



AGILE GOVERNANCE AS AN INNOVATIVE APPROACH TO PUBLIC SERVICES IN THE INVESTMENT AND ONE-STOP INTEGRATED SERVICES OFFICES OF SULAWESI PROVINCES

Nana Puji Lestari^{1*}, Ayu Amalia², Hasniati³, Muhammad Rusdi⁴, Nurdin Nara⁵

¹Department of Administrative Science, Faculty of Social and Political Sciences, South Sulawesi, Indonesia.

²Department of Government Science, Faculty of Social and Political Sciences, South Sulawesi, Indonesia.

³Department of Administrative Science, Faculty of Social and Political Sciences, South Sulawesi, Indonesia.

⁴Department of Administrative Science, Faculty of Social and Political Sciences, South Sulawesi, Indonesia.

⁵Department of Administrative Science, Faculty of Social and Political Sciences, South Sulawesi, Indonesia.

Corresponding Author: Nana Puji Lestari, Email: AyuArifin.Fisipunhas@gmail.com

Abstract

This study examines Agile Governance as an innovative approach to improving the quality of inclusive public services and fostering a conducive investment climate in Sulawesi. Despite the region's abundant natural resources, the effectiveness of local government institutions, particularly the Investment and One-Stop Integrated Services Offices (DPMPTSP), is crucial in ensuring equitable access, fairness, and responsiveness in public service delivery. Weaknesses in institutional governance may hinder service inclusivity, reduce public trust, and limit investment opportunities essential for regional growth. Employing a mixed-methods approach with a sequential explanatory design, the study provides comprehensive and objective findings. The results indicate that implementing Agile Governance within DPMPTSP enhances institutional capacity to deliver inclusive public services by strengthening transparency, participation, accountability, and responsiveness. This approach increases accessibility for marginalized groups, improves service efficiency, and enhances public satisfaction, while also supporting regional competitiveness through sustainable investment realization. Beyond managerial reform, Agile Governance introduces cultural and structural transformation within public service institutions, emphasizing adaptability, collaboration, and continuous improvement. The study develops a conceptual model of Agile Governance tailored to the socio-economic and institutional dynamics of Sulawesi, highlighting its relevance in addressing diverse community needs and rapidly evolving challenges. The findings provide both theoretical and practical contributions for strengthening inclusive governance, improving institutional performance, and aligning local service delivery with broader national and regional development agendas.

Keywords: Agile Governance, inclusive public services, DPMPTSP, institutional governance, regional development, Sulawesi.

INTRODUCTION

Improving public service quality and fostering a conducive investment climate are essential for accelerating regional development and enhancing societal welfare in Sulawesi. The Investment and One-Stop Integrated Services Offices (DPMPTSP) serve as the frontline of local government, responsible for licensing, non-licensing services, and investment facilitation at provincial and district levels. The effectiveness of DPMPTSP directly affects perceptions of ease of doing business, investment realization, and regional competitiveness.

Despite their strategic role, DPMPTSP offices across Sulawesi face significant challenges. Internal factors include limited human resource capacity, inadequate infrastructure, and insufficient technical



incentives, while external factors involve complex inter-agency coordination, evolving regulatory frameworks, and obstacles in implementing the national OSS-RBA licensing system. Regional disparities further complicate service delivery, with variations in staff competence, integration of services, investment promotion, and compliance monitoring across provinces.

In response, Agile Governance provides an innovative approach to transform public service institutions. Emphasizing adaptability, responsiveness, transparency, and continuous improvement, Agile Governance enables DPMPTSP to streamline procedures, enhance accessibility for marginalized groups, strengthen accountability, and foster collaboration with stakeholders. By embedding agile principles into organizational culture and structures, DPMPTSP can improve service efficiency, promote sustainable investment, and ensure inclusive regional development aligned with national and local growth agendas.

