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ASSESSING LOCAL GOVERNMENT CAPABILITY IN DELIVERING PUBLIC SERVICE: A CASE STUDY OF BUSINESS PERMITS

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ABSTRACT

This study aims to analyze the capabilities of the Investment and One-Stop Integrated Service Office (DPMPTSP) of Tanjungpinang City in implementing an integrated business licensing system (OSS-RBA). A qualitative approach with a case study method was employed. Data were collected through in-depth interviews and document analysis and were analyzed using the interactive model, consisting of data condensation, data display, and conclusion drawing. The findings reveal that the organizational capability of DPMPTSP is built upon institutional, human resource, financial, technical, policy implementation, and leadership capabilities, which are integrated to support OSS-RBA implementation. Nevertheless, the effectiveness of these capabilities is constrained by several challenges, including limited inter-agency coordination, disparities in digital competencies among civil servants, disruptions to the nationally integrated OSS-RBA system, and insufficient public understanding of risk-based licensing procedures. Furthermore, this study identifies innovation management capability as a key factor that strengthens organizational capability through service assistance, the utilization of digital media, and continuous improvement of service processes.
Keywords: Organizational capability, Licensing services, Innovation management, Local government.

ABSTRAK

Penelitian ini bertujuan untuk menganalisis kapasitas Dinas Perizinan dan Pelayanan Terpadu Satu Pintu (DPMPTSP) Kota Tanjungpinang dalam menerapkan sistem perizinan usaha terpadu (OSS-RBA). Pendekatan kualitatif dengan metode studi kasus digunakan dalam penelitian ini. Data dikumpulkan melalui wawancara mendalam dan analisis dokumen, kemudian dianalisis menggunakan model interaktif yang terdiri dari kondensasi data, penyajian data, dan penarikan kesimpulan. Temuan menunjukkan bahwa kemampuan organisasi DPMPTSP dibangun atas dasar kemampuan kelembagaan, sumber daya manusia, keuangan, teknis, implementasi kebijakan, dan kepemimpinan, yang terintegrasi untuk mendukung implementasi OSS-RBA. Namun demikian, efektivitas kemampuan-kemampuan tersebut dibatasi oleh beberapa tantangan, termasuk koordinasi antarinstansi yang terbatas, kesenjangan kompetensi digital di kalangan pegawai negeri sipil, gangguan pada sistem OSS-RBA terintegrasi nasional, serta pemahaman masyarakat yang belum memadai mengenai prosedur perizinan berbasis risiko. Selain itu, penelitian ini mengidentifikasi kemampuan manajemen inovasi sebagai faktor kunci yang memperkuat kemampuan organisasi melalui bantuan layanan, pemanfaatan media digital, dan perbaikan berkelanjutan terhadap proses layanan.
Kata kunci: Kapabilitas organisasi, Pelayanan perizinan, Manajemen inovasi, Pemerintah daerah.

INTRODUCTION

Licensing services are a form of public service that plays a strategic role in improving the quality of governance while promoting regional investment growth (Mursyidah & Choiriyah, 2020). High-quality licensing services not only provide legal certainty for the public and business actors but also serve as an indicator of the success of bureaucratic reform in realizing effective, transparent, and accountable public

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services. Therefore, the Indonesian government continues to reform permit services to create a more competitive investment climate through regulatory simplification and the digital transformation of public services (Suroso et al., 2024).

These reforms were enacted through the issuance of Law No. 11 of 2020 on Job Creation, which was subsequently implemented through the Online Single Submission Risk-Based Approach (OSS-RBA) as regulated in Government Regulation No. 5 of 2021. The OSS-RBA system transforms the licensing service mechanism into a risk-based approach, making the licensing process simpler, faster, more integrated, and focused on post-licensing oversight (Peraturan Pemerintah Republik Indonesia Nomor 5 Tahun 2021; Undang-Undang Republik Indonesia Nomor 11 Tahun 2020).This policy is expected to improve the ease of doing business, strengthen investment competitiveness, and sustainably improve the quality of public services (Suroso et al., 2024).

Nevertheless, the success of OSS-RBA implementation is not determined solely by the existence of regulations or information technology, but is also influenced by the capabilities of the organizations providing public services (Helfat & Maritan, 2024). From the perspective of the Resource-Based View (RBV), an organization will be able to achieve superior performance if it can effectively manage and utilize its internal resources, thereby building valuable and sustainable organizational capabilities (Barney, 1991; Barney & Clark, 2007). In public-sector organizations, these capabilities are realized through the ability to manage human resources, institutional structures, finances, technology, leadership, and policy implementation in order to deliver high-quality public services (Kusumasari & Alam, 2012).

