

Strengthening Digital-Based Public Service Innovation as a Strategy to Enhance the Organizational Performance of the Makassar City Government

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ABSTRACT

Digital transformation has become a crucial strategy for enhancing the quality of public services and the performance of local government organizations. However, the implementation of digital-based public service innovations still faces challenges regarding system integration, the digital capacity of civil servants, business process transformation, and the measurement of innovation's impact on public value creation. This study aims to analyze the strengthening of digital-based public service innovation as a strategy to improve the organizational performance of the Makassar City Government, focusing on the digital transformation process, organizational capabilities, and public value creation. A qualitative approach with a case study design was employed. Data were gathered through in-depth interviews with informants involved in Electronic-Based Government System (SPBE) management and digital public service delivery, alongside an analysis of policy documents and government reports. Data analysis utilized the interactive model developed by Miles, Huberman, and Saldaña, comprising the stages of data condensation, data display, and conclusion drawing. The study yielded three key findings. First, public service digitalization in Makassar City has progressed through the implementation of SPBE, Smart City initiatives, and various digital platforms, yet it still requires stronger system integration and the transformation of organizational business processes. Second, the digital capabilities of civil servants (ASN) serve as a strategic factor in the success of innovation, as they determine the organization's ability to manage change and leverage technology optimally. Third, public service innovation needs to shift from a mere digital service delivery approach toward public value creation to sustainably enhance service quality, public trust, and organizational performance.



Introduction

Digital transformation has become a strategic agenda for governments worldwide, aimed at enhancing the quality of public services, transparency, and governance effectiveness. The urgency of this issue is reflected in the *United Nations E-Government Survey 2024*, which evaluates digital government development across 193 countries based on three key dimensions: the Online Service Index, the Telecommunication Infrastructure Index, and the Human Capital Index. Digital technology no longer serves merely as an administrative tool; it has become a driver of change in public sector business processes, fostering a shift toward citizen-centered public services and the creation of public value (Moore, 1995; Osborne, 2021). The public service innovation perspective asserts that public service innovation encompasses changes in technology, governance, organizational processes, and collaboration to generate tangible benefits for the public (Osborne & Brown, 2013). Meanwhile, digital transformation requires the integration of technology with strategy, organizational culture, leadership, and business processes (Vial, 2019). This underscores that digital innovation is a strategic factor in enhancing public sector performance and strengthening public trust in the government (United Nations, 2024; OECD, 2023).

In Indonesia, strengthening digital-based public service innovation is a crucial component of the bureaucratic reform agenda aimed at establishing a government that is effective, accountable, and citizen-oriented. The government has implemented various strategic policies—including the Electronic-Based Government System (SPBE), national digital transformation, and the development of electronic public services—to enhance service quality and organizational efficiency. This progress is reflected in the rising National SPBE Index, which indicates advancements in the government's digital maturity level: from 2.18 (rated "sufficient") in 2021 to 2.34 in 2022, and reaching 2.79 in 2023 (Ministry of PANRB, 2024). Despite this positive trend, the improvement is accompanied by various challenges, such as suboptimal system integration across agencies, data fragmentation, gaps in the digital competence of civil servants, and an uneven culture of organizational innovation. These conditions demonstrate that government digital transformation cannot rely solely on technology adoption; it requires the strengthening of business processes, digital leadership, and organizational capabilities to ensure that public service innovation sustainably enhances government performance (President of the Republic of Indonesia, 2018; Ministry of State Apparatus Empowerment and Bureaucratic Reform, 2024; Ministry of Communication and Digital, 2025).

The success of public service innovation is determined not only by the use of digital technology but also by an organization's ability to manage change, foster a culture of innovation, and effectively integrate business processes. The Business Process Innovation perspective emphasizes that digital transformation must be accompanied by the simplification of work processes and the enhancement of organizational capabilities to deliver services that are faster, of higher quality, and responsive to public needs (Hammer, 1990; Davenport, 1993). However, many local governments still face obstacles such as complex bureaucracy, suboptimal inter-organizational coordination, varying levels of digital workforce capacity, and weak information system integration. Consequently, various public

service innovations have yet to fully drive sustainable improvements in organizational performance, necessitating an innovation-strengthening strategy that focuses not only on technology but also on comprehensive organizational transformation (Vial, 2019; Osborne, 2021).

