



ENABLING PARTNERING IN THE MALAYSIAN CONSTRUCTION INDUSTRY: A RESEARCH ON POLICIES FOR EFFECTIVE IMPLEMENTATION

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ABSTRACT

In response to the issues faced by the Malaysian construction industry, the Construction Industry Development Board (CIDB) has identified and recommended partnering as a method to overcome the current problems within the industry. This is also in line with the establishment of “Public Private Partnership Unit” (3PU) under the Prime Minister’s Department in 2009 to oversee the implementation of partnering in the Malaysian construction industry. It is crucial that the policies in place should facilitate the practitioners so that the full potential of partnering to overcome the many problems in the Malaysian construction industry can be fully utilized. This paper describes the conceptual aspects and the preliminary stage of an ongoing research. The research aims to identify whether current policies in place are serving as an enabler for effective partnering or a deterrent to the adoption of partnering by the practitioners in the Malaysian construction industry. It is determined that apart from issues identified from literature review, the preliminary qualitative study has revealed that enabling factors such as political and legal system influence towards partnering should be considered in formulating effective policies for successful partnering in the Malaysian construction industry.

Keywords: partnering, policies, Malaysian construction industry, construction procurement method.

INTRODUCTION

Understanding the current requirement for partnering and enforcing appropriate policies and regulations are crucial to ensure effective implementation of partnering in the construction industry. The importance of policies in implementing partnering is noted in many current literatures based on studies conducted worldwide (Eriksson *et al*, 2008; Manley *et al*, 2007; Koraltan and Dikbas, 2002; Henderson and McGloin, 2004). Considering that partnering is still in its infancy in Malaysia (Ali *et al*, 2010) and the establishment of 3PU just over 5 years ago, it is important to know if current policies in place are serving as an enabler for effective partnering or a deterrent to the adoption of partnering by the practitioners in the Malaysian construction industry. This is because the policies in place should facilitate the practitioners so that the full potential of partnering to overcome the many problems in the Malaysian construction industry can be achieved.

Therefore, this paper reports a research intent which was generated to review the existing policies for partnering in the construction industry and determine whether these policies are relevant to the current needs of the industry. This research will be implementing an exploratory survey design which will emphasize the use of qualitative methods to gain the in-depth understanding of issues related to policies and partnering. The findings gained in this research shall provide the necessary feedback from current practitioners which will be useful to the authorities in the Malaysian construction industry to see whether their efforts for partnering is aligned with the policies established for partnering within the industry.

OVERVIEW AND DEFINITION OF PARTNERING

Traditionally, the construction industry has been accustomed by the competitive bidding, adversarial relationships, divided self-interests, and one-off collaboration in lump-sum contracts. The designer leads the construction team and clients relied on cheapest price contract to protect their interests. As for the builders, they had to give the lowest bid possible, in order to secure the contract and were forced to compensate on quality and time in order to achieve profit to survive. Claims and disputes were difficult to resolve, as all parties involved were very protective of their interests.

Project management was introduced in the attempt to resolve the numerous difficulties and disputes, by creating another entity that manages the projects while the designers, builders, surveyors and specialist contractors concentrate on doing what they know best according to their expertise. The project management entity also has the interests of the clients in mind, and provided the clients who are unfamiliar with the projects with necessary information. Although project management has resolved some of the issues in the construction industry, the problems associated with competitive bidding and dispute resolutions remains the same.

Construction partnering was formally recognized in the UK in 1994 following the Latham report (Peace, 2008). It requires the parties involved to work together in an open and trusting relationship based on mutual objectives, an agreed decision making process and an active search for continuous measurable improvements. Parties opting to implement partnering would have the construction contracts drawn up, with deliverables and measures clearly stated. In some cases, the use of partnering is incorporated in the contract document, while



in most cases the tools of partnering are being implemented informally, along with the standard construction contract (Oyegoke *et. al.*, 2009). What sets partnering apart from the traditional method is the bidding and contract execution stage.

A key definition of partnering, which is commonly cited by many partnering literatures is provided by the Reading Construction Forum (1995) where partnering is defined as a management approach used by two or more organisations to achieve specific business objectives by maximising the effectiveness of each participant's resource. The approach is based on mutual objectives, an agreed method of problem resolution, and an active search for continuous measurable improvements. Another definition, much simpler yet concise and is widely adopted by construction partnering literature is by Bennett and Jayes (1998) whom defined partnering as a set of strategic actions which embody the mutual objectives of a number of firms, which are achieved by cooperative decision making aimed at using feedback to continuously improve joint performance. This definition by Bennett and Jayes (1998) has become the main starting point of this research, which primarily aims to determine the best practices of construction partnering which improves performance in the construction industry. For the specific understanding of this research, it should be highlighted that construction partnering is viewed as a paradigm within the industry, and is being delivered through many methods. The partnering methodology that will be focused on this research is Public Private Partnerships (PPP).

