

Performance objectives of public private partnership implementation in Malaysia: perception of key players

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Abstract

Purpose – *The objectives of this present study are twofold. First, it aims to investigate the performance objectives of PPP implementation in Malaysia. Second, it aims to examine the differences in the perceptions of two PPP key players – the public and private sectors – pertaining to the performance objectives.*

Design/methodology/approach – *A questionnaire survey was used to elicit the perceptions of the public and private sectors concerning the performance objectives of PPP projects in Malaysia; 237 usable responses were obtained and analysed using SPSS to rank the importance of the performance objectives and to examine the differences in the perceptions between the government and private sectors.*

Findings – *The results reveal that the five most important performance objectives for PPP implementation in Malaysia based on overall respondents' perceptions are "High-quality public service", "Provide convenient service for society", "Within or under budget", "On-time or earlier" and "Satisfy the need for more public facilities". As for differences in the perceptions of the two key players, only one objective was perceived as statistically more important by the public sector respondents than by their private sector counterparts.*

Originality/value – *The contribution of this paper is that it not only provides empirical evidence for the performance objectives for PPP implementation in Malaysia, but also offers evidence concerning the differences in the perceptions of the public and private sectors pertaining to the performance objectives.*

Keywords *Malaysia, Public private partnership, Performance objectives*

Paper type *Research paper*

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1. Introduction

The Public Private Partnership (PPP) has been used worldwide as a mechanism for the public sector to procure public facilities and services. Since the introduction of PPP under the term "Private Finance Initiative" (PFI) by the Conservative Government in the UK in 1992, the scheme has been adopted by many other countries including France, China, India, Singapore, Thailand, and also Malaysia. However, the characteristics and structure of the PPP are unique to each individual adopting country. More importantly, different countries have different objectives for adopting the PPP scheme (Winch *et al.*, 2012). For example, in the UK, when PPP was first introduced in 1992, the main two objectives were to enable more investment to take place; and to provide an improved form of public procurement, which under the right circumstances could yield improved efficiency savings and greater value for money than traditional procurement (Robinson, 2000).

In Malaysia, the official introduction of the PPP under the Ninth Malaysia Plan in 2006 had the main objective of encouraging greater involvement of the private sector in providing infrastructure facilities and public services by streamlining the existing Privatisation Policy

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(Ninth Malaysia Plan, 2006; PPP Guideline, 2009). The Privatisation Policy, which was first introduced in 1983, was reported to be successful and received a positive response from stakeholders. For instance, it was reported that from 1996 to 2000 that the total amount of savings in government capital expenditure as a result of privatization amounted to RM 49.3 billion. Furthermore, privatization has also contributed to increased efficiency and productivity (Eight Malaysia Plan, 2001; Takim, Ismail, Nawawi and Jaafar, 2009). Due to the success of the privatization policy, greater private sector involvement in delivering the public facilities and services was encouraged which led to the official introduction of the PPP initiative in 2006 (Ninth Malaysia Plan, 2006; Tenth Malaysia Plan, 2011; Ismail, 2012).

As the PPP initiative is a continuation of the Privatisation Policy, it is claimed that the ultimate justifications for adopting it are in line with the objectives of privatisation: to improve the performance of the public sector in delivering public facilities and services through the participation of the private sector and to reduce government expenditure in providing public services (Ninth Malaysia Plan, 2006; Takim, Ismail, Nawawi and Jaafar, 2009). However, there are limited studies to investigate the main objectives of PPP implementation in Malaysia except the study by Ismail (2014). Moreover, in the 2012 audit report, the Auditor General of Malaysia highlighted the weaknesses in the implementation of PPP projects in Malaysia which have resulted in negative impacts such as project delay, low quality output and inefficient use of resources (National Audit Department, 2012). Among the weaknesses highlighted in the report are lack of proper project planning, unclear objectives for implementing the PPP projects and insufficient performance management. The specific objective for each party's involvement in a PPP scheme is part of performance management and is referred to as the performance objective (Yuan *et al.*, 2010).

