Service Quality Management and Governance Quality: Dual Drivers of Public Service Performance

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Abstract
This study examined the effects of service quality management and governance quality on public service performance and investigated the moderating role of governance quality in the relationship between service quality management and public service performance. This study contributed to public administration and governance studies by providing empirical insights for public service organizations, policymakers, and practitioners regarding strategies to improve service performance. Using a quantitative explanatory research design with a cross-sectional survey approach, data were collected from 66 respondents involved in financial management, operations, service delivery, internal supervision, governance, and performance reporting. The data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) to evaluate measurement models, structural relationships, and moderation effects. The results showed that service quality management and governance quality positively and significantly affected public service performance. However, governance quality negatively and significantly moderated the relationship between service quality management and performance, indicating a substitution effect rather than a reinforcing effect. The study concluded that service quality management and governance quality independently improved public service performance, but their simultaneous implementation did not necessarily generate additional performance benefits. This study was limited by its single organizational context, cross-sectional design, and reliance on self-reported data. The findings contributed to public administration literature by highlighting the substitutive role of governance quality and emphasizing the importance of reform sequencing in public service organizations.

Keywords: *Governance Quality, Public Service Performance, Service Quality Management, Sustainability*

1. INTRODUCTION

Public service organizations worldwide are increasingly expected to achieve two interrelated objectives: delivering services that citizens perceive as reliable and responsive while maintaining governance arrangements that are transparent, accountable, and fair (Lapuente & Van, 2020). The relationship between governance quality and public-sector outcomes has been widely recognized, supported by cross-country evidence showing that stronger governance is associated with improved development performance. In parallel, service-quality research has demonstrated that differences between citizens' expectations and their actual service experiences strongly influence evaluations of public institutions. Although both perspectives emphasize organizational performance, they have largely developed as separate streams of research. Consequently, limited empirical evidence explains how Service Quality Management (SQM) and Governance Quality (GQ) jointly shape Public Service Performance (PSP).

Existing studies also provide competing explanations for how these two organizational dimensions may interact. From a complementarity perspective, strong governance mechanisms, including transparency, accountability, and effective oversight, can provide institutional conditions that enable service-quality initiatives to generate stronger performance outcomes (Chan, Thong, Brown, & Venkatesh, 2021). GQ may therefore strengthen the positive relationship between SQM and PSP. However, institutional and contingency perspectives suggest a different possibility. Governance mechanisms that become administratively demanding may require substantial managerial attention, financial resources, and staff capacity, thereby reducing resources available for direct service improvement (Abbas, Gillani, Ullah, Raza, & Ullah, 2020). In such circumstances, GQ may weaken rather than reinforce the marginal contribution of SQM. Since previous studies predominantly examine governance and SQ as independent predictors, the complementarity-versus-substitution question remains insufficiently tested.

A further limitation concerns how service quality and governance are conceptualized and measured in public organizations. Much of the service-quality literature continues to draw on the SERVQUAL (Service Quality) model developed in private-sector settings, even though PSP is often multidimensional and includes financial, operational, environmental, and service sustainability considerations in addition to user satisfaction (Sofyani, Riyadh, Fahlevi, & Ardito, 2020). Similarly, governance research frequently employs broad composite measures or macro-level indicators that were originally developed for cross-country comparisons rather than organizational-level assessment. These approaches may obscure the mechanisms through which internal governance practices and SQM influence organizational performance. More integrated, organization-level measures are therefore required to examine these relationships within public service institutions.

Methodologically, interaction effects also remain underexplored. Public administration studies employing Partial Least Squares Structural Equation Modeling (PLS-SEM) commonly focus on direct and mediating relationships, while moderation analysis is used less frequently despite being well established within the PLS-SEM framework (Becker, Cheah, Gholamzadehmir, Ringle, & Sarstedt, 2023). Existing moderation findings are also inconsistent, ranging from reinforcing effects to statistically insignificant relationships, whereas negative interaction effects receive comparatively little attention. This limitation is theoretically important because a negative moderation effect may indicate that simultaneously intensifying governance and service-quality initiatives does not always produce cumulative performance benefits. Testing such an interaction can therefore contribute to a more nuanced explanation of organizational capacity and public-sector reform.

The issue is particularly relevant in developing-economy public administration, where modernization programs often implement governance reforms and service-quality improvements simultaneously. Transparency initiatives, anti-corruption safeguards, audit mechanisms, digitalization, complaint-handling systems, citizen service standards, and performance reforms are commonly pursued as mutually reinforcing components of the same reform agenda (Sofyani et al., 2020; Pollitt, & Bouckaert, 2011). However, these initiatives frequently operate within limited fiscal, managerial, and human-resource capacities. If governance strengthening and service-quality improvement draw on the same constrained organizational resources, their simultaneous implementation may generate diminishing returns rather than complementary gains. Understanding the direction of this interaction is therefore important not only for theory but also for determining whether reforms should be implemented concurrently or sequenced according to organizational capacity.

Responding to these gaps, this study examines the direct effects of SQM and GQ on PSP and, more importantly, tests GQ as a moderator of the relationship between SQM and performance. The study uses survey data from 66 respondents involved in service delivery, financial management, operations, internal supervision, governance, and performance reporting within public service enterprises. Most respondents possess a bachelor's degree and substantial professional experience of 11-15 years, providing an informed organizational perspective on the constructs examined. PLS-SEM is employed because it enables the simultaneous assessment of multidimensional constructs and interaction effects in a relatively modest sample.

The study is situated in a public service enterprise that combines service-delivery responsibilities with explicit public accountability obligations. This hybrid organizational setting is particularly relevant because such institutions face both service-quality expectations comparable to those of commercial service organizations and governance requirements associated with public-sector accountability. They must therefore balance responsiveness and operational effectiveness with transparency, oversight, and procedural compliance. Examining these competing demands provides an appropriate setting for determining whether GQ complements or constrains the contribution of SQM to performance. Accordingly, this study extends the existing literature by integrating SQM and GQ within a single explanatory model and by directly testing an interaction effect that has received limited empirical attention.

This study contributes to the literature in two ways. Theoretically, it clarifies whether governance quality functions as an enabling condition or a constraining organizational mechanism in the relationship between SQM and PSP. Practically, the findings provide evidence for public managers and policymakers regarding the design and sequencing of governance and service-quality reforms when organizational resources are limited. The remainder of the article is organized as follows. Section 2 reviews the relevant literature and develops the hypotheses. Section 3 describes the methodology and analytical procedures. Section 4 presents and discusses the empirical results. Section 5 provides the conclusions, followed by theoretical and practical implications, research limitations, and directions for future research.