Table 1. Key Challenges Faced by Provincial DPMPTSP Offices in Sulawesi

No.	Province	Key Challenges	Data Source
1.	Central Sulawesi	Inadequate human resource competencies; suboptimal facilities and infrastructure; underperformance of post-COVID-19 investment promotion; unresolved spatial planning issues; uneven OSS-RBA implementation at district/municipal levels.	LKJiP DPMPTSP Central Sulawesi
2.	Southeast Sulawesi	Lack of incentives for technical teams; stalled and poorly monitored investment projects; limited understanding of OSS-RBA among officials and businesses; absence of field operational vehicles; frequent regulatory changes; low LKPM reporting compliance; public service rated “C”.	LKJiP DPMPTSP Southeast Sulawesi
3.	South Sulawesi	Incomplete integration with Public Service Mall (MPP); low company compliance in LKPM reporting; uncondusive investment climate (spatial planning, limited incentives); poor investment promotion and data management.	LKJiP DPMPTSP South Sulawesi
4.	West Sulawesi	Inadequate quantity and quality of human resources; absence of specific regional investment regulations; weak supervision and control of foreign/domestic investments; suboptimal promotion and management of regional investment potential.	LKJiP DPMPTSP West Sulawesi
5.	Gorontalo	Need to increase realized investment; need to improve governance and public service quality in investment and integrated licensing sectors.	LKJiP DPMPTSP Gorontalo
6.	General (All Sulawesi)	Limited IT infrastructure and skilled human resources; inter-agency coordination complexities; challenges in OSS-RBA implementation (system errors, user comprehension, data synchronization issues).	Lestari & Zulkarnaini (2023)



Public sector organizations such as the Investment and One-Stop Integrated Services Agencies (DPMPTSP) face complexity, uncertainty, and rapidly changing environmental conditions. To address these challenges, Agile Governance, as proposed by Luna et al. (2015), provides a promising paradigm. It is defined as an organization's capacity to sense, adapt, and respond to environmental changes effectively, sustainably, and efficiently (Ferdian et al., 2023). This is achieved through a coordinated combination of agile capabilities (agility, flexibility, responsiveness, innovation) and governance capabilities (strategic direction, accountability, compliance), aimed at delivering value to stakeholders more rapidly and effectively.

Implementing Agile Governance within DPMPTSP strengthens both capability domains, enabling the agency to address operational challenges, optimize digital service systems like OSS-RBA, and focus on delivering real value to the public and businesses. Beyond managerial tools, Agile Governance fosters a paradigm shift in organizational culture, transforming rigid, procedure-driven bureaucracy into dynamic, collaborative, results-oriented, learning organizations. This transformation allows DPMPTSP to proactively meet public and market demands for high-quality services. Although Agile Governance has been recognized globally and explored in some Indonesian contexts, there is limited empirical research on applying Luna et al.'s model specifically to investment service institutions. Core principles such as Business-Driven, Human-Focused, Systematic and Adaptive Approach, and Simple Design with Continuous Refinement align closely with the needs of DPMPTSP across Sulawesi. Moreover, its emphasis on ICT adoption directly supports ongoing digitalization efforts.

This study addresses this gap by empirically examining Agile Governance implementation across all provincial DPMPTSP offices in Sulawesi. It investigates the relationships between agile and governance capabilities and organizational performance, identifies dominant predictive factors, and considers contextual moderators such as fiscal capacity, HR quality, and regional policy variations. Finally, the study proposes a regionally adapted conceptual model of Agile Governance tailored to Sulawesi's socio-economic and institutional dynamics, offering both theoretical contributions to Agile Governance theory and practical guidance for policymakers to improve inclusive public services and investment facilitation.

2. THEORETICAL

The concept of Agile Governance has evolved from the principles of lean thinking, originating in Japanese industry during the 1950s, and has been influenced by key regulatory frameworks such as Basel I and the Sarbanes-Oxley Act, which highlight the importance of accountability and responsiveness. While "agile" gained global attention after the Agile Software Development Manifesto (2001), Nagel introduced agile manufacturing in the 1990s, marking a shift toward flexible and adaptive organizational paradigms. Over the past two decades, Agile Governance has expanded from software and IT governance to a multidisciplinary concept encompassing organizational agility, competitiveness, and sustainability.

Several scholars have contributed to its theoretical foundations. Qumer (2007) defines Agile Governance as an integrated framework combining accountability mechanisms, adaptive processes, lightweight structures, and continuous evolution to align strategic objectives with performance. Cheng et al. (2009) emphasize managerial accountability and agile methodologies to establish responsive control systems. Luna et al. (2010, 2013, 2014) broaden this view by coordinating agile and lean capabilities with governance functions, enabling institutions to deliver value more efficiently.