Due to the differences in the objectives of PPP implementation between countries, lack of empirical study on PPP objectives in Malaysia and to address the Auditor General's concern on unclear objectives for PPP, it is crucial and timely to undertake an empirical study on PPP performance objectives, which are a fundamental component of performance management, in order to ensure successful implementation of PPP in Malaysia. Hence, this present study aims to identify the important performance objective of PPP in Malaysia. Furthermore, as the distinctiveness of PPP is that it has two key players – the government and the private sector providers, each of which has its own performance objectives to meet – the present study also aims to investigate the differences in the perception of the public and private sectors of the importance of the performance objectives.

The unique contribution of the present study is that it contributes to an improvement in performance management of the PPP project in Malaysia by addressing the important PPP performance objectives not only in general but also for each PPP key player (i.e. the government and private sector providers). The subsequent sections of this paper are organised as follows. Section 2 offers information on the concept and development of PPP in Malaysia. Then, Section 3 presents the review of relevant literature on objectives for implementing PPP. Section 4 offers a description of the research methodology and Section 5 presents the findings of the study. The final section, Section 6, presents implications, limitations of the study, suggestions for future research and concluding remarks.

2. Public private partnership in Malaysia

In Malaysia, the involvement of the private sector in the development activities of the country is not new. The introduction of the Privatisation Policy in 1983 under the Fourth Malaysia Plan (1981–1985) as part of the New Public Management (NPM) initiative was aimed at facilitating the country's economic growth, reducing the financial and administration burden of the government, reducing the government's presence in the economy, lowering the level and scope of public spending and allowing market forces to govern economic activities and improve efficiency and productivity in line with the

National Development Policy (NDP) (Privatisation Master Plan, 1983). The privatisation programme was continued until the Eight Malaysia Plan (2001–2005), when emphasis was given to projects that would generate multiplier effects and upgrade the quality of services for the population (Eight Malaysia Plan, 2000). In the [Ninth Malaysia Plan \(2006–2010\)](#), the privatisation programme was streamlined by the introduction of the PPP scheme with the crucial aim of encouraging the greater participation of the private sector in government projects ([Ninth Malaysia Plan, 2006](#)). While privatisation involves the transferring of activities and functions from the government to the private sector (Seventh Malaysia Plan, 1996), the PPP on the other hand only transfers the responsibility to finance and manage a package of capital investment and services to the private sector ([Ninth Malaysia Plan, 2006](#), p. 230). Thus, privatisation and the PPP have unique characteristics, although both fall under the same concept, the PPP ([Abdul Rashid, 2013](#)). The partnership between the public and private sectors to provide public infrastructure and services is further emphasised in the Tenth Malaysia Plan (2011–2015).

The fundamental characteristics of Malaysia's PPP as stated in the PPP Guidelines (2009) include partnership relation between public and private sectors; public sector procures specified outputs of a service for a concession period; private sector determines the required inputs to achieve the indicated output, including to introduce innovation into their designs and development to reduce overall costs; payment for services is based on pre-determined standards and performance; concessionaires will be responsible for the long term maintenance of the assets throughout the operational tenure agreed upon; integration of design, construction, finance, maintenance and operation (total package); transfer of assets at the end of the concession period becomes an option to the Government; risk is allocated to the party who is best able to manage it; and whole life cycle costing whereby PPP projects are usually awarded based on lowest total cost over the concession period compared to lowest construction costs under the traditional procurement method.

The characteristics of the PPP are different from those of other initiatives such as privatisation and the traditional mode of procurement (PPP Guidelines, 2009). These differences are due to the role played by the public sector in the PPP scheme, where the government acts as the main purchaser and as the regulator of the project. Additionally, its special features such as service focus, ownership, risk transfer, innovation and performance also make the scheme unique when compared to other initiatives. Other than that, the PPP also differs from other procurement methods in terms of funding, impact on the public sector, risks, public sector involvement, contract duration and the applicability of the projects (PPP Guidelines, 2009). In an effort to enhance the effectiveness of the public sector delivery system, the Government introduced a performance-based payment for KPIs for all PPP projects ([Ninth Malaysia Plan, 2006](#)). The implementation of these two systems is important because the payment for services provided by the private sector is linked with their performance based on pre-determined KPIs.

