Governing Complexity for Sustainable Development

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Abstract

The concept and principles of good governance are recognized by many countries as a key condition for the effective implementation of large-scale projects, ensuring economic growth, and improving the welfare of the population. However, approaches to its implementation depend on many factors, primarily the cultural context of a particular country. In this article, using the example of the management of the construction sector in Malaysia, the perception of stakeholders of this concept and the practices of its application are analyzed. Of the considered components of this model, the respondents most often singled out the effective organization of managing complex processes and multi-level relationships between the components of the system, strict adherence to the rules, and transparency and conscientiousness in the performance of duties. This study shows where good governance information campaigns need to be improved to reach their full potential.

Keywords: good governance; complex project management; government projects; Malaysia; structured approach; organizational innovation; construction sector; communication

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Introduction

In order to improve the efficiency of public policy and adapt it to a changing environment, new concepts and tools were introduced at different stages of the management science development. In today's increasingly complex environment, with its high level of uncertainty, unpredictability and the growing variety of factors of influence and stakeholder interests, the theme of the consistency of management practices with high standards finds expression in the "good governance" model. It is practiced by the governments of many countries and international organizations, among which are the UN, the World Bank, the IMF (UN ESCAP, 2009; IMF, 2002; World Bank, 2005, 2008). With its help, inefficient business models and management structures are separated from viable ones. The expected effects of adhering to the good governance principles are expressed in the optimization of resource costs and risk mitigation, increased productivity, the development of new opportunities and maintaining resilience in today's turbulent contexts (MOF, 2020). Currently, good governance is becoming a key driving force, providing order and synergy between resource flows, internal blocks of the project and external players. The concept of good governance as a complex dynamic system has many elements that influence each other. The cultural specificity of a particular country determines which of them will be a priority, and what arrangement of institutions that ensure its implementation is considered optimal. For example, China and South Korea have experienced an imaginatively high dynamics in development despite a strong presence of a corruption factor (Ahn, 2020; Kahn, 2002; Rodrik, 2007). Unleashing the potential of good governance largely depends on how it is perceived by stakeholders. When the players perceive the good governance as a dynamic process that generates diverse creative effects for development, they are motivated to achieve high results (Rodrik, 2008).

Malaysia, in an effort to join the ranks of developed countries and contribute to the implementation of the UN Sustainable Development Goals (SDGs), also relies on the concept of good governance. Over the past decades, a number of reforms have been carried out in the country, development institutions have been created to implement socio-economic programs and projects.¹ On the duration of the past 20 years, Malaysia has ranked between 4th and 7th place by the Asian Corporate Governance Association, and in 2020 ranked 5th, ahead of Japan (Teen, 2021). However, these positions are at risk due to a resonant corruption scandal associated with the actions of the investment company "1Malaysian Development Berhad” (1MDB), supervised by the former government.² This raises the question of how much decision makers are aware of the concept of good governance, how its various components are interpreted, and how consistently and intensively they practice. Since the content of the approaches used by the above-mentioned international organizations largely coincides, our study is based on the UN classification as the most representative. Given the heterogeneity of country conditions in the implementation of the good governance concept, we limited ourselves to an analysis of the experience of its application in Malaysia. The assessment was based on a case study by the Penang Regional Development Authority (PERDA),³ based on a survey of experts and beneficiaries of the PERDA project in the construction sector. The study contributes to the understanding of the concept of good governance and the effects of its application to stimulate economic growth.

Literature review

Definition and Importance

In the content of the good governance concept, two managerial dimensions are distinguished (Burn, Stalker, 1961; Gavriliţu, Lotos, 2018). One of them – “mechanistic” is aimed at maintaining social order and the balance of market and public interests. Law enforcement practices serve as an indicator of its quality. The other, “organic,” focuses on stimulus measures and the exploration of new development opportunities. In the previous conditions, this combination worked optimally and it was not difficult to compile in different areas. But today this process is hampered by the growing diversity of organizational contexts, and the effectiveness of its implementation varies significantly (Gisselquist, 2012; Jamaudin, 2019). Previously, the state could be limited to exercising its functions on a top-down basis while considered effective. In today’s environment of complexity, uncertainty and rapid change, this approach no longer works. To respond to large-scale challenges, it is necessary to expand cooperation between citizens and authorities.