The Makassar City Government is actively promoting a digital-based transformation of public services as a strategy to enhance the quality of government governance. This commitment is reinforced by Makassar Mayor Regulation Number 85 of 2021 concerning the Electronic-Based Government System (SPBE), which serves as the foundation for developing digital governance, integrating electronic services, and utilizing information technology in government operations. Furthermore, the implementation of the Makassar Smart City concept aims to establish effective, responsive, and data-driven public services using digital technology. Various innovations have been developed, including the Makassar Smart City initiative, a Command Center, digital public complaint services, the digitization of population administration, and various service applications for local government agencies.

This commitment demonstrates positive progress in the local government's digital transformation, reflected in the rise of Makassar City's SPBE (Electronic-Based Government System) Index from 3.41 ("Good" rating) in 2023 to 4.02 ("Very Good" rating) in 2024 (Ministry of PANRB, 2024). However, this increased digital maturity has not yet fully eliminated various organizational challenges—such as suboptimal system integration across regional government agencies (OPD), application fragmentation, limited data interoperability, and disparities in the digital capabilities of the workforce. These conditions indicate that digital transformation requires more than just the provision of technological infrastructure; it necessitates changes in organizational strategy, the alignment of business processes, a culture of innovation, and the strengthening of organizational capabilities to ensure that public service innovations drive sustainable performance improvements (Vial, 2019; Mergel, Edelmann, & Haug, 2019).

The Dynamic Capabilities Theory perspective posits that the success of digital transformation depends on an organization's ability to recognize changes (sensing), capitalize on opportunities (seizing), and reconfigure resources (transforming) (Teece, Pisano, & Shuen, 1997; Warner & Wäger, 2019). Therefore, efforts to strengthen public service innovation in Makassar City must be directed toward building an innovation ecosystem capable of enhancing organizational performance and creating public value in a sustainable manner (Osborne & Brown, 2013; Sørensen & Torfing, 2021).

Although research on digital-based public service innovation continues to evolve, most studies still focus on aspects such as technology adoption, e-service quality, and user satisfaction. Research integrating digital capabilities, business process changes, and organizational innovation—along with their impact on local government performance—remains relatively limited. This situation reveals both research and practical gaps, particularly regarding how local governments can manage digital innovation sustainably to not only produce technology-driven services but also enhance organizational effectiveness and public value creation (Vial, 2019; Warner, & Wäger, 2019; Osborne, 2021). This study

offers a novel contribution through an integrative approach linking digital transformation, public service innovation, organizational capabilities, and organizational performance within the context of the Makassar City Government. Theoretically, it advances the field of Business Administration by drawing on the perspectives of service innovation and dynamic capabilities. Practically, the study provides strategic recommendations for local governments to build a digital-based public service innovation ecosystem that is adaptive, sustainable, and replicable by other local governments in Indonesia.

Method

This study employs a qualitative approach with a case study design to analyze the strengthening of digital-based public service innovation as a strategy to enhance the organizational performance of the Makassar City Government. A qualitative approach was selected because the research focuses on understanding the processes, strategies, organizational capabilities, and contextual factors influencing the implementation of digital innovation. According to Creswell and Poth (2018), a qualitative approach is used to explore meanings and social processes in depth, while a case study enables the analysis of contemporary phenomena within a real-world organizational context (Yin, 2018).

The research focuses on: (1) strategies for developing digital-based public service innovations; (2) organizational capabilities in managing digital transformation; (3) factors facilitating and hindering innovation implementation; and (4) the contribution of digital innovation to enhanced organizational performance and public value creation. The analysis employs the perspectives of Digital Transformation Theory (Vial, 2019), Dynamic Capability Theory (Teece, Pisano, & Shuen, 1997; Warner & Wäger, 2019), and Public Service Innovation (Osborne & Brown, 2013; Osborne, 2021) to explain the relationships among digital technology, organizational change, service innovation, and public service performance.