2. LITERATURE REVIEW AND HYPOTHESIS/ES DEVELOPMENT

2.1 Service Quality Management in Public Organizations

Service Quality Management (SQM) has traditionally been understood as the result of comparing expected and perceived service performance. Meesala and Paul (2018) distinguished service quality into technical quality, referring to what is delivered, and functional quality, referring to how the service is delivered. This perspective was subsequently operationalized through the SERVQUAL framework, which emphasizes reliability, responsiveness, assurance, empathy, and tangibles and has been adapted to different service settings, including government and public utilities (Yudiatmaja, 2020; Sofyani, Riyadh, Fahlevi, & Ardito, 2020). Empirical evidence further indicates that higher perceived service quality contributes to favorable stakeholder evaluations and behavioral responses, suggesting that service quality has consequences beyond immediate user satisfaction and can influence broader assessments of organizational performance (Hakim, Rahayu, Wibowo, & Sugiharto, 2021).

Within public organizations, however, service quality requires a broader managerial interpretation. SQM refers to a systematic set of organizational practices designed to ensure reliable service delivery, respond effectively to user needs, manage service processes, and continuously monitor service outcomes (Van, Bouckaert, & Halligan, 2015). Unlike private organizations, public institutions must deliver quality services while simultaneously addressing efficiency, equity, accessibility, and regulatory compliance (Andrews, Boyne, & Walker, 2019). These competing obligations make direct application of private-sector service-quality frameworks insufficient without contextual adaptation. Nevertheless, previous studies consistently demonstrate that improvements in reliability, responsiveness, and service-process management are associated with stronger stakeholder assessments and organizational outcomes in public-sector settings (Sofyani et al., 2020; Silvia, & Setiawan, 2025).

The resource-based view provides an additional explanation for why SQM may contribute to sustainable organizational performance. From this perspective, performance advantages emerge from organizational capabilities and routines that are valuable, embedded, and difficult to replicate (Arfiko & Sari, 2026). In public organizations, SQM can therefore be viewed not merely as front-line employee behavior but as an integrated organizational capability involving process design, staff responsiveness, service reliability, and systematic monitoring. When these practices become institutionalized, they enable organizations to identify service deficiencies, respond to changing stakeholder expectations, and continuously improve operational processes.

Service performance monitoring is particularly important within this capability because it creates feedback that supports organizational learning and corrective action. Without systematic monitoring, improvements in reliability, responsiveness, and process management may be difficult to sustain or evaluate. Previous studies suggest that monitoring-related practices often develop more slowly than operational service practices, despite their importance for long-term improvement (Sofyani et al., 2020; Silvia and Setiawan, 2025). Similarly, performance-measurement research shows that measurement systems generate organizational value primarily when their results are actively incorporated into managerial decision-making rather than treated merely as reporting requirements (Shafa, 2025). Based on this conceptualization, the present study measures service quality management through four dimensions: service reliability, service responsiveness, service process management, and service performance monitoring.

2.2 Governance Quality in the Public Sector

Governance Quality (GQ) refers to the extent to which organizational decision-making, control, and oversight mechanisms reflect the principles of transparency, accountability, responsibility, independence, and fairness. These principles correspond broadly with governance dimensions applied in public-sector and organizational governance frameworks (Sari, 2023). Transparency concerns the accessibility of information regarding organizational activities and results, while accountability refers to the clarity of responsibility for decisions and outcomes. Responsibility reflects adherence to legal and ethical obligations, independence concerns freedom from inappropriate influence in oversight and decision-making, and fairness relates to equitable treatment of organizational stakeholders (Sofyani, Riyadh, Fahlevi, & Ardito, 2020; Wahyuni, & Aira, 2026).

Institutional and stakeholder theories provide complementary explanations for the relationship between GQ and organizational performance. Institutional theory proposes that organizations adopt governance practices partly in response to regulatory, normative, and legitimacy pressures within their institutional environment. Stakeholder theory emphasizes the organization's responsibility to address the interests and information needs of citizens, regulators, employees, oversight bodies, and other stakeholders whose interests are affected by organizational decisions (Freeman, 1984). Together, these perspectives suggest that GQ can strengthen public service performance by improving decision-making, resource allocation, organizational legitimacy, and stakeholder confidence.

Previous studies generally support a positive association between good governance practices and public-sector performance. Transparency can improve access to information and reduce opportunities for inappropriate decision-making, while accountability clarifies responsibility for organizational outcomes. Independence can strengthen the credibility of oversight mechanisms, and fairness can improve stakeholder trust and institutional legitimacy. Consequently, organizations with stronger governance arrangements are generally expected to identify operational weaknesses more effectively, allocate resources more appropriately, and maintain greater stakeholder confidence (Masefield, Msosa, & Grugel, 2020). However, these positive effects should not imply that governance mechanisms operate without organizational costs.

Agency theory provides an important perspective on this issue. Public managers act as agents for citizens, governing boards, or higher-level authorities, creating potential information asymmetry and divergence between managerial actions and public objectives (Awoonor, 2025). Governance mechanisms such as reporting requirements, audits, transparency procedures, and independent oversight are designed to reduce these agency problems. However, establishing and maintaining these mechanisms requires financial resources, administrative infrastructure, managerial attention, and staff time. GQ can therefore be understood as both a performance-enhancing mechanism and an organizational investment that consumes limited resources.

This dual character provides an important theoretical basis for examining governance quality not only as a direct predictor of public service performance but also as a moderator. Strong governance may complement service quality management by providing accountability and oversight that ensure service initiatives are effectively implemented. Conversely, increasingly demanding governance arrangements may compete with operational service activities for managerial and organizational resources, potentially reducing the marginal contribution of SQM. This tension, which remains insufficiently explored in existing public-sector governance research, provides the theoretical basis for examining whether GQ reinforces or weakens the relationship between SQM and PSP.

2.3 Public Service Performance and Sustainability

Traditional public-sector performance frameworks primarily emphasized economy, efficiency, and effectiveness, commonly referred to as the "three Es" of New Public Management (Cheng & Ali, 2023) Although these dimensions remain important, contemporary public organizations are increasingly expected to maintain performance over the long term rather than merely achieve short-term operational targets. This requirement is particularly relevant for infrastructure-dependent public services, where inadequate investment, resource depletion, or deterioration in service capacity may not be immediately reflected in conventional output indicators (Van, Bouckaert, & Halligan, 2015).