PPP involves a partnership between two parties: the public sector and the private sector. The private sector forms a Special Purpose Vehicle (SPV), which comprises a financier, construction contractors and facilities management operator (PPP Guidelines, 2009). According to PPP Guideline (2009), the roles and responsibilities of the public sector as a procurer include implementing the PPP project by identifying, assessing and prioritising projects, preparing and managing the project for a competitive bidding process, providing clear objectives and scoping for the project, output specifications, payment mechanism and performance indicators, ensuring equitable and optimal allocation of risks, contract management and performance monitoring and safeguarding the public interest. The SPV on the other hand is responsible for raising the funds to develop the project and maintain the assets, and also making payments to the subcontractors, financiers and other creditors.

They are also responsible for delivering the agreed services to the public sector according to the levels, quality and timeliness of the service provision specified throughout the contract period as well as ensuring the assets are well maintained and available for use throughout the concession period. At the end of the concession period, the SPV is responsible for ensuring the revertible assets or facilities are transferred in the specified conditions to the public sector. As for the financiers, they are responsible for financing the project because the SPV usually uses a combination of equity investors and debt providers to raise funds for the project. In the case of construction contractors, they need to carry out construction works according to the contract with the SPV, while the facilities management operator needs to carry out comprehensive facilities management of the assets according to the contract with the SPV.

3. Literature review

Prior studies on PPP performance objectives can be classified into two types:

1. studies and official documents that briefly mention the objectives of PPP; and
2. studies that actually carried out empirical work on PPP objectives.

The first category of prior studies includes studies by Jamali (2004), Hurst and Reeve (2004), Nisar (2007) and Coulson (2008), and official documents on PPP implementation in various countries including the UK (2000), Australia (2001), India (2009) and Malaysia (2009). Among the PPP objectives mentioned in those studies and documents are:

- to facilitate the government's capital spending;
- to have efficient use of resources for delivering public services;
- to provide services at a lower price and within a stipulated time;
- to free up public sector time and resources in enabling the government to focus on more vital issues;
- to transfer to the private consortium the responsibility not only for constructing the facilities but also for maintaining the operation of the public services throughout the contractual period;
- to reduce the government's role in providing public services and facilities;
- to improve the efficiency of public services;
- to create innovative solutions (i.e. better design and management) since PPP contract specifies the output required, compared to the input specification under the traditional procurement method; and ultimately; and
- to realise value for money from PPP facilities.

In terms of empirical research, Cheung *et al.* (2009) carried out a questionnaire survey to investigate the objectives for implementing PPP in three countries – Hong Kong, Australia and the UK – as perceived by the government and private sector providers. The study discovered similarities and differences between these countries. The top three objectives for implementing PPP in Hong Kong are “private initiative”, “economic development pressure demanding more facilities” and “high quality of services required”. In Australia, the three key objectives are “high quality of services required”, “economic development pressure demanding more facilities” and “inefficiency because of public monopoly and lack of competition”. The main objectives for implementing PPP in the UK are “shortage of government funding”, “economic development pressure demanding more facilities” and “to avoid public investment restriction”.

In another study, Yuan *et al.* (2009) examined the performance objectives for PPP implementation in the USA and China based on perceptions of stakeholders of 15

performance objectives listed in the questionnaire. The study reports that the top five most important performance objectives as perceived by the overall respondents are “acceptable quality of project”, “quality public service”, “within budget or saving money in construction and operation”, “on-time or earlier project completion” and “life-cycle cost reduction”. The last ranked performance objective is “public sector can acquire additional/facilities beyond requirement from private sector”.

In the context of Malaysia, [Ismail and Haris's \(2014a\)](#) short survey of five items to respondents who have been involved in government as well as private sector PPP projects reveals that the most important objectives for implementing PPP in Malaysia are “to enhance private sector involvement in economic development”, “to improve the efficiency of public services delivery”, “to improve the privatisation programme” and “to reduce government spending in providing public services and facilities”. In a related study, [Ismail \(2014\)](#) compared the driving forces behind the implementation of PPP in Malaysia and in the UK. Their study reveals that the top three most important factors of PPP implementation in Malaysia are “economic development pressure of demanding more facilities”, “private incentive” and “shortage of government funding”. The other two factors are “high quality of service required” and “social pressure of poor public facilities”. For the UK, the main driving forces for PPP implementation include “shortage of government funding”, “economic development pressure of demanding more facilities” and “avoid public investment restriction”. [Abdul Aziz \(2010\)](#) examined the objectives for PPP implementation for housing development in Malaysia. Among the important objectives for adopting PPP in the Malaysian housing sector are “organisation reputation”, “project reputation”, “early completion”, “on-time completion” and “value for money”.