Research data were obtained through in-depth interviews with informants selected via purposive sampling, including SPBE (Electronic-Based Government System) administrators, regional government officials responsible for public service delivery, regional innovation managers, and other relevant stakeholders. Secondary data were gathered from policy documents, regulations, SPBE reports, public service innovation documents, and Makassar City Government performance reports. Data analysis employed the interactive model developed by Miles, Huberman, and Saldaña (2014), comprising the stages of data condensation, data display, and conclusion drawing. Data validity was ensured through source and method triangulation, in accordance with the principles of qualitative research credibility (Lincoln & Guba, 1985).

Results and Discussion

Digitalization of Public Services in Makassar City

Research findings indicate that the Makassar City Government has made significant progress in implementing digital-based public service innovations. The strengthening of the Electronic-Based Government System (SPBE), the Makassar Smart City initiative, the Command Center, and various digital service platforms demonstrates a shift in the public service paradigm—moving away from conventional bureaucratic approaches toward

services that are more adaptive, data-driven, and responsive to community needs. This achievement is reflected in the rise of Makassar City's SPBE Index from 3.41 (rated "Good") in 2023 to 4.02 (rated "Very Good") in 2024 (Ministry of PANRB, 2024). However, an analysis of interviews and documents reveals that this increased digital maturity does not yet fully capture a comprehensive organizational transformation. Service digitalization continues to face challenges regarding system integration, business process reengineering, and the measurement of innovation's impact on organizational performance.

Based on the results of the interview data coding, three main themes were identified, as shown in the following table:

Table 1. Coding Process for Findings on Public Service Digitalization in Makassar City

Open Coding	Axial Coding	Selective Coding
There are numerous service applications across the various Regional Apparatus Organizations (OPD); the systems are not yet fully interconnected, and data exchange remains limited.	Fragmentation and interoperability of digital systems	Integration of local government digital ecosystems
Application development takes precedence over changes to work mechanisms; service processes still follow the old pattern.	Digitalization has not yet been fully accompanied by a transformation of business processes.	The shift from digitalization to organizational transformation
The evaluation of the innovation focuses more on the existence of the application than on its impact on service delivery.	The measurement of innovation impact is not yet optimal.	Strengthening performance-based innovation governance

Source: NVivo analysis, 2025

The initial findings indicate that the integration of digital systems across Regional Government Agencies (OPD) remains a major challenge. An informant responsible for local government digital transformation explained: "Currently, each agency has various digital service systems, but the challenge lies in interconnecting them so that data does not exist in silos. Integration and interoperability are essential for more effective service delivery." These findings demonstrate that the success of local government digitalization is determined not merely by the number of available applications, but by the organization's ability to establish an integrated digital architecture. This situation is also observed at the level of agencies that utilize these services. An informant from a public service-providing agency noted: "Digital applications greatly assist in accelerating service delivery; however, system alignment is still required, as some service-related data processing still relies on manual procedures or the use of disparate systems.

Based on these findings, it is evident that the digital transformation of the Makassar City Government is currently in a transitional phase, moving from technology adoption toward organizational transformation. While digitalization has successfully enhanced service capacity, it has not yet fully brought about fundamental changes in the organization's operational methods. These findings reinforce the perspective of Digital Transformation Theory as proposed by Vial (2019), which posits that digital transformation is not merely a process of technology implementation but an organizational shift involving strategy, structure, work processes, and organizational culture. In the context of the Makassar City Government, the improvement in the SPBE (Electronic-Based Government System) index

demonstrates success in technology adoption; however, challenges regarding system integration and business process transformation indicate that organizational transformation still requires further strengthening.

These findings align with research by Mergel, Edelman, and Haug (2019), which explains that public sector digital transformation requires institutional and organizational changes, rather than merely technology investment. Governments that successfully undergo digital transformation are those capable of altering bureaucratic work mechanisms, strengthening inter-unit coordination, and creating citizen-centric services. Furthermore, these results reinforce recent research on digital governance, indicating that the success of public service innovation is heavily influenced by an organization's ability to integrate technology with governance and internal capabilities (Kraus et al., 2021; Mikalef et al., 2020). Thus, this study demonstrates that the primary challenge for the Makassar City Government lies not in the availability of technology, but in the organizational capacity to transform technology into strategic capabilities that drive performance improvements.