The concept of organizational capability is becoming increasingly important in the face of the digital transformation of public services. Public organizations are required to adapt their organizational structures, develop the competencies of their staff, foster cross-sector coordination, and integrate service innovations so that they can respond to a dynamic and changing environment (Coulon et al., 2020; Widianto et al., 2021). Satria & Kusumastuti (2020) shows that dynamic capabilities influence the enhancement of organizational innovation, which ultimately improves public service performance. Thus, strengthening organizational capabilities is a key prerequisite for the successful implementation of digital-based service reforms.

This situation poses a challenge for the Tanjungpinang City Investment and One-Stop Integrated Service Agency (DPMPTSP) as the local government agency responsible for providing licensing and investment services. Tanjungpinang City occupies a strategic position as the capital of the Riau Islands Province, located near Singapore, giving it significant potential to attract investment in the trade, services, tourism, and maritime economy sectors. These conditions call for the implementation of a licensing system that can facilitate business operations, provide legal certainty, and offer fast and responsive services to business operators (Mahpudin, 2022).

However, various challenges still exist in the implementation of OSS-RBA-based licensing services at the regional level. Several studies have pointed to limitations in the competence of government officials, suboptimal integration of digital systems, weak interagency coordination, and low public literacy regarding the OSS-RBA system (Sahatatua et al., 2024; Suyani & Laelatullaena, 2024) . The 2024 LAKIP Report of the Tanjungpinang City DPMPTSP also indicates that technical system issues, limited human resources, and coordination across local government agencies remain challenges in improving the quality of licensing services (DPMPTSP Kota Tanjungpinang, 2024). This situation indicates that strengthening organizational capabilities remains a fundamental requirement for supporting the implementation of licensing service reforms.

Various previous studies have examined the implementation of OSS-RBA and the capabilities of public sector organizations from various perspectives. Suroso et al. (2024) places greater emphasis on the legal aspects of simplifying licensing regulations through the Job Creation Law. Satria and Kusumastuti (2020) analyzing the impact of dynamic capabilities on the performance of public service agencies using a quantitative approach. Bahagijo et al. (2025) examining the dynamic capabilities of LPDP and PT KAI through a comparative case study, whereas Kristinawati (2024) analyzing the dynamic capabilities of the

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Bandung City Government in responding to the COVID-19 pandemic. These studies contribute to the development of organizational capability theory, but do not specifically explain how organizational capabilities are built within local government agencies that provide OSS-RBA-based licensing services in island regions.

Based on this literature review, there are two research gaps in this study. First, there is still a limited number of studies examining the capabilities of the DPMPTSP as an organization responsible for providing licensing services using a qualitative approach capable of explaining the dynamics of OSS-RBA implementation in depth. Second, there have not been many studies that integrate the Resource-Based View (RBV) perspective with the local government capability model developed Kusumasari and Alam (2012) in analyzing institutional, human resource, financial, technical, policy implementation, leadership, and innovation capabilities within local government agencies. Therefore, this study aims to analyze the forms of capabilities possessed by the DPMPTSP of Tanjungpinang City in delivering OSS-RBA-based licensing services through the Resource-Based View perspective and the local government capability model. This study is expected to contribute to the development of public administration theory while providing recommendations for local governments on strengthening organizational capabilities to improve the quality of licensing services and enhance regional investment competitiveness (Yudiatmaja & Samnuzulsari, 2025).

METHODS

This study employs a qualitative approach using a case study design to analyze the capabilities of the Tanjungpinang City Investment and One-Stop Integrated Service Agency (DPMPTSP) in providing licensing services based on the Online Single Submission Risk-Based Approach (OSS-RBA) (Cresswell, 2009). The study was conducted at the DPMPTSP of Tanjungpinang City, Riau Islands Province. Research informants were selected using purposive sampling and consisted of five DPMPTSP officials directly involved in the delivery of licensing services, namely a Technical Policy Reviewer, a Senior Archivist, a Junior Licensing Administrator, an Intermediate Licensing Administrator, and a Junior Planner (Andana et al., 2026).

Data was collected through semi-structured interviews, observations, and a review of supporting documents, such as the Strategic Plan (Renstra), the Government Agency Performance Accountability Report (LAKIP), standard operating procedures (SOPs), and relevant regulations. Data analysis was conducted using an interactive model Miles et al. (2014) which includes data condensation, data presentation, and the drawing and verification of conclusions. Data validity is tested through source triangulation and methodological triangulation to enhance the credibility of the research findings.

DISCUSSION

The DPMPTSP's Capabilities in Providing OSS-RBA

The research findings indicate that the capabilities of the Tanjungpinang City DPMPTSP in delivering licensing services based on the Online Single Submission Risk-Based Approach (OSS-RBA) are shaped by institutional, human resource, financial, technical, policy implementation, and leadership capabilities that interact with one another to support the delivery of licensing services. These six forms of capability do not operate in isolation but rather complement one another, thereby forming the organization's capacity to manage digital-based licensing services.