In sum, there is scant empirical research on performance objectives of PPP in the context of developing countries, including Malaysia. The study by [Ismail and Haris \(2014a\)](#) covers only five general objectives for PPP implementation, while [Abdul Aziz \(2010\)](#) focuses only on PPP objectives for the housing sector. With this paucity of research in mind, the present study attempts to bridge a gap in the existing literature and to offer more empirical evidence on PPP performance objectives in Malaysia.

4. Research method

4.1 Research instrument

The study adopted a questionnaire developed by [Yuan et al. \(2010\)](#) based on goal setting theory and prior literature. The questionnaire was used to survey the importance of performance objectives for PPP implementation in China. In adopting the questionnaire, several modifications were made to better suit the context of the PPP in Malaysia. The rationale for adopting an instrument similar to that used in [Yuan et al. \(2010\)](#) is that the PPP objectives identified have received recognition by the industry and academia, with a number of papers that use the questionnaire being published in reputable journals ([Yuan et al., 2009, 2010](#)). Furthermore, as [Cheung et al. \(2009\)](#) argue, there is no strong justification to reinvent work that has earlier been developed by other researchers. Using the same instrument will allow future studies to make cross-country comparison on important performance objectives for PPP ([Cheung et al., 2009](#)). The data reveals a Cronbach's alpha value of 0.869, which implies that the PPP performance objectives have adequate internal reliability.

The questionnaire consists of two parts. The first part (Part A) seeks information on the background of the respondents. The information requested includes details of the nature of their organisation (either public or private sector), their involvement with a PPP project, as well as their familiarity with and experience of the PPP scheme. The second part (Part B) consists of 14 items on performance objectives of PPP projects (please refer to [Table IV](#)). A five-point Likert scale is used to measure the importance of each performance objective. The level of importance is measured based on the following scale intervals: 1 indicates

unimportant, 2 is of little importance, 3 is moderately important, 4 is important and 5 is extremely important.

4.2 Data collection

The questionnaires were distributed to the respondents via postal mail. The target respondents for the current study are officers of government departments and private sector companies who may have been involved in PPP projects or who are familiar with the PPP scheme. The rationale for focusing on the respondents from the two sectors is that public and private sectors are the two PPP contractual parties; hence, they are directly involved in PPP implementation. Based on the information obtained from the UKAS, the monitoring body for PPP projects in Malaysia, 21 out of 24 ministries in Malaysia have implemented projects using the PPP scheme. A total of 10 questionnaires was sent to each of the 21 ministries. In addition, 10 questionnaires were sent to each of the 14 state governments, specifically to the Economic Planning Unit (EPU) of each state.

A representative in each of the ministries and state EPUs was identified and contacted to request their kind assistance to distribute the questionnaire to the potential respondents, to collect the completed questionnaires and to return them to the researcher. The representatives were briefed on the criteria for qualifying respondents, i.e. the respondents should have been directly or indirectly involved with PPP. As for the private sector companies, five questionnaires were sent to each one of 22 public listed construction companies that had indicated their interest in participating in the study. Similarly, a representative of each company was asked to assist with the data collection and to distribute questionnaires to those who have been involved throughout the various stages of PPP. The qualifying criteria were established to ensure that the questionnaires reached respondents who would be able to provide credible responses to the questionnaire items. Moreover, it was clearly stated on the cover letter that respondents were free to contact the researchers if they needed clarification on any part of the questionnaire. Contact details of researchers including name, email address, office phone number and mobile number were provided to all respondents. The data collection, inclusive of follow-ups with the representatives, took approximately 2 months. Table I provides a summary of the number of questionnaires distributed and the number of completed questionnaires received.

4.3 Data analysis procedures

The data were analysed using Statistical Package for the Social Sciences (SPSS) software version 17. The central tendency (mean) score and standard deviation for each objective and performance indicator were computed for the five-point Likert scales. Based on these mean scores, the performance objectives were ranked according to their importance as perceived by all the respondents, as well as separately by the public sector respondents and private sector respondents. An independent-samples *t*-test was conducted to compare the mean scores of two different groups of people or two samples.