The Malaysian construction industry

Malaysia has gained its independence in 1957. Since then, the Malaysian construction industry has developed from a low-tech, labor-intensive, craft-based industry to one that has the capacity to deliver impressive buildings and infrastructure using highly mechanized production techniques as seen in the Petronas Twin Towers project, as well as the Kuala Lumpur International Airport. Kamal and Flanagan (2012) noted that Malaysia has a two-tier construction industry. In general, the industry is split into two segments; the larger firms concentrating in urban areas and penetrating the overseas market, mainly in the Middle East and the rural construction companies, mostly categorized as SME firms. The majority SME firms in the construction industry still operate in a traditional way by choosing to use systems that are inefficient, slow and labour intensive, and their main motivation is just to survive. The different tiers have somehow contributed to the problem in the Malaysian construction industry, as larger firms with bigger capacity continue to be able to engage in more sophisticated and higher returns project; inevitably adding points to their already impressive portfolio. The SMEs on the other hand, are limited to smaller and less return rural construction projects, facing high competition by other SMEs as the construction industry in Malaysia is 90% comprised of SMEs (Kamal & Flanagan, 2012).

Partnering in the Malaysian construction industry

The Malaysian 10-year Construction Industry Master Plan (CIMP 2006 to 2015) has also identified and recommended partnering as an approach to integrate the construction industry supply chain, improve client-customer relationship and enhance levels of productivity and quality of construction project implementation. This recommendation has shown to be supported by the Malaysian government with the announcement of the 9th Malaysian Plan by the previous Malaysian Prime Minister, Datuk Seri Abdullah Ahmad Badawi. It was unveiled that a substantial amount of RM15 billion was allocated for construction projects open to tender (9MP, 2006). The Prime Minister also added that he will give preference to proposals that are structured as private finance initiatives (PFI), as reported by Koh (2006). This announcement reflects the government's initiative to implement partnering in construction projects, seeing that PFI is a subset of public private partnerships (PPP) as understood in Malaysia (Rusmani, 2010).

The PFI approach was introduced in Malaysia by the government as an alternative method of procurement for the public sector in relation to the development and maintenance of infrastructure and facilities. This method is geared at utilizing the innovativeness and efficiency in private sector management within public projects. Through PFI methods, the government is taking initial steps in ensuring efficient management of its assets based on value for money approach towards the government spending. Therefore, in 2009 the Public Private Partnership Unit (3PU) was established as a body to provide guidance and support for all partnering efforts in the Malaysian construction industry. Among the roles of 3PU is to create awareness and provide knowledge about partnering to the industry, as well as monitoring the partnering efforts. The following Table-1 depicts the difference between conventional, PPP and privatization, as found in PPP guideline, released by 3PU which can be accessed via their website.

The role of 3PU in dispersing information among the players in the construction industry is critical to ensure that the entire industry is aware of partnering methods, so that once it is fully implemented the entire industry, regardless of large enterprises or SMEs, will be able to reap its benefits. If partnering is said to be the antidote to the many diseases in the construction industry, its knowledge should be made available and known to every single entity in the industry. SMEs will be able to survive in the industry, through partnering efforts with much experienced large corporations and support from 3PU. Therefore, the researcher feels that there is a need to identify the level of awareness for partnering among SMEs, as they are the majority in the Malaysian construction industry, so their opinions and view regarding partnering are important. If all of the SMEs totally understands and adopt the partnering practices promoted by 3PU, the unit is successful in achieving their goal. If data collected in this research reflect otherwise, the feedback given by the SMEs would be valuable in



improving the functions and processes currently used by 3PU.

Table-1. Differences between conventional, PPP and privatization methods of procurement (PPP Guideline, 2009).