Institutional capabilities provide a foundation through regulations, organizational structures, standard operating procedures, and coordination mechanisms that support service delivery. Human resource capabilities ensure that civil servants are competent in operating the OSS-RBA through training and technical guidance. Financial capabilities provide budgetary support for service operations, the development of civil servant competencies, and the provision of service facilities. Meanwhile, technical capabilities are realized through the use of the OSS-RBA system along with information technology infrastructure that supports service processes. Policy implementation is supported by the organization's

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ability to consistently enforce regulations through public outreach and assistance, while leadership plays a role in directing, coordinating, and evaluating service delivery.

These findings confirm that the successful implementation of OSS-RBA is determined not only by the availability of organizational resources, but also by the organization's ability to integrate all of those resources. Thus, the research results reinforce the view that Kusumasari and Alam (2012) that the capabilities of local governments consist of a combination of various organizational capabilities that support one another in achieving public service objectives. The Resource-Based View also explains that an organization will perform better if it is able to manage and combine its resources effectively, thereby generating an organizational advantage in the delivery of public services.

The Challenges in Implementing OSS-RBA

Although various forms of capacity have supported the delivery of OSS-RBA-based licensing services, research findings indicate that its implementation still faces several challenges. These challenges include coordination among local government agencies that is not yet fully effective, disparities in civil servants' digital competencies, disruptions to the nationally integrated OSS-RBA system, and the public's still limited understanding of risk-based service mechanisms.

The findings indicate that the effectiveness of organizational capabilities is influenced not only by internal organizational factors but also by external factors beyond the control of the DPMPTSP. Cross-organizational coordination is essential because the OSS-RBA-based licensing process involves various local government agencies, each acting within their respective technical jurisdictions. On the other hand, regulatory changes and technological advancements require government officials to continuously enhance their competencies so they can provide adaptive services to the public.

These findings support the research Sahataua et al. (2024) which explains that the implementation of OSS-RBA in local governments still faces challenges in the form of interagency coordination, civil service readiness, and regulatory changes. In addition, the research findings Suryani et al. (2023) It also shows that disruptions to electronic systems and low levels of digital literacy among the public remain factors that affect the quality of OSS-RBA-based licensing services. Therefore, efforts to improve organizational capabilities should focus not only on providing resources, but also on strengthening coordination mechanisms, organizational learning, and adaptation to changes in the environment.

Capability to Manage Innovation

An interesting finding from this study is the emergence of the capability to manage innovation as a factor that strengthens the delivery of OSS-RBA-based licensing services. This capability is realized through the development of guidance on using OSS-RBA, the use of digital media to disseminate service information, the simplification of service procedures, and various service improvement efforts tailored to the needs of the community. The research results indicate that innovation functions not only as an organizational output but has also become an organizational capability for responding to regulatory changes, technological developments, and public demands for quality public services.

These findings expand upon the application of the local government capability model proposed by Kusumasari and Alam (2012). While Kusumasari and Alam (2012) identifies institutional, human resource, financial, technical, policy implementation, and leadership capabilities as the primary dimensions of local government capabilities, this study shows that, in the context of the digital transformation of public services, an organization's ability to manage innovation also enhances the effectiveness of OSS-RBA implementation. The RBV perspective supports these findings by explaining that innovation is the result of an organization's ability to integrate various resources so that it can create added value and enhance the organization's adaptability to environmental changes (Barney, 1991).

These findings are consistent with Lawson and Samson (2001) who explain that innovation capability is an organization's ability to transform knowledge, resources, and experience into sustainable innovation.

However, this study provides a new context for public sector organizations, particularly the DPMPTSP, by demonstrating that innovation not only generates new services but also strengthens the organization's capability to deliver OSS-RBA-based licensing services in a more adaptive, responsive, and community-oriented manner.

CONCLUSION

This study shows that the capabilities of the Tanjungpinang City Investment and One-Stop Integrated Service Agency (DPMPTSP) in delivering licensing services based on the Online Single Submission Risk-Based Approach (OSS-RBA) are shaped by institutional, human resource, financial, technical, policy implementation, and leadership capabilities that are mutually integrated in supporting service delivery. Nevertheless, the effectiveness of the organization's capabilities still faces challenges, including suboptimal coordination across local government agencies, varying levels of digital competency among civil servants, disruptions to the nationally integrated OSS-RBA system, and the public's limited understanding of risk-based licensing mechanisms.

This study also found that the capability to manage innovation serves as a factor that strengthens organizational capabilities in the delivery of OSS-RBA-based licensing services. This capability is realized through mentoring for business operators, the use of digital media as a means of disseminating information, and the refinement of service processes in accordance with public needs. These findings indicate that the success of OSS-RBA implementation is determined not only by the availability of organizational resources but also by the organization's ability to integrate resources and manage innovation sustainably. Thus, this study enriches the literature on organizational capabilities in digital public services by demonstrating that the ability to manage innovation serves as a supporting factor in enhancing the effectiveness of OSS-RBA-based licensing services.

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