Table I Questionnaire distribution and response rate

No. of respondents	No. of questionnaires distributed	No. of questionnaires returned (%)	No. of usable questionnaires (%)
<i>Public sector</i>			
Federal government	210	152 (72.38)	152 (72.38)
State government	140	36 (25.71)	20 (14.29)
<i>Private sector</i>	110	65 (44.83)	65 (59.09)
Total	460	253 (55.0)	237 (51.52)

5. Findings and discussions

5.1 Response rate and demographic profile of the respondents

Out of 460 questionnaires distributed, 253 were returned, which represents a 55 per cent return rate. Of the total responses, 237 responses (51.52 per cent) were usable and 16 responses were excluded as they were incomplete. Table II provides information on the response rate. As shown in Table II, a total of 172 responses was received from the public sector and 65 were received from the private sector. Out of 172 public sector responses, 152 responses were received from the federal level and 20 responses were from the state governments. Of the responses from the private sector, contractor respondents and facilities management respondents had the highest response rate, with 23 and 22 responses, respectively. These sectors represent almost half of the responses from the private sector.

Table III presents the demographic information of the respondents in terms of work experience, years of involvement and number of projects involved for overall respondents as well as based on sectors. The table also shows respondents' familiarity with the PPP scheme.

Sector	Role of respondents	Frequency	(%)	Total	
				Frequency	(%)
Public sector	Federal	152	64.1	172	72.5
	State	20	8.4		
Private sector	Contractor	23	9.7	65	27.5
	Facilities Management	22	9.2		
	Operator	6	2.6		
	Consultant	6	2.6		
	Financier	2	0.8		
	Others	6	2.6		
	Total	237	100		

Respondents' characteristics	Public sector		Private sector		Overall	
	N	(%)	N	(%)	N	(%)
<i>Years of experience^a</i>						
5 years and below	128	83.7	38	65.5	166	78.7
6-10	12	7.8	11	19.0	23	10.9
11-15	7	4.6	7	12.1	14	6.6
16-20	4	2.6	1	1.7	5	2.4
21+	2	1.3	1	1.7	3	1.4
Total	153	100	58	100	211	100
<i>Number of PPP projects^b</i>						
5 or below	128	85.9	59	100	187	89.9
6-10	6	4.0	0	0	6	2.9
11-15	6	4.0	0	0	6	2.9
More than 15	9	6.1	0	0	9	4.3
Total	149	100	59	100	208	100
<i>Are you familiar with PPP concept?^c</i>						
Yes	123	87.2	39	81.3	162	85.7
No	18	12.8	9	18.7	27	14.3
Total	141	100	48	100	189	100

Notes: ^aN (overall) = 211, missing = 26; ^bN (overall) = 208, missing = 29; ^cN (overall) = 189, missing = 48

Based on overall respondents' results as shown in Table III, the majority of the respondents (78.7 per cent) had less than five years' work experience with 89.9 per cent of the respondents claiming to have been involved in five or fewer PPP projects. Moreover, a vast majority of the respondents (85.7 per cent) declared that they were familiar with the PPP scheme. Therefore, to some extent, the respondents are credible in terms of being able to provide their perception of the subject of the current study.

5.2 Performance objectives of PPP

Table IV presents the mean scores and the mean score rankings for the relative importance of each of the PPP performance objectives for overall respondents, as well as by sector (public sector and private sector).

5.3 Result for all respondents

As shown in Table IV, the mean scores range from 3.18 to 4.84. The results indicate that each of the 14 objectives were perceived by respondents as either "moderately important", "important" or "extremely important" objectives to achieve for PPP implementation. Of the 14 objectives, the one objective perceived as "extremely important" was "High-quality public service". Based on the mean score ranking, the top five performance objectives in descending order of importance were "High-quality public service", "Provide convenient service for society", "Within or under budget", "On-time or earlier project completion" and "Satisfy the need for more public facilities". The least important objective as perceived by all respondents and that was rated as a moderately important objective was "Earn a profit from public service".