Accordingly, the present study conceptualizes Public Service Performance (PSP) through financial, environmental, and service sustainability. Financial sustainability reflects the organization's ability to maintain operations and finance necessary investments without undermining long-term financial viability. Environmental sustainability concerns the organization's capacity to deliver services while minimizing excessive resource consumption and ecological impacts. Service sustainability represents the organization's ability to maintain reliable and continuous service provision over time. Together, these dimensions provide a broader assessment of organizational performance than measures based solely on short-term outputs or user satisfaction (Sofyani, Riyadh, Fahlevi, & Ardito, 2020; Silvia, & Setiawan, 2025; Zainal, & Aprilia, 2026).

The three dimensions are also closely interconnected. Financial constraints may lead to inadequate maintenance and investment, which can subsequently reduce service reliability and continuity. Similarly, environmentally inefficient practices may generate future financial costs through resource inefficiency, regulatory requirements, or accelerated deterioration of organizational assets. Consequently, short-term improvements in one performance dimension cannot necessarily be interpreted as sustainable performance if they undermine another dimension over time. This interdependence supports the treatment of financial, environmental, and service sustainability as manifestations of a broader organizational capacity to generate sustainable public value (Tarigan & Yuliansyah, 2025). This perspective is consistent with the increasing emphasis on sustainability in public-sector management, where institutions are assessed not only according to immediate service outputs but also according to their capacity to preserve resources, maintain service continuity, and remain financially resilient over time. Research on local government likewise demonstrates that balancing short-term performance expectations with longer-term sustainability commitments constitutes a significant managerial and policy challenge (Deslatte & Swann, 2020). Accordingly, the present study treats financial sustainability, environmental sustainability, and service sustainability as dimensions of the broader construct of PSP, allowing organizational performance to be evaluated from both immediate and long-term perspectives.

2.4 Service Quality Management and Public Service Performance

The proposition that SQM improves organizational performance rests on a straightforward managerial logic: organizations that reliably deliver services, respond promptly to user needs, manage service processes in a structured manner, and monitor their own performance are better equipped to convert operational inputs into sustainable outcomes (Choi, S., & Chandler, S. M. 2017). Empirically, studies employing PLS-SEM in public-sector and quasi-public contexts have repeatedly found that service-quality constructs exert a positive and statistically significant effect on downstream performance and satisfaction outcomes (Sofyani et al., 2020; Silvia & Setiawan, 2025). Extending this logic to the sustainability-oriented conception of public service performance used here, organizations with stronger service quality management practices should be better positioned to sustain financial viability (through fewer costly service failures and rework), protect environmental outcomes (through better-managed operational processes), and maintain continuity of service (through proactive monitoring). Accordingly:

H_1: Service quality management has a positive and significant effect on public service performance

This hypothesized relationship is further reinforced when the four indicators of service quality management are considered individually against the three sustainability dimensions of public service performance. Reliability and process management plausibly relate most directly to financial sustainability, since dependable, well-managed service processes reduce costly rework, service failures, and emergency expenditure that would otherwise erode financial resources. Responsiveness plausibly relates most directly to service sustainability, since organizations that adapt quickly to changing user needs are better positioned to maintain continuity of service under evolving demand conditions. Performance monitoring, in turn, plausibly underpins all three sustainability dimensions simultaneously, since it is the mechanism through which an organization detects early warning signs of financial strain, environmental non-compliance, or service disruption before they escalate into performance failures. This indicator-level reasoning supports treating the service quality management-performance relationship as a coherent, multi-channel causal pathway rather than a single undifferentiated effect, even though it is tested here at the level of the overall latent constructs.

2.5 Governance Quality and Public Service Performance

Governance Quality (GQ) is theorized to affect performance through both an information channel and an incentive channel. Through the information channel, transparency and accountability mechanisms improve the flow of information within the organization and toward its oversight bodies, enabling more accurate identification of performance shortfalls and more timely corrective action. Through the incentive channel, independence and fairness in oversight reduce opportunities for rent-seeking or capture, aligning managerial incentives more closely with the organization's service mission (Christensen, Lægreid, & Rykkja, 2016). Prior organizational-level studies, including those conducted in Indonesian local-government settings, report that improvements in accountability and transparency are associated with improved public service quality and performance outcomes (Sofyani, Riyadh, Fahlevi, & Ardito, 2020). We therefore hypothesize:

H_2: Governance quality has a positive and significant effect on public service performance

As with service quality management, the five indicators of governance quality can be mapped, at least provisionally, onto the sustainability dimensions of PSP. Transparency and accountability are plausibly most consequential for financial sustainability, since open reporting and clear lines of answerability discourage misallocation of resources and support disciplined budgeting. Responsibility and independence are plausibly most consequential for environmental sustainability, since rule-consistent conduct and oversight free from undue influence reduce the likelihood that environmental compliance is compromised for short-term operational convenience. Fairness, finally, is plausibly most consequential for service sustainability, since equitable treatment of service users sustains the legitimacy and social license that infrastructure-dependent public services require to continue operating without disruptive stakeholder conflict. This mapping is offered as an interpretive aid rather than as a set of independently tested sub-hypotheses, since the present model estimates governance quality as a single reflective latent construct; it nonetheless situates H_2 within a more granular theoretical account of how governance is expected to translate into performance (Salih, 2026; Mandasari, & Rikumahu, 2024).

2.6 The Moderating Role of Governance Quality

The theoretically more contested question concerns whether GQ strengthens the relationship between SQM and PSP, that is, whether the marginal performance return to service-quality investment is larger in organizations with higher GQ. A complementarity argument, drawn from New Public Management and good-governance perspectives, holds that transparent and accountable governance arrangements amplify the effect of service-quality management by ensuring that resources devoted to reliability, responsiveness, and process improvement are allocated efficiently and are not diverted or captured (Cordella & Paletti, 2019). Under this reasoning, GQ would positively moderate the service quality management-performance relationship.