Based on the research findings, the digitalization of public services in Makassar City can be conceptualized as a three-stage process: 1) Digital Adoption, 2) Digital Integration, and 3) Organizational Transformation. In the first stage, the government successfully provided various digital services. In the second stage, the government continues to face challenges regarding system and data integration across regional government agencies (OPD). In the third stage, strengthening organizational capabilities is essential to ensure that digital innovation drives sustainable performance improvements. These findings offer a theoretical contribution by demonstrating that, in the context of local government, digital transformation cannot be adequately explained solely through a technological lens; rather, it must be understood through a combination of organizational capabilities, public service innovation, and public value creation.

ASN Digital Capability and Dynamic Capability as Drivers of Innovation

Research findings indicate that the human resources of the bureaucracy constitute a key determinant in the successful strengthening of digital-based public service innovation within the Makassar City Government. Although the local government possesses the necessary technological infrastructure, Electronic-Based Government System (SPBE) regulations, and various digital service platforms, the effectiveness of innovation implementation remains heavily influenced by the capacity of civil servants (ASN) to understand technology, manage data, adapt work processes, and create service innovations.

Analysis of the interview data indicates that the digital capacity of civil servants (ASN) is not yet uniform across all Regional Apparatus Organizations (OPD). While some personnel have successfully adapted to digital systems and utilize technology in service delivery, others still require competency strengthening in areas such as application management, data integration, and the use of digital information as a basis for decision-making. Based on the research data coding process, three key dimensions of organizational digital capability were identified, as presented in the following table:

Table 2. Coding Results on Civil Servants' Digital Capabilities in Strengthening Public Service Innovation

Open Coding	Axial Coding	Selective Coding
Civil servants are beginning to understand the use of digital service applications, as	The ability to read changes in the digital landscape	Digital sensing capability

public needs become increasingly technology-driven.		
The utilization of service applications, regional agency information systems, and electronic services is increasingly expanding.	Ability to leverage technological opportunities	Digital seizing capability
System integration, changes in work culture, and data utilization still require strengthening.	Ability to implement organizational change	Digital transforming capability

Source: NVivo analysis, 2025

The first finding indicates an enhancement in digital sensing capabilities—specifically, an organization's ability to recognize shifting public needs and advancements in public service technology. The Makassar City Government has responded to these changes by developing Smart City initiatives and digital services, as well as by leveraging information technology to support public service delivery. One informant explained, “Changing public needs require the government to adapt more quickly. The public now expects services that are convenient, fast, and digitally accessible; therefore, civil servants must be capable of keeping pace with these changes.

The findings indicate that government officials are increasingly aware that digital transformation is not merely a technological requirement but an organizational necessity for improving service quality. However, the research also reveals that "digital seizing" capabilities still face challenges. While technology utilization has expanded through various service applications, not all regional government agencies possess the same capacity to optimize technology as a tool for performance enhancement. One informant from a service-oriented agency noted: “Applications are available and facilitate our work; however, employees' abilities to utilize features and process data vary. Naturally, some units adapt quickly, while others still require guidance.

This situation indicates that technology investments must be accompanied by investments in developing the competencies of State Civil Apparatus (ASN) personnel to ensure that technology truly enhances organizational effectiveness. Furthermore, the aspect of digital transformation poses the greatest challenge in the Makassar City Government's digital transformation process. The study found that technological changes have not yet been fully matched by shifts in work culture, the simplification of business processes, or the integration of data-driven decision-making.

These research findings reinforce the Dynamic Capability Theory developed by Teece, Pisano, and Shuen (1997), which posits that organizational success in navigating environmental changes depends on the ability to sense changes, seize opportunities, and reconfigure resources (transforming). In the context of the Makassar City Government, the "sensing" capability is evident in the organization's growing awareness of the need for digital-based public services. The "seizing" capability is reflected in the development of various digital service innovations and the utilization of technology within service processes. However, the "transforming" capability remains an area requiring strengthening, as technological changes have not yet been fully matched by corresponding shifts in work structures, organizational culture, and business process integration.