In the public sector, Agile Governance reflects an institution's capacity to anticipate, adapt, and respond to complex environmental changes sustainably. It promotes flexibility, strategic alignment, and stakeholder collaboration, ensuring that government institutions maintain responsiveness and innovation to deliver public value in a volatile and uncertain environment.



3. RESEARCH METHODS

This study employs a mixed-methods approach with a sequential explanatory design. Quantitative data are collected and analyzed first, followed by qualitative data to deepen the findings (Creswell, 2010; Nusa & Hendarman, 2013). This approach allows for a comprehensive, valid, and reliable analysis of complex phenomena.

Quantitative Method

The independent variable is Environmental Factor Effect, while the dependent variables include Moderator Factor Effect, Agile Capabilities, Governance Capabilities, Business Operations, and Value Delivery. Data were collected via structured questionnaires from civil servants at DPMPSTP offices in South Sulawesi, Central Sulawesi, and West Sulawesi using online and offline methods. The questionnaire, based on Luna et al.'s Agile Governance Theory, contains 34 items rated on a 7-point Likert scale. The population comprised 380 civil servants, and a Two-Stage Cluster Sampling technique was applied. Data analysis was conducted using Structural Equation Modeling with Partial Least Squares (SEM-PLS) to examine relationships among constructs.

Qualitative Method

Qualitative data were collected to enrich and explain quantitative results. Using purposive and snowball sampling, informants included key officials at the West Sulawesi DPMPSTP office, such as the Secretary, Investment Management Officers, Licensing Officers, planners, and staff. Data were collected through interviews, observations, and document reviews. Analysis followed the Miles and Huberman model, consisting of data reduction, data display, and conclusion drawing/verification. Integrating both quantitative and qualitative analyses provides a robust and nuanced understanding of Agile Governance implementation in DPMPSTP.

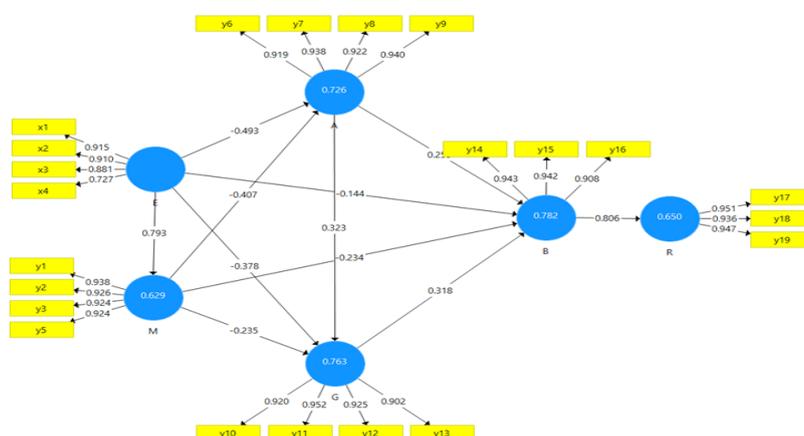
4. RESULTS AND DISCUSSION

Quantitative Data Analysis Results

Measurement Model

The measurement model demonstrated strong validity and reliability. Of the 24 initial indicators, 22 met convergent validity criteria (outer loading > 0.70; AVE > 0.50), with two indicators removed due to low reliability. Discriminant validity, assessed via Fornell-Larcker, cross-loading, and HTMT, confirmed that all constructs were empirically distinct. Reliability testing showed Cronbach's Alpha, rho_A, and Composite Reliability values above 0.70 for all constructs, indicating high internal consistency. Overall, the measurement model satisfied convergent validity, discriminant validity, and reliability requirements.

Figure 1. Model Estimasi AGT (*Scenario Start Up*)





Based on the results shown in figure 1 the first measurement model is valid and reliable. All indicators have strong and significant outer loadings with their respective constructs. Each construct explains a majority of the variance in its indicators, and the measurement instruments show high internal consistency. Additionally, each construct is empirically distinct, confirming that the model meets the requirements for convergent validity, discriminant validity, and reliability.