However, an equally plausible contingency-based counter-argument suggests the opposite. When governance requirements, additional reporting lines, compliance procedures, and oversight demands, are layered onto an organization that is simultaneously investing in service-quality improvement, the two sets of activities may compete for the same finite pool of managerial attention, staff time, and budget (Pollitt, & Bouckaert, 2011; Van, Bouckaert, & Halligan, 2015). In such circumstances, the incremental contribution of SQM to performance may be smaller, not larger, where governance quality is already high, because governance-related activities absorb resources that would otherwise reinforce service delivery, or because a high-governance environment already captures much of the achievable performance gain through its own direct effect, leaving less room for service-quality management to add further value (a statistical, as well as managerial, diminishing-returns pattern). Because the theoretical literature does not converge unambiguously on either direction, and because organization-level moderation tests of this relationship are rare in the public administration literature, we state the hypothesis in the conventional complementarity direction while treating its confirmation or disconfirmation as an empirical question of substantive theoretical interest:

> *H_3:* Governance quality positively moderates the relationship between service quality management and public service performance, such that the effect of service quality management on performance is stronger when governance quality is higher

It is worth noting explicitly that this is one of the few instances in the public administration literature where a directional moderation hypothesis of this specific kind, governance quality moderating service quality management's effect on a sustainability-oriented performance construct, has been formally derived and subjected to empirical test using an interaction term rather than inferred from parallel direct-effect models. Most existing PLS-SEM applications in this domain (Sofyani, Riyadh, Fahlevi, & Ardito, 2020; Nurdin, Rizqi, Nurrahman, Wardana, & Ilham, 2026) model governance-related constructs as mediators or direct antecedents rather than as moderators, a pattern also noted in systematic reviews of PLS-SEM use in adjacent public-sector research streams, which likewise report a scarcity of moderated or moderated-mediation designs relative to simple direct-effect models (Changalima, Rejeb, & Kimario, 2026), meaning that the present test occupies a genuine gap in the empirical record rather than merely replicating an established relationship under a new label. This positions the resulting evidence, whichever direction it takes, as a meaningful addition to contingency-based theorizing about how governance and service-quality reforms jointly shape public-sector outcomes.

2.7 Conceptual Framework

Integrating the preceding theoretical strands, the research model positions service quality management and governance quality as two exogenous latent constructs that jointly determine public service performance, the single endogenous latent construct in the model. Two direct structural paths are specified, from SQM to PSP (*H_1*) and from GQ to PSP (*H_2*), together with a third, interaction path representing governance quality's moderating influence on the SQM-performance relationship (*H_3*). SQM is operationalized through service reliability, responsiveness, process management, and performance monitoring. GQ is operationalized through transparency, accountability, responsibility, independence, and fairness. PSP is operationalized through financial, environmental, and service sustainability. This structure allows the model to simultaneously test whether each construct exerts an independent, additive influence on performance and whether their joint, multiplicative operation reinforces or offsets those additive effects, the central empirical question this study addresses. Because the interaction term is constructed from the two exogenous constructs rather than specified a priori as a separate substantive variable, its interpretation is anchored entirely in the sign, magnitude, and significance of the corresponding path coefficient once the two direct effects have been accounted for, following the standard two-stage interaction-modeling logic in PLS-SEM (Becker, Cheah, Gholamzadehmir, Ringle, & Sarstedt, 2023; Hair, Hult, Ringle, & Sarstedt, 2022).

3. RESEARCH METHODOLOGY

3.1 Research Design

This study adopted a quantitative explanatory research design using a cross-sectional survey approach. The design was selected to examine theoretically specified relationships among SQM, GQ, and PSP, including the moderating role of GQ in the relationship between service quality management and performance. Given the cross-sectional and non-experimental nature of the study, the estimated relationships are interpreted as theoretically informed associations rather than definitive causal effects. Data were collected from respondents during a single period of observation to capture their assessments of current organizational practices related to SQM, GQ, and PSP. A cross-sectional approach is appropriate for examining relationships among latent organizational constructs measured through multiple indicators when the primary objective is to evaluate a theoretically specified structural model rather than changes in organizational conditions over time.

The research model was developed from the literature on public administration, service quality management, and governance. SQM and GQ were specified as exogenous constructs, while public service performance was treated as the endogenous construct. GQ was additionally modeled as a moderator to determine whether variations in governance arrangements alter the strength of the relationship between SQM and PSP. Partial Least Squares Structural Equation Modeling (PLS-SEM) was employed to estimate the proposed model (Wijaya & Sanjaya, 2026). PLS-SEM is appropriate for prediction-oriented models involving latent constructs and interaction effects, particularly when sample sizes are relatively limited and the assumption of multivariate normality cannot be guaranteed. The method also permits simultaneous evaluation of the measurement and structural models, including reliability, convergent and discriminant validity, path relationships, explained variance, predictive relevance, and moderation effects (Hair et al., 2022). Accordingly, PLS-SEM provides an appropriate analytical framework for assessing how SQM and GQ jointly relate to sustainable PSP.

3.2 Population, Sample, and Respondent Characteristics

This study was conducted in a regional government-owned water utility company (Company X) located in Bandar Lampung City, Indonesia. The organization represents a public service enterprise operating under a hybrid mandate that combines operational service delivery with public accountability, financial responsibility, and governance requirements. This setting was considered relevant because employees are required to manage service performance while simultaneously complying with formal governance and oversight mechanisms, thereby providing an appropriate organizational context for examining the relationships proposed in the research model. The study population consisted of employees directly involved in financial management, accounting, operations, service delivery, internal supervision, governance, and performance reporting. These functional areas were selected because personnel working within them possess direct knowledge of organizational processes relevant to the constructs under investigation. A purposive sampling technique was therefore employed to prioritize respondents with substantive organizational knowledge and direct exposure to service management, governance practices, and performance processes rather than individuals whose assessments would primarily reflect external service experiences (Sofyani et al., 2020).

A total of 66 valid responses were obtained and included in the analysis. Sample adequacy was evaluated in relation to the characteristics and complexity of the PLS-SEM model rather than solely on the basis of conventional large-sample requirements associated with covariance-based SEM. PLS-SEM is generally appropriate for models with relatively modest samples because parameter estimation is variance based and does not depend on strict multivariate normality assumptions (Hair et al., 2022). The present model contains a limited number of latent constructs and structural paths, with public service performance as the primary endogenous construct and an additional interaction term representing the moderating effect of GQ. Consequently, the number of observations was considered sufficient for estimating the proposed model within an exploratory and prediction-oriented PLS-SEM framework.

Sample adequacy was also considered in terms of the respondents' informational relevance. The 66 participants were not drawn indiscriminately from the entire workforce but were selected from organizational functions directly associated with the constructs being measured. This increases the substantive quality of the responses because participants were positioned to evaluate service processes, governance mechanisms, internal controls, and organizational performance based on professional experience rather than general impressions. Thus, although the numerical sample is relatively modest, its adequacy is strengthened by the alignment between respondent roles and the information required to evaluate the research model.

Nevertheless, the sample size should be interpreted with appropriate caution. A relatively small sample may reduce statistical power, particularly for detecting interaction effects, which generally require greater power than direct relationships. Consequently, weak or non-significant effects should not automatically be interpreted as evidence that no relationship exists. The estimates may also be more sensitive to unusually influential observations than those obtained from substantially larger samples. These considerations reinforce the importance of interpreting the structural coefficients together with their effect sizes, confidence intervals, explanatory power, and predictive indicators rather than relying exclusively on statistical significance. The organizational context also imposes limitations on the generalizability of the findings. Because the data were obtained from a single regional government-owned water utility, the observed relationships may reflect organization-specific characteristics such as its governance structure, regulatory environment, resource constraints, managerial practices, organizational culture, and infrastructure-based service mandate. These characteristics may differ from those of central government agencies, licensing institutions, hospitals, educational organizations, or other regionally owned enterprises. Therefore, the findings should be interpreted as evidence from a specific public service organizational setting rather than as automatically representative of the entire public sector.