Conventional	PPP	Privatization
Funding via direct public budget	Funding via private financial resources without public sector's explicit guarantee	Funding via private financial resources without implicit or explicit public sector guarantee
Immediate impact on public sector financial position	Impact on public budget spreads over the duration of the concession	No impact on the level of public sector expenditure
Risks are entirely borne by public sector	Risks are allocated to parties which can manage them most efficiently	Risks are entirely borne by the private sector
Extensive public sector involvement at all stages of project life	Public sector's involvement is through enforcement of pre-agreed KPIs	Government acts as regulator
Short term relationship with private contractors	Long term relationship with private contractors	Long term relationship with private contractors
Applicable for projects with high socio-economic returns and those justified on strategic considerations	Applicable for projects with commercial viability	Applicable for projects with high commercial viability

While CIDB Malaysia based its partnering model on Bennett and Jayes (1998) Seven Pillars of Partnering, 3PU has also included a generic model of PPP as a reference for Malaysian construction firms. The model indicates the role of clients, the role of Special Purpose Vehicle (SPV) and financing for PPP projects. In terms of financing, the model has included the possible financing options for PPP projects such as creditors, construction investors, facility management investors and other investors. This model is developed to ensure the commitment from those involved, and also for ensuring better control, management and supervision of projects. The Malaysia PPP model is shown in Figure-1 below.

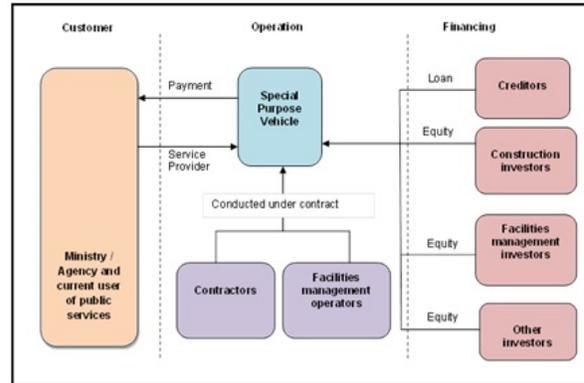


Figure-1. The Malaysian PPP Model as shown in 3PU guideline for PPP (PPP Guideline, 2009).

With a model and guidance present in the Malaysian construction industry, it would be interesting to know if the industry is aware of partnering and adapting to change towards it 3 years after the 3PU was established. This will indicate the effectiveness of the 3PU and what other peripherals are needed to ensure that this agency can carry out its role as partnering expert, and whether there are other factors, specific to the Malaysian construction industry that should be taken into consideration in the PPP model. Findings from this research can help improve the way information is being relayed to the practitioners in the construction industry.

The importance of policies in partnering

The construction industry is normally bounded by governmental policies and regulations. Governmental policies and regulations may affect the industry's receptiveness towards partnering. The importance of policies in achieving successful partnering can be reflected in the findings of a study conducted by Eriksson *et al* (2008) among Swedish construction clients. They had established that in countries which industry norms of partnering exist there may also be a need to increase understanding of how to interpret policies and implement partnering.

For instance in the US, partnering gain its popularity with support from governmental policies and recommendation. The US government started to promote partnering through PFI in their public sector projects. Manley *et al.* (2007) in their study had noted how the construction industry is watching and waiting to see if the government is genuine in its endorsement of partnering. Policies will ensure certain idealism is passed on, which in turn will create awareness among construction industry players and provide enough interest for them to initiate the partnering approach in their own subsequent projects.

Koraltan and Dikbas (2002) conducted a case study of UK partnering practices to see if the practices are applicable in the Turkish construction industry. They had identified that private sectors are more accepting of partnering approaches in contrast to public sectors. This could be due to the fact that the private sectors have the



flexibility to change and are not faced with the types of rigidity inherent in public sectors. The study of Ng *et al.* (2002) had also reflected the need for public clients to ease their unnecessary restrictive regulations and administrative procedures to improve the contractor's financial position in a public partnering project.

Governmental policy have been noted as one of the key influences in promoting a new technique or products in the construction industry, simply because the government is one of the biggest clients in any construction industry. However, the current partnering literature seems to be lacking, especially how some governmental policies can act as promoters or barriers to the industry's acceptance of partnering approaches. This could be due to partnering still in its infancy within the construction industry and the type of policies that supports effective partnering are still undefined at present.

Realizing this gap, this research aims to establish the extent to which the current partnering policies and regulations assist the adoption of partnering in the Malaysian construction industry. This research also answers to these questions;

- What are the key factors of partnering in the construction industry?
- What are the policies that are most suitable for enabling effective partnering implementation in the Malaysian construction industry?
- How far does the Malaysian construction industry rely on governmental policies and regulations in the adoption of partnering?