Structural Model

Structural analysis tested hypothesized relationships between constructs. Fifteen out of sixteen paths were statistically significant ($p < 0.05$). Key findings include:

- **Environmental factors (E)** positively influenced moderator factors (M) but negatively affected agile (A) and governance capabilities (G).
- **Moderator factors (M)** negatively impacted A, G, and business operations (B), suggesting internal misalignment with performance goals.
- **Agile capability (A)** positively influenced G and B, while G positively supported B.
- **Business operations (B)** had the strongest effect on value delivery (R) ($F^2 = 1.856$), highlighting its central role

Goodness-of-fit metrics indicated strong model performance. R^2 values ranged from moderate to high, with B showing the highest explanatory power (0.782). Q^2 values exceeded 0.35, SRMR was 0.059 (< 0.08), and PLS Predict confirmed strong predictive accuracy.

Qualitative Data Analysis

Public Service Perception (SKM)

Across South Sulawesi, Central Sulawesi, and West Sulawesi, community satisfaction with DPMPTSP services was rated as “Excellent,” reflecting high public approval.

SAKIP Scores and Budget Performance

All DPMPTSP offices achieved an “A” rating in SAKIP, indicating strong performance accountability. Budget absorption rates were also high: Sulbar 99.86%, Sulsel 96.43%, and Sulteng 90.63%, demonstrating effective fiscal management.

PTSP Performance and Business Acceleration

All three provinces consistently received “Excellent” ratings, highlighting the effectiveness of DPMPTSP offices in facilitating business operations and supporting investment.

Investment Realization

Investment patterns varied across provinces:

- **Central Sulawesi** - led in total investment value (Rp 139.88 trillion), dominated by foreign direct investment.
- **South Sulawesi** - recorded the highest number of projects (15,368), mainly domestic investments, reflecting a diversified business environment.
- **West Sulawesi** - lagged in both investment value and project numbers, indicating structural challenges and a need for improved infrastructure and promotion strategies.

Integration and Discussion

The study revealed that the implementation of **Agile Governance** in DPMPTSP offices is influenced by the interplay of external environmental factors and internal moderator factors. Internal challenges include rigid organizational culture, limited leadership support, traditional structures, and human resource constraints. Externally, rapid regulatory changes, limited ICT adoption, competitive

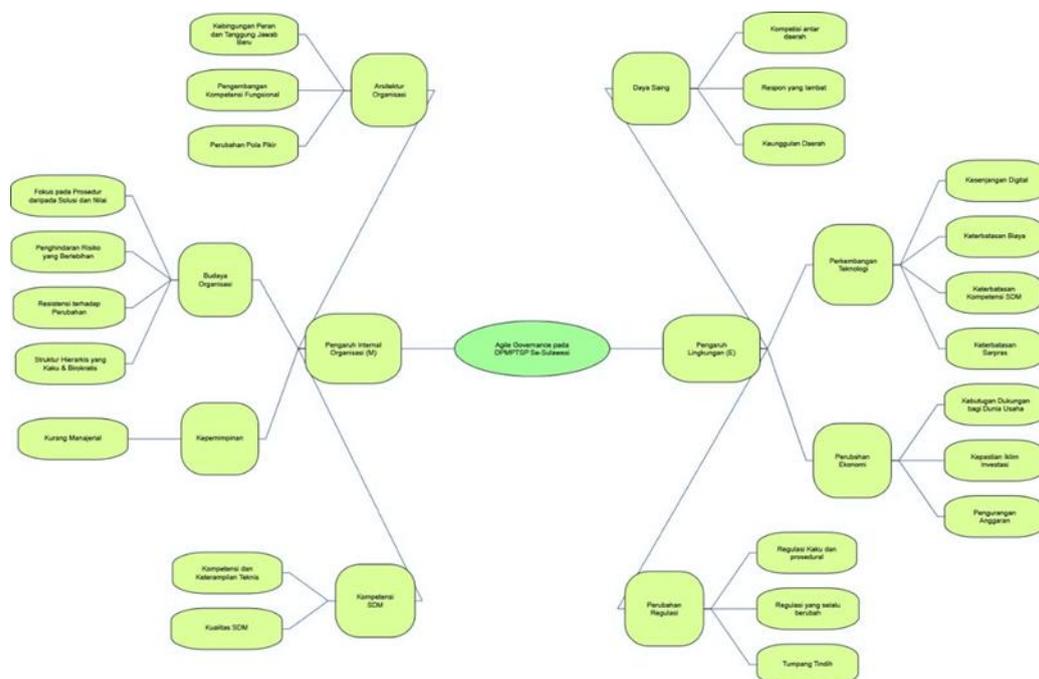


pressures, and economic uncertainties act as additional barriers. Nevertheless, developing strong **agile and governance capabilities** mitigates these obstacles, enhancing operational performance and value delivery. Qualitative findings illustrated the mechanisms of these barriers and how some offices are adapting. Effective implementation of Agile Governance requires not only adopting agile practices but also addressing both internal organizational limitations and dynamic external conditions, ensuring inclusive, responsive, and high-quality public service delivery.