At the same time, the single-organization design provides greater contextual consistency by reducing unobserved variation arising from differences in regulation, institutional mandates, organizational structures, and governance systems across organizations. This enables the study to examine the proposed relationships within a relatively homogeneous institutional environment. Future research should nevertheless replicate the model across multiple public service organizations, regions, and service sectors and employ larger samples to assess the robustness and external validity of the relationships identified in this study.

Table 1. Respondent demographic characteristics

Characteristic	Category	Frequency	Percentage (%)
Gender	Male	40	60.61
	Female	26	39.39
Age	< 30 years	8	12.12
	30-39 years	23	34.85
	40-49 years	24	36.36
	>= 50 years	11	16.67
Educational Background	Senior High School/Vocational School	8	12.12
	Diploma	10	15.15
	Bachelor Degree	38	57.58
	Master/Doctoral Degree	10	15.15
Position/Functional Area	Service and Customer Relations	15	22.73
	Operations and Technical Services	18	27.27
	Finance and Accounting	12	18.18
	Internal Supervision and Governance	10	15.15
	Planning and Performance Reporting	11	16.67
Length of Service	< 5 years	9	13.64
	5-10 years	20	30.30
	11-15 years	21	31.82
	> 15 years	16	24.24

Respondent demographic characteristics, summarized in Table 1, indicate that 60.61% of respondents were male and 39.39% were female. The largest age bands were 40-49 years (36.36%) and 30-39 years (34.85%), with smaller shares aged under 30 (12.12%) and 50 or above (16.67%). A bachelor's degree was the modal educational qualification (57.58%), followed by diploma and postgraduate qualifications (15.15% each) and senior-high/vocational qualifications (12.12%). Respondents were drawn from five functional areas, namely operations and technical services (27.27%), service and customer relations (22.73%), finance and accounting (18.18%), planning and performance reporting (16.67%), and internal supervision and governance (15.15%). Length of service was concentrated in the 11-15 year band (31.82%) and the 5-10 year band (30.30%), with 24.24% reporting more than 15 years and 13.64% reporting under 5 years. This profile suggests a sample with substantial organizational tenure and professional exposure to the service, financial, and governance functions under investigation, supporting the informant competence of the data.

3.3 Measurement

All constructs were measured reflectively using multi-item indicators on a five-point Likert scale (1 = strongly disagree to 5 = strongly agree). Service Quality Management (SQM) was operationalized through four indicators, such as service reliability (SQM1), service responsiveness (SQM2), service process management (SQM3), and service performance monitoring (SQM4), consistent with the reliability and responsiveness dimensions of the SERVQUAL tradition adapted to a managerial-practice framing (Shared, 2019). Governance Quality (GQ) was operationalized through five indicators, such as transparency (GQ1), accountability (GQ2), responsibility (GQ3), independence (GQ4), and fairness (GQ5), mirroring widely used organizational and cross-national governance dimensions. Public Service Performance (PSP) was operationalized through three indicators: financial sustainability (PSP1), environmental sustainability (PSP2), and service sustainability (PSP3), reflecting the sustainability-oriented performance conception discussed in Section 2.3. The interaction term representing the moderating effect of governance quality on the service quality management-performance relationship (SQM × GQ) was constructed using the two-stage approach recommended for reflective-reflective moderation in PLS-SEM (Becker, Cheah, Gholamzadehmir, Ringle, & Sarstedt, 2023; Hair, Hult, Ringle, & Sarstedt, 2022).

Prior to full-scale distribution, the instrument was reviewed for face and content validity by academically and practically experienced reviewers familiar with public-sector service delivery and governance practice, and item wording was refined to minimize ambiguity and social-desirability bias, consistent with established survey-design guidance for perceptually measured organizational constructs (Al-Romeedy, 2026). Participation was voluntary, respondents were informed of the study's academic purpose, and responses were collected and analyzed in a manner that preserved respondent and organizational confidentiality, consistent with standard ethical practice for organizational survey research.

3.4 Data Analysis Technique

Data were analyzed using PLS-SEM, implemented via SmartPLS (Ringle, Wende, & Becker, 2015). PLS-SEM was selected because it accommodates relatively small samples, does not require multivariate normality, and is well suited to models combining measurement validation with structural (including interaction) effect estimation, particularly in exploratory or theory-extending contexts such as the present moderation test (Hair, Hult, Ringle, & Sarstedt, 2022). The measurement (outer) model was assessed through indicator outer loadings, internal consistency reliability (Cronbach's alpha and composite reliability), and convergent validity (Average Variance Extracted/AVE), with the conventional thresholds of loadings above 0.70, reliability coefficients above 0.70, and AVE above 0.50 (Hair et al., 2022). Discriminant validity was assessed using the Fornell-Larcker criterion, comparing the square root of each construct's AVE against its correlations with other constructs. The structural (inner) model was evaluated through the coefficient of determination (R^2), path coefficients, and their significance, obtained via a bootstrapping procedure with resampling, consistent with standard PLS-SEM reporting practice (Hair et al., 2022). Prior to substantive interpretation, common method variance was considered a design-stage concern, mitigated through respondent role-based purposive sampling and item wording review, consistent with guidance on minimizing method bias in single-informant survey research (Kock, 2015).

The relationships among Service Quality Management, Governance Quality, their interaction, and Public Service Performance are illustrated in the initial research model presented in Figure 1.