"High-quality public service" was ranked first as the most important performance objective in implementing PPP projects. The result is consistent with the government agenda of enhancing the quality of infrastructure facilities and services via a partnership between the public and private sectors (Nor Mohamed, 2010), as emphasised by the Government through various Malaysia Plans such as the Fourth Malaysia Plan (1981), Eighth Malaysia Plan (2001), Ninth Malaysia Plan (2006) and Tenth Malaysia Plan (2011). It is believed that having private sector to deliver public services would lead to better quality of the services provided. The result is also consistent with the findings of Li *et al.* (2005) and Yuan *et al.*

Table IV Perception of survey respondents concerning the relative importance of performance objectives in PPP projects

No.	Performance objective	Overall			Public sector			Private sector		
		Mean	SD	Rank	Mean	SD	Rank	Mean	SD	Rank
1	High-quality public service	4.84	0.715	1	4.90	0.611	1	4.24	0.849	2
2	Provide convenience service for society	4.36	0.865	2	4.47	0.767	2	4.06	1.037	3
3	Within or under budget	4.34	0.836	3	4.45	0.788	3	4.05	0.898	4
4	On-time or earlier project completion	4.32	0.770	4	4.40	0.703	5	4.26	0.912	1
5	Satisfy the need for more public facilities	4.30	0.735	5	4.42	0.620	4	3.95	0.898	5
6	Solve the problem of public sector budget restraint	4.21	0.794	6	4.30	0.717	6	3.95	0.933	6
7	Improve technology level	4.03	0.805	7	4.10	0.763	7	3.83	0.883	7
8	Promote local economic development	4.00	0.881	8	4.09	0.858	8	3.73	0.895	10
9	Life-cycle cost reduction	3.92	0.847	9	3.96	0.858	9	3.81	0.814	8
10	Public sector can obtain additional facilities/services beyond requirement from private sector	3.76	0.947	10	3.82	0.965	10	3.59	0.886	11
11	Introduce business and profit generating skill in the public sector	3.70	0.925	11	3.76	0.921	11	3.53	0.925	12
12	Transfer risk to private sector	3.58	0.995	12	3.63	1.024	12	3.45	0.907	13
13	Private sector can get government sponsorship, guarantee and tax reduction	3.49	0.955	13	3.39	0.962	13	3.78	0.881	9
14	Earn a profit from public service	3.18	1.020	14	3.22	1.035	14	3.05	0.976	14

(2009, 2010), who reported that respondents perceived that the quality of public service is among the most important performance objectives of a PPP scheme.

The PPP performance objective that was ranked second by all respondents was “provide convenient service for society”. Nowadays, society demands an efficient public service and this can be achieved by improving the public service delivery system through better infrastructure facilities and services (PPP Guideline, 2009), which can be acquired from innovations introduced by the private sector (Ismail and Haris, 2014b). This result is in line with the efforts made by the Government to enhance the population’s quality of life and to strengthen the integration of services by adopting a customer-focused approach (Ninth Malaysia Plan, 2006; National Economic Advisory Unit, 2010). Yuan *et al.* (2009) also found that this performance objective is perceived as important by all respondents in the USA and China, while Ismail (2014) found that this objective is important in encouraging the implementation of PPP projects in Malaysia.

The third most important performance objective for implementing PPP projects in Malaysia as perceived by all respondents was “Within or under budget”. The result is in line with one of the four principles for adopting a PPP, that is, achieving cost savings for the government (PPP Guideline, 2009). This is especially important when the government is facing budget constraints (Jayaseelan and Tan, 2006). Moreover, the government can direct the money saved to other purposes that also benefit the public (Rusmaini, 2010). This finding is consistent with Li *et al.* (2005) and Yuan *et al.* (2009), who found that coming within budget or saving money in construction and operation is perceived as an important performance objective to be achieved from a PPP.

“On-time or earlier project completion” was the fourth most important performance objective as perceived by all respondents. This result is consistent with the aim of adopting the PPP in Malaysia, which is to deliver a project on time and to gain better services (PPP Guideline, 2009). The importance of this performance objective is in line with the performance-based payment mechanism that was introduced in PPPs, whereby the private sector is paid only when pre-determined standards of service quality and on-time project completion are met (PPP Guideline, 2009; Rusmaini, 2010). The importance of this performance objective was also noted by Li *et al.* (2005), Yuan *et al.* (2009, 2010) and Abdul Aziz (2010), who found that it is one of the top five performance objectives to be achieved.