Meanwhile, West Sulawesi (Sulbar) had the lowest figures in both investment value and project numbers, with a heavy reliance on domestic sources and minimal foreign interest. This suggests that Sulbar is still in the early stages of investment development and may require substantial improvements in infrastructure, policy, and promotion strategies. Overall, Sulteng focuses on large FDI-driven growth, Sulsel fosters widespread domestic-led investment, and Sulbar faces structural challenges that need to be addressed to enhance competitiveness and attract more significant investments.

Following this investment analysis, triangulation was conducted, and the researcher proceeded to develop a mind map using NVivo 12, with results as follows:

Figure 2. Visual Analysis of Research Findings



The implementation of Agile Governance within DP/MP/TSP (Investment and One-Stop Integrated Service Offices) across Sulawesi provinces is significantly influenced by the complex interaction between external environmental factors and internal moderator factors, which in the context of this study have been shown to act predominantly as barriers. Internally, rigid organizational culture, insufficiently supportive leadership, traditional organizational structures, and the need for improved human resource quality emerge as major challenges. Externally, rapid and complex regulatory changes, limited technological adoption, competitive pressures, and economic uncertainties further complicate efforts to become more agile. Moreover, external environmental pressures tend to exacerbate the already inhibiting conditions of internal moderator factors. Nevertheless, the study also reveals that the development of strong agile and governance capabilities has the potential to mitigate the negative impacts of these barriers. Qualitative findings enrich this understanding by providing narrative depth and concrete examples that illustrate the mechanisms of “why and how” these obstacles operate, and



how some DPMPTSP offices may be attempting to overcome them. Therefore, efforts to improve public service quality through Agile Governance in DPMPTSP across Sulawesi require strategies that go beyond merely adopting agile practices. They must also fundamentally address contextual challenges both within the internal organizational environment and in response to the dynamic external landscape.

4. CONCLUSIONS

Based on quantitative and qualitative analyses, this study draws several key conclusions regarding the implementation of Agile Governance in DPMPTSP offices across Sulawesi:

1. Role of Agile and Governance Capabilities.

Agile Capability (A) significantly strengthens Governance Capability (G), indicating that organizational agility is a critical driver of effective governance mechanisms. Both A and G positively influence Business Operational Effectiveness (B), which in turn strongly determines Value Delivery Quality (R). A robust indirect pathway was identified, where Agile Capability enhances service quality through improvements in governance and business operations, highlighting the mediating role of internal capabilities in translating agility into public value.

2. Dominance of Business Operational Effectiveness.

Among the Agile Governance dimensions, Business Operational Effectiveness emerges as the most influential predictor of Value Delivery Quality. This is supported by high path coefficients, large effect sizes (F^2), and substantial contributions to R^2 and Q^2 . Operational performance improvements particularly in service utility, guarantees, and completion time are the most strategic means of enhancing inclusive and high-quality public service delivery.

3. Impact of Environmental and Moderator Factors.

Internal moderator factors (M), such as rigid organizational culture, conservative leadership, unclear structural roles, and limited human resources, significantly impede agility, governance, and operational performance. External environmental factors (E), including technological disruption, regulatory changes, competitive pressures, and economic uncertainty, further challenge Agile Governance implementation. The interaction between E and M creates a reinforcing negative cycle, whereby external pressures exacerbate internal resistance.

4. Strategic Implications.

Despite these challenges, strengthening Agile and Governance Capabilities can buffer contextual constraints. Investments in adaptive culture, leadership development, HR capacity building, and structural clarity are essential to institutionalize Agile Governance. A dual strategy simultaneously addressing contextual limitations and enhancing internal capabilities is crucial for achieving high-quality, inclusive, and responsive public service delivery.

Overall, the findings confirm that Agile Governance is an effective framework for transforming DPMPTSP offices in Sulawesi into dynamic, responsive, and value-driven institutions, capable of delivering efficient, equitable, and high-quality public services while supporting regional economic development and investment facilitation.



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