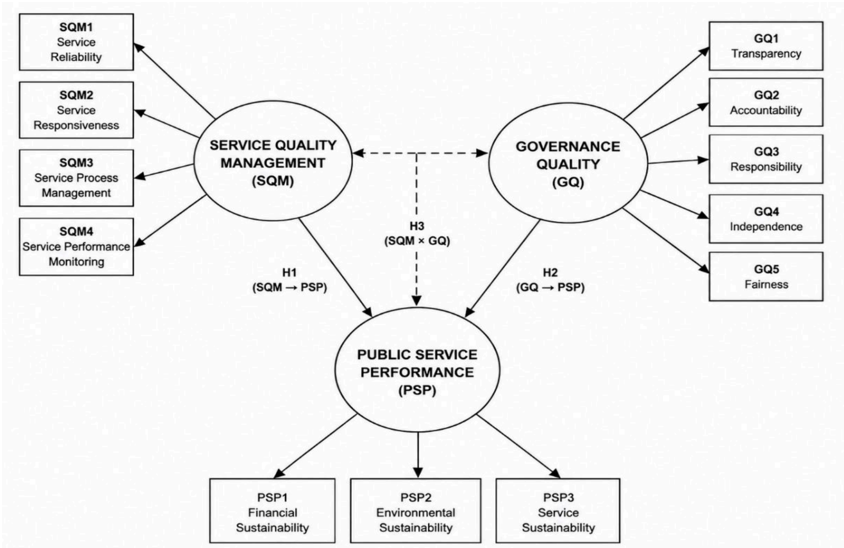

Figure 1. Initial Research Model

Figure 1 illustrates the proposed research model developed in this study. The model presents the hypothesized relationships among Service Quality Management (SQM), Governance Quality (GQ), and Public Service Performance (PSP). The model proposes that Service Quality Management (H_1) and Governance Quality (H_2) directly influence Public Service Performance, which is reflected through financial sustainability (PSP1), environmental sustainability (PSP2), and service sustainability (PSP3).

Furthermore, the model includes an interaction effect (H_3) to examine whether Governance Quality moderates the relationship between Service Quality Management and Public Service Performance. This conceptual framework demonstrates how effective service management and governance mechanisms contribute to improving sustainable public service outcomes. The results of the PLS-SEM estimation, including indicator loadings, path coefficients, significance values, and the coefficient of determination, are presented in Figure 2.

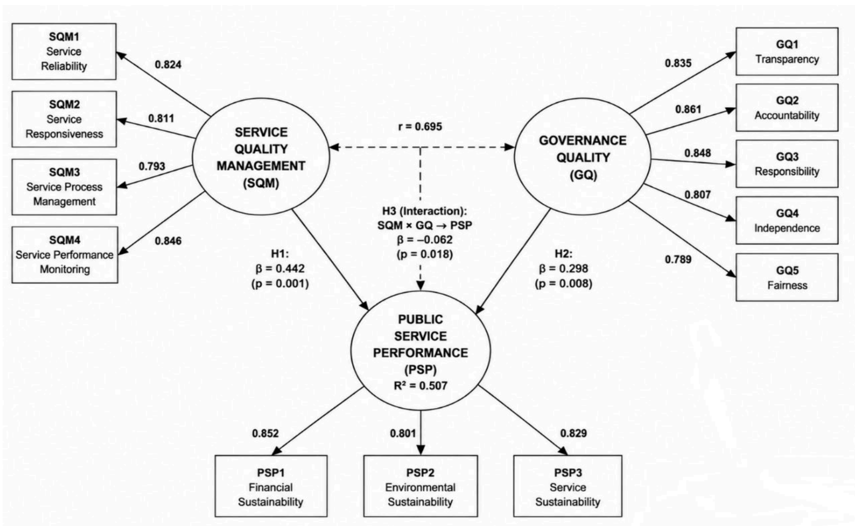

Figure 2. PLS-SEM Analysis Model

Figure 2 presents the PLS-SEM model illustrating the relationships among Service Quality Management (SQM), Governance Quality (GQ), and Public Service Performance (PSP). SQM is measured by four indicators with outer loadings ranging from 0.793 to 0.846, while GQ is represented by five indicators with outer loadings ranging from 0.789 to 0.861 and PSP indicators between

0.801-0.852. The structural model indicates that SQM has a positive and significant effect on PSP (β=0.442; p=0.001), while GQ also positively influences PSP (β=0.298; p=0.008). The interaction effect between SQM and GQ is negative and significant (β=−0.062; p=0.018), indicating that GQ moderates the relationship but does not strengthen the effect of SQM on PSP. The model explains 50.7% of the variance in PSP (R^2=0.507), demonstrating the contribution of service management and governance mechanisms in improving public service outcomes.

4. RESULTS AND DISCUSSIONS

4.1 Respondent Characteristics and Descriptive Statistics

Table 2. Descriptive statistics of research variables

Variable	N	Minimum	Maximum	Total Score Mean	Standard Deviation (SD)	Item Mean	Category
Service Quality Management (SQM)	66	26	40	33.86	2.73	4.23	Very high
Governance Quality (GQ)	66	36	50	43.00	3.32	4.30	Very high
Public Service Performance (PSP)	66	34	47	41.74	2.90	4.17	High

Table 2 presents the descriptive analysis of the three research variables. Service quality management obtained a total score mean of 33.86 (SD=2.73; item mean=4.23), governance quality obtained a total score mean of 43.00 (SD=3.32; item mean=4.30), and public service performance obtained a total score mean of 41.74 (SD=2.90; item mean=4.17). Based on conventional categorization thresholds, service quality management and governance quality were classified as very high, while public service performance was categorized as high, indicating that respondents perceived greater improvement opportunities in performance outcomes compared with the managerial and governance processes supporting them.

The observed minimum-maximum ranges are also informative: service quality management scores ranged from 26 to 40, governance quality from 36 to 50, and public service performance from 34 to 47 across respondents. In each case the observed minimum remained appreciably above the scale midpoint, indicating that even the least favorable assessments in the sample reflected a moderately positive rather than a negative or indifferent evaluation of service quality management, governance quality, or public service performance.

Table 3. Composite mean scores of research indicators

Construct	Code	Indicator	Mean	Category
Service Quality Management (SQM)	SQM1	Service reliability	4.23	Very high
	SQM2	Service responsiveness	4.30	Very high
	SQM3	Service process management	4.24	Very high
	SQM4	Service performance monitoring	4.17	High
Governance Quality (GQ)	GQ1	Transparency	4.36	Very high
	GQ2	Accountability	4.40	Very high
	GQ3	Responsibility	4.29	Very high
	GQ4	Independence	4.32	Very high
	GQ5	Fairness	4.17	High
Public Service Performance (PSP)	PSP1	Financial sustainability	4.12	High
	PSP2	Environmental sustainability	4.23	Very high
	PSP3	Service sustainability	4.18	High

Table 3 presents the indicator-level descriptive analysis of the research variables. Service quality management showed very high ratings for reliability (SQM1=4.23), responsiveness (SQM2=4.30), and process management (SQM=4.24), while performance monitoring (SQM4=4.17) was categorized as high. Governance quality indicators, including transparency (GQ1=4.36), accountability (GQ2=4.40), responsibility (GQ3=4.29), and independence (GQ4=4.32), were rated very high, whereas fairness (GQ5=4.17) was rated high. For public service performance, environmental sustainability (PSP2=4.23) achieved a very high rating, while financial sustainability (PSP1=4.12) and service sustainability (PSP3=4.18) were categorized as high. This pattern indicates that organizations tend to demonstrate stronger implementation of service and governance principles compared with performance monitoring and outcome-oriented aspects.