The fifth most important performance objective as perceived by all respondents was “Satisfy the need for more public facilities”. Public facilities such as healthcare services, electricity, water supply, sewerage and transportation are fundamental services for quality of life (National Economic Advisory Unit, 2010). The importance of this performance objective is reflected in the continuous government effort to improve public accessibility to better quality healthcare services and other social amenities (National Economic Advisory Unit, 2010). This is in line with the government agenda of becoming a developed nation by the year 2020. This result supports that of Ismail (2014), who found that “social pressure of poor public facilities” leads to the implementation of PPP. However, the result is inconsistent with Yuan *et al.* (2009), who found that this performance objective is not ranked in the top five most important indicators.

Of the 14 performance objectives, “Earn a profit from public services” was ranked last and on average was perceived as “moderately important” by all respondents. The result was expected because, although the commonly known goal of private sector companies is profit maximisation, projects carried out using a PPP are intended for the benefit of society at large, so the government aims to ensure that the profit obtained by the private sector from the PPP project is not excessive. This is done via competitive tendering in selecting the private sector consortium to execute a PPP project. This finding contradicts that of Yuan

et al. (2009, 2010), who found that “Public sector can acquire additional facilities/services beyond requirement from private sector” is the least important PPP objective.

5.4 Differences in the perceptions of the public and private sectors

Results for the individual sectors show that both sectors perceived all the 14 performance objectives to be either “moderately important”, “important” or “extremely important” as the mean scores range from 3.22 to 4.90 and from 3.05 to 4.26 for the public sector and the private sector, respectively. Based on mean score ranking, the five most important performance objectives as perceived by the public sector respondents were “High-quality of public service”, “Provide convenience service for society”, “Within or under budget”, “Satisfy the need for more public facilities” and “On-time or earlier project completion”. For the private sector, the top five performance objectives were “On-time or earlier project completion”, “High-quality public service”, “Provide convenience service for society”, “Within or under budget” and “Satisfy the need for more public facilities”. The least important performance objective as perceived by both the public sector and the private sector groups was “Earn a profit from public service”.

In terms of mean score ranking, there are differences in the ranking of the importance of the performance objectives as perceived by the two groups of respondents. In particular, “On-time or earlier project completion” was ranked first by the private sector respondents but was ranked fifth by the public sector respondents. One possible explanation for the difference in the ranking is that this objective is the most important motivation for the private sector as they are only paid by the government when the facilities are made available and are ready to use (Ismail *et al.*, 2011; Ismail, 2012). Likewise, although the performance objective “Private sector can get government sponsorship, guarantee and tax reduction” was ranked ninth by the private sector respondents, it was ranked thirteenth by the public sector respondents. This finding implies that the private sector respondents, who work in profit-based organisations, were more concerned about the benefits they would get from the partnership. Furthermore, the government’s sponsorship, guarantee and tax reduction assists the private sector by reducing the risk that it has to bear throughout the PPP period (Ismail, 2013).

To investigate further the differences in the perceptions of the public and private sectors regarding the importance of each of the 14 performance objectives, an independent *t*-test was conducted, the results of which are presented in Table V.

Based on the results as tabulated in Table V, there was no significant difference in the perceptions of the public and private sectors regarding the relative importance of the performance objectives except for one, that is, “Public sector can obtain additional facilities/services beyond requirement from the private sector”, where it was perceived as more important by the public sector respondents than by the private sector respondents. This finding is not surprising because in selecting the “best” bidder to be awarded a PPP project, the evaluation committee takes into account the additional services or facilities that can be provided by a particular bidder that are not offered by other bidders. In other words, the bidder who proposes additional features for the PPP project will have a greater chance of winning the contract (Akintoye *et al.*, 2003).