These findings align with research by Warner and Wäger (2019), which explains that digital transformation requires organizational capabilities enabling institutions to undergo continuous renewal. They emphasize that digital organizations require not only technology

but also the ability to orchestrate resources, manage change, and systematically foster innovation. These results also support the study by Mikalef et al. (2020), which demonstrates that an organization's digital capabilities play a crucial role in creating value through the utilization of information technology. Technology yields benefits only when an organization possesses the internal capacity to manage and integrate it, transforming it into a strategic advantage. Furthermore, research by Kraus et al. (2021) indicates that digital transformation in the public sector and modern organizations is heavily influenced by human factors, leadership, and the organization's ability to cultivate a culture of innovation. This reinforces the current study's findings that the success of public service innovation in Makassar City depends not merely on the existence of digital systems, but on the readiness of civil servants (ASN) as the primary agents of organizational change.

Research findings indicate that the digital capabilities of Makassar City Government civil servants (ASN) serve as the fundamental basis for the sustainability of digital public service innovations. While technological infrastructure and Electronic-Based Government System (SPBE) regulations provided the initial foundation for transformation, long-term success hinges on the organization's ability to develop three key capabilities: 1) Digital sensing capability the ability to identify shifting public needs and advancements in service technology; 2) Digital seizing capability the ability to leverage digital technology to enhance the effectiveness of service processes; and 3) Digital transforming capability the ability to drive organizational change through system integration, the strengthening of a digital culture, and the use of data in decision-making. The study reveals that the primary challenge facing the Makassar City Government is no longer the availability of technology itself, but rather how the organization transforms that technology into strategic capabilities capable of boosting organizational performance and creating public value. These findings offer a theoretical contribution by extending the application of Dynamic Capability Theory to the context of local public administration, demonstrating that the success of local government digital transformation relies heavily on the ability of civil servants and the organization to manage change adaptively, rather than solely on the level of technological maturity possessed.

The Innovation Paradigm Shift: From Digital Service Delivery to Public Value Creation

Research findings indicate that the Makassar City Government's digital public service innovations have brought about positive changes in service delivery mechanisms, particularly regarding ease of information access, accelerated administrative processes, and enhanced interaction between the government and the public. The implementation of digital complaint services, the digitization of population administration, and various service platforms across local government agencies demonstrate a shift from conventional service models toward more flexible, technology-driven services.

However, research findings also indicate that most digital innovations remain at the stage of digital service delivery utilizing technology to provide services more quickly and easily rather than having fully evolved into public value creation, where innovation drives broader changes such as improved government-citizen relations, increased public trust, and enhanced organizational effectiveness.

Based on the analysis of the interviews, three key dimensions in the process of public value creation through digital service innovation were identified, as shown in the following table:

Table 3. Coding Process of the Shift from Digital Innovation to Public Value Creation

Open Coding	Axial Coding	Selective Coding
Services are more accessible, the public obtains information faster, and administrative processes are shorter.	Improvement of the quality and accessibility of digital services	Digital service improvement
Public interaction with the government is increasing through digital channels.	Strengthening the relationship between the government and the public	Citizen engagement
The impact of innovation has not yet been widely measured based on changes in satisfaction, trust, and social benefits.	Public value-based evaluation is not yet optimal.	Public value measurement

Source: NVivo analysis, 2025

Research findings indicate that digital innovation has yielded benefits, particularly regarding service efficiency. The public enjoys greater ease in accessing information and communicating service needs through various digital channels. One informant explained, "With digital services, the public does not always have to visit service offices in person; information retrieval and the complaint process have become faster as they are now available via online systems." These findings demonstrate that digitalization has enhanced the accessibility and responsiveness of services. However, the study also found that the success of such innovations is still more frequently measured by the mere existence of systems, user numbers, or service speed, rather than by their impact on public value creation.

This is reinforced by another informant's statement: "Innovation evaluations to date have largely focused on whether or not the application functions. Moving forward, it is necessary to assess whether the innovation truly brings about changes in public satisfaction and organizational performance." These findings reveal a gap between digital service delivery and public value creation. In other words, while the presence of technology has enhanced service capacity, it has not yet fully transformed the relationships among the government, the public, and public organizations.