The demographic profile of respondents, predominantly male, aged 40-49, holding at least a bachelor's degree, and possessing 11-15 years of relevant experience, warrants brief interpretive comment. This profile corresponds to a mid-to-senior career stage at which staff typically hold sufficient organizational tenure to have observed service-quality and governance practices across multiple budget or planning cycles, rather than only a single, potentially unrepresentative, period. Such tenure plausibly improves the validity of perceptual ratings on constructs, such as performance monitoring and fairness, that require an accumulated, rather than point-in-time, assessment of organizational conduct. At the same time, the relative demographic homogeneity of the sample, concentrated in a narrow age band and a single broad educational category, means that the descriptive statistics reported here should be read as reflecting the perspective of experienced mid-career functional staff specifically, rather than the full range of organizational stakeholders, including front-line junior staff or external service users, whose assessments of the same constructs might reasonably differ.

4.2 Measurement Model Evaluation

Table 4. Measurement model results

Construct	Code	Outer Loading	Cronbach Alpha	Composite Reliability	AVE
Service Quality Management (SQM)	SQM1	0.824	0.796	0.890	0.670
	SQM2	0.811			
	SQM3	0.793			
	SQM4	0.846			
Governance Quality (GQ)	GQ1	0.835	0.841	0.916	0.686
	GQ2	0.861			
	GQ3	0.848			
	GQ4	0.807			
	GQ5	0.789			
Public Service Performance (PSP)	PSP1	0.852	0.772	0.867	0.685
	PSP2	0.801			
	PSP3	0.829			

Table 4 presents the results of the reflective measurement model evaluation. All indicator outer loadings exceeded the recommended threshold of 0.70, confirming indicator reliability (Hair, Hult, Ringle, & Sarstedt, 2022). SQM showed loadings ranging from 0.793 to 0.846, with Cronbach's alpha of 0.796, composite reliability of 0.890, and AVE of 0.670. GQ demonstrated loadings between 0.789 and 0.861, with Cronbach's alpha of 0.841, composite reliability of 0.916, and AVE of 0.686. PSP showed loadings ranging from 0.801 to 0.852, with Cronbach's alpha of 0.772, composite reliability of 0.867, and AVE of 0.685. These results indicate that all constructs achieved adequate internal consistency reliability and convergent validity, as all reliability values exceeded 0.70 and AVE values surpassed 0.50 (Hair et al., 2022).

Table 5. Fornell-Larcker discriminant validity

Construct	Service Quality Management	Governance Quality	Public Service Performance
Service Quality Management (SQM)	0.819		
Governance Quality (GQ)	0.695	0.828	

Construct	Service Quality Management	Governance Quality	Public Service Performance
Public Service Performance (PSP)	0.639	0.607	0.828

Table 5 presents the results of discriminant validity assessment using the Fornell-Larcker criterion (Fornell & Larcker, 1981). The square roots of AVE for SQM (0.819), GQ (0.828), and PSP (0.828) each exceeded the correlations with the other constructs, confirming discriminant validity. The highest inter-construct correlation was observed between SQM and GQ (0.695), followed by SQM and PSP (0.639), and GQ and PSP (0.607).

Diagonal values (bold in the original output) represent the square root of AVE for each construct. While the 0.695 correlation between SQM and GQ is not trivial, it remains comfortably below the square roots of AVE for both constructs, indicating that, despite their conceptual and practical interdependence in public organizations, the two constructs are empirically distinguishable rather than reflecting a single underlying factor. The Fornell-Larcker criterion was reported here as the primary discriminant validity test because it remains a conventional and widely accepted benchmark in applied PLS-SEM research (Fornell, & Larcker, 1981; Hair et al., 2022). Although more recent methodological guidance also recommends the heterotrait-monotrait ratio of correlations as a complementary and more conservative criterion, particularly for closely related constructs such as SQM and GQ, future replications of this model would benefit from reporting both criteria jointly. Taken together, the measurement model results indicate that the survey instrument performed satisfactorily across all three constructs, providing an adequate empirical foundation for proceeding to structural model estimation and hypothesis testing. The consistency of loading patterns, reliability coefficients, and AVE values across SQM, GQ, and PSP also suggests that the four-, five-, and three-indicator operationalizations adopted here, drawing respectively on service-quality, governance, and sustainability literatures, translated coherently into a single, empirically well-behaved survey instrument, despite originating from three theoretically distinct literatures.

4.3 Structural Model and Hypothesis Testing

The structural model explained a substantial share of variance in the outcome construct, with public service performance obtained an R^2 of 0.507 (adjusted R^2=0.483), indicating that SQM, GQ, and their interaction jointly accounted for 50.7% of the variance in PSP, a level generally regarded as moderate-to-substantial in behavioral and organizational PLS-SEM research (Hair et al., 2022). The remaining 49.3% of variance is presumably attributable to factors outside the present model, such as infrastructure conditions, tariff or budgetary policy, investment capacity, operational efficiency, workforce competence, information systems maturity, and the broader policy environment set by higher levels of government.

Hypothesis testing produced a partially confirmatory, partially disconfirmatory pattern. Service quality management exerted a positive and statistically significant effect on public service performance (β= 0.442, t=3.355, p=0.001), supporting H_1. Governance quality likewise exerted a positive and statistically significant effect on public service performance (β=0.298, t= 2.740, p=0.008), supporting H_2. However, the interaction term representing the moderating effect of governance quality was negative and statistically significant (β=-0.062, t=2.423, p=0.018). Because H_3 predicted a positive moderating effect, this result led to the rejection of H_3, indicating that governance quality did not strengthen, but rather modestly weakened, the positive effect of service quality management on public service performance, as can be seen in Table 6.

Table 6. Structural model and hypothesis-testing results

Hypothesis	Relationship	Path Coefficient	*t*-statistic	*p*-value	Decision
H_1	SQM → PSP	0.442	3.355	0.001	Accepted
H_2	GQ → PSP	0.298	2.740	0.008	Accepted
H_3	SQM x GQ → PSP	-0.062	2.423	0.018	Rejected

All three t-statistics exceed the conventional critical value of 1.96 for a two-tailed test at the 5% significance level, confirming that all three paths, including the negative interaction term, are statistically distinguishable from zero rather than attributable to sampling variation (Hair et al., 2022).