6. Implications, limitations and suggestions for future research and conclusions

The present study explored the perception of the two key PPP players, namely the government or public sector and private sector companies, of the performance objectives of PPP implementation in Malaysia. The study also investigated differences in the perceptions of the two parties of the importance of PPP performance objectives. The study was conducted using a questionnaire survey method with a total of 237 usable responses. Based on the results, the five most important performance objectives for PPP implementation in Malaysia based on all respondents’ perceptions are “High-quality public

Table V Independent *t*-test results for the performance objectives in PPP projects

No.	Performance objective	F	t	Significance
1.	Public sector can obtain additional facilities/ services beyond requirement from private sector	2.927	1.153	0.048**
2.	Introduce business and profit generating skill in the public sector	2.702	-2.862	0.102
3.	Improve technology level	1.028	1.217	0.312
4.	On-time or earlier project completion	0.918	3.272	0.339
5.	High-quality public service	0.604	2.064	0.438
6.	Life-cycle cost reduction	0.573	2.367	0.450
7.	Promote local economic development	0.553	2.820	0.458
8.	Provide convenience service for society	0.362	3.324	0.548
9.	Solve the problem of public sector budget restraint	0.338	3.042	0.561
10.	Satisfy the need for more public facilities	0.325	4.540	0.569
11.	Within or under budget	0.248	4.846	0.619
12.	Transfer risk to private sector	0.120	1.602	0.729
13.	Private sector can get government sponsorship, guarantee and tax reduction	0.064	1.187	0.800
14.	Earn a profit from public service	0.032	1.675	0.857

Note: **Significant at 5 per cent level

service”, “Provide convenient service for society”, “Within or under budget”, “On-time or earlier” and “Satisfy the need for more public facilities”. As for differences in the perceptions of the two groups, only one objective was perceived as statistically more important by the public sector respondents than by their private sector counterparts.

The current study contributes to knowledge as well as to practice in several ways. First, it contributes to the literature on PPP implementation in developing countries, specifically in the Malaysian context, which is currently limited. To some extent this study will fill a research gap by contributing some empirical evidence to the literature on PPP implementation in Malaysia specifically on the performance objectives of PPP. It is hoped that this will initiate more research on related areas, which will expand the scope of the present study. Secondly, in terms of contribution to practice, the results may provide useful information to various PPP stakeholders, particularly government agencies and private sector providers, on the key performance objectives of PPP. It is crucial for the two key PPP players to have common and clear goals or objectives of PPP projects in ensuring their successful implementation. Thirdly, the evidence of the present study on the performance objectives of PPP implementation is valuable to regulatory bodies such as *Unit Kerjasama Awam Swasta* (monitoring body for PPP projects in Malaysia) in improving and revising the existing PPP guidelines and procedures to clearly state the important PPP performance objectives for PPP projects in Malaysia. To a certain degree, this addresses the Auditor General’s concern about the lack of clear PPP objectives that impede the benefits that accrue from PPP projects, as highlighted in the 2012 audit report. Fourth and finally, with regards to the differences in the perceptions of the public and private sectors concerning the importance of performance objectives, acceptance of common PPP objectives by both parties is necessary not only to ensure the satisfaction of both parties but also, more importantly, to gain maximum benefit from the PPP project.

Nonetheless, this study has some limitations that should be noted. First, a common limitation of the postal questionnaire method is the issue of losing control over who completes the questionnaire. The respondents who do answer the questionnaire may lack the time, due to job commitments, to consider the questions carefully and there is also the possibility that they could find the questions ambiguous, leading to misunderstanding and the non-completion of some parts of the questionnaire. The respondents may also not

truthfully answer the survey because they fear negative consequences of revealing their negative perceptions. Second, this study used only the survey method to gather data on the perceptions of the two groups of respondents. The use of the questionnaire method to determine the perceptions of the public sector and private sector on key elements of PPP in Malaysia might not be able to fully capture the overall understanding and perception of the respondents. Therefore, future research may opt to use focus groups, case studies or interviews as research methods. The advantage of using focus groups, case studies or interviews is that they enable direct interaction with the respondents. Thus, they provide an opportunity for respondents to express their opinions and share more informative insights regarding PPP performance objectives and performance indicators. The third limitation of the present study is that it involves only two stakeholders of PPP projects – the public and private sectors. These sectors seem to be the most appropriate stakeholders to contribute to this study because both sectors are directly affected by and involved in PPP projects. However, other stakeholders such as the general public and academicians could be the respondents of future research.

Despite these limitations, this study offers some empirical evidence on PPP performance objectives that are critical for smooth implementation of the PPP initiative in Malaysia. In addition, the current study may stimulate interest among researchers, paving the way for future studies in this area.

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