These research findings reinforce the concept of Public Service Innovation developed by Osborne and Brown (2013), which posits that public sector innovation cannot be understood merely as the creation of new services or technologies, but rather as a process of change that generates benefits and value for society. In the context of the Makassar City Government, various digital innovations have led to increased service efficiency; however, the next challenge lies in ensuring that these innovations drive broader changes in the quality of the relationship between the government and the public. This perspective aligns with the "Public Service Logic" concept proposed by Osborne (2021), which holds that public value is not solely produced by the government as a service provider but is created through the interactions and experiences of service users. Consequently, the success of digital innovation should not be measured merely by the government's ability to provide technological platforms, but also by the extent to which the public experiences benefits, convenience, and improved service quality.

The findings of this study also reinforce Moore's (1995) perspective on the concept of public value—namely, that public organizations must create value through a combination of public legitimacy, organizational capacity, and service quality. In the context of government

digitalization, technology should serve as an instrument to strengthen public trust and enhance organizational effectiveness, rather than acting merely as an administrative tool. Furthermore, recent research indicates that public sector digital transformation requires a shift in orientation from technology-driven innovation to value-driven innovation. Mergel, Edelmann, and Haug (2019) explain that successful digital governments are those capable of linking technology with organizational change and societal needs. Meanwhile, Kraus et al. (2021) emphasize that the success of digital transformation relies heavily on an organization's ability to create value through a combination of technology, people, and innovation strategies.

Based on research findings, the Makassar City Government's digital public service innovations can be understood through three stages of development:

Stage	Characteristics	Conditions in Makassar City
Digitalization	Provision of services through digital platforms	It has evolved through various service applications.
Digital Service Delivery	Improved access to and efficiency of services	Has improved the ease of public service delivery.
Public Value Creation	Generating social change and increasing public trust	Strengthening of impact evaluation is still needed.

Source: Author's analysis, 2025

Thus, this study demonstrates that the Makassar City Government's digital transformation agenda needs to shift from merely establishing digital services toward building an ecosystem for public value creation. This paradigm shift requires an innovation evaluation mechanism that measures not only technical aspects but also the impact on citizen satisfaction, public trust, and organizational performance improvements. The study contributes by emphasizing that digital public service innovation is an organizational transformation process linking four key elements: digital capability, service innovation, public value creation, and organizational performance. This model expands the scope of public sector innovation research by showing that the success of local government digitalization does not end with technological success; rather, it is determined by the organization's ability to transform technology into sustainable public value.

Conclusion

Based on the research findings, it can be concluded that the strengthening of digital-based public service innovation in Makassar City reveals three key findings. First, the digitalization of public services—through initiatives such as SPBE (Electronic-Based Government Systems), Smart City programs, and various digital service platforms—has enhanced service capacity; however, further strengthening is required regarding system integration, data interoperability, and the transformation of organizational business processes. Second, the digital capabilities of civil servants (ASN) are a strategic factor in the success of digital transformation, as innovation relies not only on technology but also on the organization's ability to manage change and foster a culture of innovation. Third, public service innovation needs to shift from a focus on digital service delivery toward public value creation—innovation that generates tangible benefits for the community, boosts public trust, and sustainably strengthens government organizational performance.

The Makassar City Government needs to strengthen its digital innovation ecosystem by developing integrated service systems across regional government agencies (OPD) based

on data interoperability, thereby allowing various service applications to connect within a unified government digital architecture. Furthermore, capacity building for civil servants must be conducted continuously through training programs covering digital competencies, data management, and service innovation development. The government also needs to establish a performance-based innovation evaluation mechanism that measures not only the presence of technology but also its impact on organizational effectiveness, service quality, and public satisfaction. In terms of implementation, the Makassar City Government's digital transformation should be guided by strengthening integrated innovation governance, establishing cross-agency coordination teams, formulating innovation impact indicators, and utilizing service data as a basis for decision-making. Through these measures, digital innovation will move beyond the mere provision of applications and evolve into an organizational transformation strategy capable of creating public value and sustainably enhancing government performance.

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