4.4 Discussion

The confirmation of H_1 and H_2 reinforces a substantial body of prior evidence that both service-quality practices and governance arrangements are independently consequential for public-sector outcomes (Sofyani, Riyadh, Fahlevi, & Ardito, 2020). The relative magnitude of the two direct effects, with SQM's path coefficient (0.442) exceeding that of GQ (0.298), suggests that, in the organizational context studied here, operational and service-delivery practices remain the more proximate driver of sustainability-oriented performance outcomes than governance arrangements themselves, even though governance quality retains an economically and statistically meaningful independent contribution. This ordering is broadly consistent with New Public Management's emphasis on managerial, results-oriented practice as the primary lever of public-sector performance improvement, while the significant, if smaller, governance effect corroborates governance-quality theorizing rooted in institutional and stakeholder perspectives (Freeman, 1984; Hood, 1991).

The rejection of H_3 is the study's most theoretically consequential finding. Rather than the complementarity pattern implied by good-governance and New Public Management perspectives (Hood, 1991), the negative and significant interaction coefficient indicates a substitutive relationship: at higher levels of GQ, the marginal contribution of SQM to PSP is smaller, and, conversely, at higher levels of SQM, the marginal contribution of GQ is smaller. Two, non-mutually exclusive, explanations are consistent with this pattern and with contingency-based organizational theorizing (Pollitt, & Bouckaert, 2011; Van, Bouckaert, & Halligan, 2015). First, a resource-competition explanation holds that governance-related activities, additional reporting, oversight compliance, and procedural safeguards, draw on the same limited pool of managerial time, staff capacity, and budget that would otherwise reinforce service-quality initiatives; where governance obligations are already extensive, less organizational bandwidth remains available to convert service-quality investment into performance gains. Second, a ceiling or saturation explanation holds that, because both SQM and GQ independently exert strong positive direct effects and are themselves substantially correlated (r=0.695), the achievable performance gain from strengthening either construct further, once the other is already high, is naturally bounded, so that the joint, multiplicative effect of both being simultaneously high is smaller than the sum of their separate effects would suggest.

The pattern also resonates with the resource-based view's emphasis on organizational routines as the proximate driver of performance differentiation (Barney, 1991): if service quality management functions as an embedded operational routine while governance quality functions as an embedded oversight routine, the present results suggest that these two routines draw on a partially shared, rather than fully independent, base of managerial capacity. Under conditions of shared and finite capacity, strengthening one routine can be expected to yield diminishing marginal returns from strengthening the other, exactly the pattern reflected in the negative interaction coefficient. This interpretation is further supported by the observed 0.695 correlation between service quality management and governance quality, which, while remaining well below the discriminant-validity threshold required to treat the two as empirically distinct constructs, is nonetheless high enough to suggest that, in practice, the two capabilities tend to develop together within the same organizational routines and personnel, reinforcing the plausibility of a shared-capacity explanation for the observed substitution effect.

This finding qualifies, rather than contradicts, the broader good-governance literature. It does not imply that governance quality is unimportant, its direct effect remains positive and significant, but it cautions against an unconditional assumption that intensifying governance and service-quality reforms in parallel will produce reinforcing, multiplicative performance gains. Instead, the evidence is more consistent with a sequencing or resource-allocation logic in which public managers may need to calibrate the pace and intensity of governance reform relative to ongoing service-quality initiatives, rather than maximizing both simultaneously, an implication elaborated further in Section 6.

5. CONCLUSIONS

This study examined the effects of SQM and GQ on PSP and investigated the moderating role of governance quality in the relationship between SQM and performance. The findings demonstrate that SQM has a positive and significant effect on PSP, indicating that improving service reliability, responsiveness, process management, and performance monitoring contributes to better organizational outcomes. GQ also has a positive and significant effect on PSP, confirming that transparency, accountability, responsibility, independence, and fairness are essential factors in strengthening sustainable public service delivery.

However, the moderation analysis provides a different perspective from the initial assumption. GQ does not strengthen the relationship between SQM and PSP but instead shows a negative significant moderating effect. This finding suggests that GQ and SQM may operate as partially substitutive capabilities rather than complementary mechanisms. Therefore, public organizations should not only focus on simultaneously increasing governance mechanisms and service quality practices but also consider the appropriate sequencing and allocation of organizational resources.

The study contributes to public administration and governance literature by highlighting the importance of examining interaction effects between managerial capabilities rather than assuming that all reform initiatives generate cumulative benefits. Practically, public service organizations should develop balanced improvement strategies by strengthening service quality management while maintaining effective governance structures without creating excessive administrative burdens that may reduce operational flexibility.

5.1 Research Limitations

This study has several limitations that should be considered when interpreting the findings. First, the research was conducted within a single public service organization, which may limit the generalizability of the results to other public institutions with different organizational characteristics, structures, and service environments. Second, the study employed a cross-sectional research design, meaning that the relationships among variables were examined at a single point in time and therefore cannot fully capture changes resulting from long-term governance and service quality improvement initiatives.

Third, the data were collected through self-reported questionnaires from organizational respondents, which may introduce potential perception bias despite efforts to select respondents with relevant knowledge and experience. Fourth, the study focused on SQM and GQ as primary predictors of PSP, while other possible influencing factors, such as leadership capability, organizational culture, digital transformation, financial capacity, and external policy conditions, were not incorporated into the model.

5.2 Suggestions and Directions for Future Research

Future research is encouraged to expand the study context by involving multiple public service organizations across different sectors and regions to improve the external validity of findings. Comparative studies between public institutions with different levels of organizational maturity may provide deeper insights into whether the substitutive relationship between GQ and SQM occurs consistently across various contexts.

Future studies should also consider longitudinal research designs to examine how governance reforms and service quality improvement initiatives influence performance development over time. In addition, researchers may integrate objective performance indicators, such as financial reports, service achievement records, customer satisfaction data, and operational efficiency measures, to complement perceptual survey data.

Further research may explore additional variables that could explain the interaction between GQ and SQM, including organizational capacity, leadership style, digital governance capability, employee competence, and institutional complexity. Examining mediation or moderated mediation models may also provide a more comprehensive understanding of the mechanisms through which governance and service quality practices influence sustainable PSP.

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AUTHOR CONTRIBUTIONS

MI contributed to the conceptualization of the study, development of the research framework, methodology design, data collection, data analysis, interpretation of findings, and preparation of the initial manuscript draft and contributed through supervision, theoretical development, validation of research methods and findings, critical evaluation of the manuscript, and improvement of the overall academic quality and coherence of the article. MR contributed to the literature review, supporting data analysis, manuscript editing, reference verification, and refinement of the final manuscript. All authors have read and approved the final version of the manuscript and agree to be accountable for all aspects of the research.

CONFLICT OF INTEREST

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