated licensing service mechanism is through the institutional arrangement of DPMPTSP. At present, DPMPTSP has not been able to carry out the entire one-stop licensing service process. The involvement of the Technical Office in preparing the technical recommendations independently must be limited. The Technical Service should assign qualified and qualified personnel to DPMPTSP so that the "One Door" licensing service is realized at DPMPTSP. This is in line with the results of Wimmer's research (2002),

which states that one of the things that can support the implementation of e-government is to provide access to public services through one door even though the service is provided by several institutions.

Stages Five and Six: Comparison of the Model with the Real World and Proposed Corrective Action

The recommended changes to the mechanism improvement sub-system begin with a comprehensive inventory of the licensing service system. Inventory can be carried out through a thorough examination of issues that are technical and substantive. Current conditions, in each region, have a variety of problems and gaps occur. In general, policymakers at the central level have not yet carried out an inventory of problems as a basis for improving service systems that can be applied in all regions.

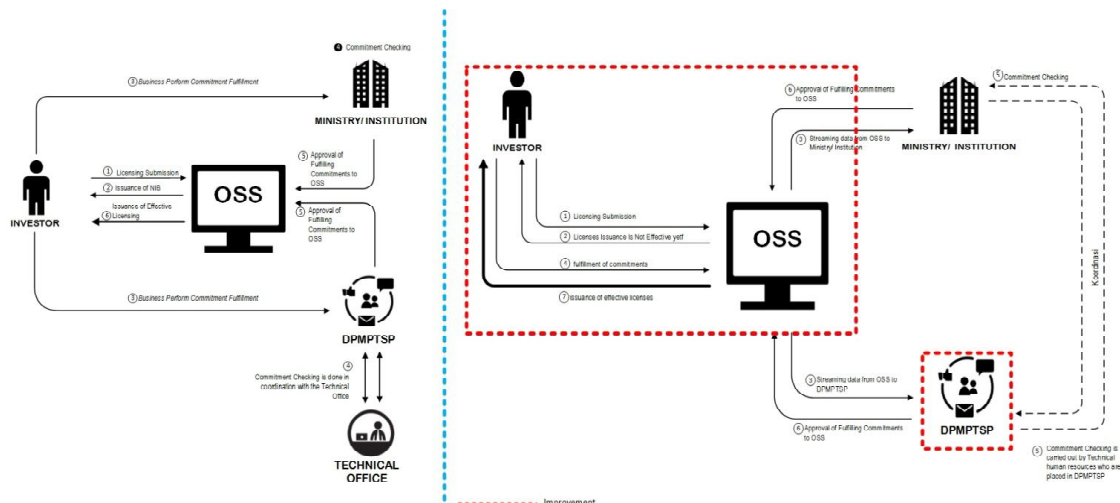
The recommended changes to the mechanism improvement sub-system begin with a comprehensive inventory of the licensing service system. Inventory can be carried out through a thorough examination of issues that are technical and substantive. In reality, each region has a variety of problems, and gaps occur. In general, policymakers at the central level have not yet carried out an inven-

tory of problems as a basis for improving service systems that can be applied in all regions.

Business operators/licensing service customers are the closest stakeholders to the licensing service system. The level of customer satisfaction with existing services is an important input in improving licensing mechanisms. The current condition is that not all DPMPTSPs have collected information related to customer satisfaction with the services that have been performed. So that the mechanism for improving the mechanism is still based on the perspective of implementing licensing services, not considering costumers as service recipients.

After knowing the problem both from the service implementer and service recipient, it is necessary to formulate an improvement in Standard Operating Procedure (SOP). The absence of SOPs in the publication of the technical recommendations publishing services resulted in a long process and not in accordance with the expectations of business operators who want a fast service process. The gap was caused by the involvement of the Technical Office in the process of community engineering, which resulted in the process being unable to be controlled by DPMPTSP.