METHODOLOGY

With regard to philosophical positions, this research undertakes the ontological assumption that reality is continuously constructed by the social actors (constructivism), and the epistemological assumption that knowledge should be gathered through scrutinizing the views of the social actors; which are in this context, the practitioners of the Malaysian construction industry (Nifa, 2013). The interpretivist epistemological stance suggests in depth investigation of the main data, which is commonly done through qualitative methods (Mason, 2002) which will yield a rich and specific understanding of the research matter hence indicating that this research is value-laden.

A pilot study shall precede the data collection stage in this research. The primary data collection will be conducted through face-to-face semi structured interviews with practitioners from 4 different zones in Peninsular Malaysia. The use of structured interviews is due to the large number of participants to be interviewed, also factoring in the geographical locations of these participants and other limitations such as time and cost of this research. A validation workshop shall end the data collection stage, which will include various industry experts and stakeholders, in a form of group interviews. The number of semi structured interviews to be conducted

according to research stage and zones is as shown in the following Table-2:

Table-2. Details of pilot, primary data collection and validation stages of this research.

Stage	No of semi structured interviews	Zone
Pilot	4	N/A
Primary data collection	5	North
	5	Central
	5	East
	5	South
Data validation	1 (Workshop)	N/A

In evaluating current policies for partnering in the Malaysian construction industry, the criteria as shown in Figure-2 be applied in the research instruments for evaluation by construction practitioners during the data collection stages. These criteria shown below; are adopted from the findings in Nifa (2013), which study has highlighted the need for a policy evaluation by the practitioners to ensure partnering can be applied effectively in the Malaysian construction industry.

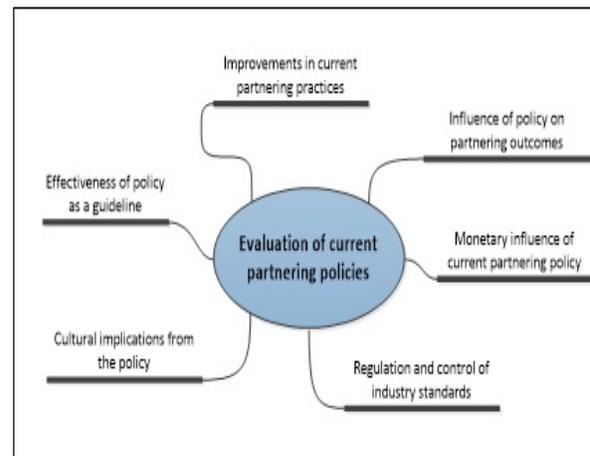


Figure-2. Criteria for partnering policy evaluation based on findings from Nifa (2013).

The interviews conducted in this research shall be digitally recorded and duly transcribed, which will then be analysed with the aid of Nvivo 10 software.

Preliminary research findings

This research is currently in the preliminary study stage to ensure that the instrument developed in this research is relevant and comprehensive in covering the issues within the partnering implementation in the Malaysian construction industry. 4 interviews were conducted with high ranking government officials involved in the strategic planning and decision making role that has a solid understanding of the construction industry. During the pilot study, there are new issues highlighted by the participants, which indicate a strong



influence of political and legal system in the success of partnering, whereas there seem to be limited knowledge on the level of influence of current policies towards partnering success. Although the limited knowledge may indicate that the findings of this research will benefit the policymakers and practitioners alike by identifying the right issue which leads to formulating industry-specific policies for partnering success, however it might be risky to include this component in the interview protocol as this will not yield sufficient data from the participants. Therefore, the component which determines 'success level of current partnering policies' will be removed from the interview protocol for this research.

These issues identified in the pilot stage will be analysed and incorporated into the standard interview protocol for use in the following data collection stage.

CONCLUSIONS

Although there are many literatures highlighting the important role of policies in partnering success in other countries (Eriksson *et al*, 2008; Manley *et al*, 2007; Koraltan and Dikbas, 2002; Henderson and McGloin, 2004), there is a lack of studies concentrating on evaluating current partnering policies in developing countries, particularly in Malaysia and other South East Asian countries. The findings from this research will provide a significant contribution to knowledge by taking into consideration the specific characteristics of a developing nation in applying the partnering concept which has been introduced and applied by developed countries such as the UK, US and other European countries. The findings from this research will also be beneficial in giving recommendations to improve the effectiveness of current partnering policies and regulations in place to enable effective industry-wide implementation of partnering in Malaysia.

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