Success in improving electronic/OSS-based service systems can be achieved with the support of supporting infrastructure. Current factual condi-



Source: (author's result based on phenomena, 2019)

Figure 4 Existing and Improved OSS Mechanism Model

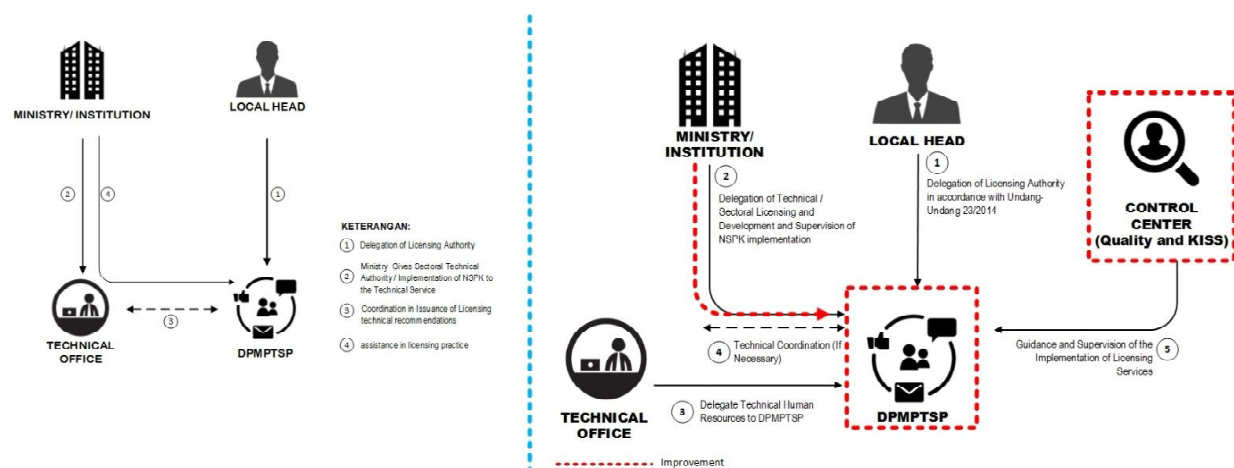
tions, many regional DPMPTSPs are not equipped with supporting infrastructures, such as poor internet networks and inadequate computerized facilities. That is a barrier to the success of the electronic-based licensing service process. Therefore, it is immediately necessary to improve the infrastructure according to minimum service standards. A comparison of the existing and improved OSS mechanism models can be seen in Figure 4.

The form of an improved model developed to improve the licensing service mechanism is an improvement in the operation of the OSS (Figure 4). The OSS mechanism is directed at Online One Stop Service where business actors only interact with the OSS system starting from filing permits, completing commitments, receiving effective permits.

This mechanism is considered capable of reducing face-to-face interaction between business operators and service providers so that the service system is transparent, accountable and free of corruption.

After the stages are carried out, the next recommendation that needs to be done is an institutional arrangement. The current gap is that DPMPTSP in the permit issuance process still depends a lot on the performance of the Technical Office, so the one-stop service concept has not yet been implemented. A comparison of the existing and improved institutional mechanism improvement model can be seen in Figure 5.

To create integrated licensing services,



Source: (author's result based on phenomena, 2019)

Figure 5 Existing and Institutional Mechanism Improvement Model

DPMPTSP institutional arrangements need to be done immediately (Figure 5). The structuring begins by obeying Law 23 of 2014. All Regional Heads must delegate licensing authority to DPMPTSP. Under these conditions, the entire licensing process is carried out in one door. In supporting the issuance of technical recommendations, DPMPTSP no longer needs to forward the permit application file to the Technical Service for evaluation, but instead in the DPMPTSP HR representatives from the tech-

nical Service who are competent in the technical and administrative services of licensing services have been placed.

The improvement of SOP, institutional arrangement, improvement of infrastructure, and electronic systems need to be carried out systematically and synergistically so that the integrated service mechanism can be realized immediately. To ensure optimal functioning of the mechanism, it is recommended to establish a Control Center that functions to over-

see the quality of licensing and ensure that coordination, consistency, integration, synchronization, and synergy run smoothly between the Regional Government, M/I, DPMPTSP, Technical Office and Business Actors.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

Referring to the research results, the improvement of the licensing service mechanism can be made through;

1) OSS Improvement

Improvement of OSS to Online One Stop Service, where a series of licensing services are updated and informed through OSS. In this model, customers can directly submit and received their applications by electronic application without face to face interaction.

2) Institutional Improvement

Institutional improvement is directed at the One Stop Integrated Service, where all licensing service activities are carried out at DPMPTSP. This requires the appointment of personnel from Technical Office to be assigned and integrated into DPMPTSP. This condition will cut service time, increase process effectiveness, and curb corruption.

Recommendations

This research is limited to the development of new models that focused on the advancement of business process mechanism of DPMPTSP. It is indicated that the new models will cut service time and shorten process mechanism, but the exact time and cost saving are not calculated yet. Therefore, further research needs to be done to study in detail the implication of time and cost saving that could be made if the new models were implemented.

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