Good Governance in Public Project

The good governance principle applies to the management of all types of resources, the implementation of projects, and the increase in the activity of

¹ Particularly, the Anti-Corruption Agency, the Malaysian Institute for Integrity (IIM), the Network of Regional Development Agencies (RDAs), the “Code of Ethics”, the “Client Charter”, etc. have been established (Khalid et al., 2016; Rusnah et al., 2011; Siddiquee, 2009). Financial authorities have developed appropriate codes for investment companies. For the details see: https://www.perda.gov.my/index.php/profil-jabatan, accessed 16.08.2022.
Another difficult problem is the development of a structured approach to PM using hierarchies is often proposed (Becker, 2015). This facilitates the expanded coverage of a complex system, it becomes clear how to distribute different types of resources in a wide range of areas (Pinto, 2014; Turner, 2006). A structured approach to PM using hierarchies is important area for improving public policy. However, despite efforts to improve the quality of public services, their performance remains low.

The main reason is that the implementation of good governance methods is more of an art or skill that requires creative management, unique customization, and organizational innovation. For example, an erroneous interpretation of good governance principles prevents the effective implementation of government projects in the construction sector in Malaysia (Jatarona et al., 2016).

Despite significant allocations, some projects fall short of their targets, fall behind schedule, or overrun their budget, reflecting the poor performance of civil servants, problems with transparency, and poor coordination among agencies (Kamal et al., 2020; Latiff et al., 2020). The observations presented are supported by the findings of the study (Latiff et al., 2020). It has been established that the introduction into practice of the basic principles of PM increases the effectiveness of government initiatives in the construction sector in Malaysia. Our study assesses the degree of understanding of the concept of good governance by the management of the PERDA, its beneficiaries, and the practice of applying it in their work.

We hope that our findings will contribute to raising awareness of the nature of good governance, allowing for the correct interpretation of its rules, which will ultimately take the management of complex projects to a new level and stimulate economic growth.

**Research Methodology**

Primary data collection was carried out through semi-structured interviews (12 people) with respondents: experts from among the leaders of the PERDA involved in public housing projects, and the beneficiaries of these projects - residents of the state of Penang. Interviews were conducted face-to-face and online. For the purpose of confidentiality, the groups of respondents were designated by the corresponding codes. Respondents A1–A7 represent the group of PERDA managers, B1–B5 represent the beneficiaries. In accordance with the criteria proposed in (Galvin, 2015), the number of interviews was considered sufficient. Then their content was analyzed, which helped to understand how the concept of good governance is interpreted and used by the leadership of the PERDA.

**Description of the sample.** The main demographic characteristics of the participants are presented in Figures 1-3. All of them are part of the main ethnic group of Malaysia (Malay race). Their ages were between 35 and 59 years, 58% are men. All respondents have at least a university specialty diploma, which indicates a high level of education and, potentially, income.

The public sector was represented by 59% of respondents with at least 10 years of work experience (Figures 1 and 2). The majority (66.7%) had an income of 5,001 to 10,000 Malaysian ringgits per month, 16.7% - less than 5,000, the rest (16.6%) - more than 10,000 (Fig. 3). The group of managers had extensive experience in organizing housing construction. The cohort of beneficiaries was made up of residents of the complexes built within the framework of the respective projects, who had lived there for at least seven years.

Respondents had experience of interacting with the public within the framework of PERDA activities. The presented characteristics serve as a justification for the quality of the sample. The distribution of respondents’ answers for each of the aspects of good governance and literary sources confirming their theses are given in Table. 1.
Comprehension of Good Governance Concept

Good Administration. At all levels of the project management system, the respondents singled out as priorities - approaches to the selection and distribution of human, financial and material resources, technical aspects. The final performance criterion was the satisfaction of the “customers” as the end user of the services. Let us illustrate this with the statements of the respondents, of whom two (A2, A7) represented a group of managers who managed affordable housing projects, and one (B4) represented the beneficiaries (homebuyers).

A2: “Good governance is impossible without the efficient use of resources: human, financial, material, including the aspect of technology.”

A7: “When applying good governance to a complex construction project, the main thing is a holistic approach: planning, financial management, that is, organizing the process from start to finish line, where everything will be evaluated by the end user.”

B4: “Good governance encompasses many levels of decision-making and their interrelationships simultaneously, while being transparent.”

Adherence by all departments to the established rules as a prerequisite for achieving the effect of coordinated orchestration in the functioning of the PERDA.

In their answers, the respondents did not sufficiently disclose the content of what exactly is the effective organization of management. More explanations on this matter can be found in the documents of the European Commission and the Council of Europe. The first of these organizations approved the EU Charter of Fundamental Rights and Freedoms, which refers the effectiveness of public administration to the basic principles of law. It is emphasized that every person has the right to an objective, fair and timely consideration of his appeals by a variety of European institutions (Article 41). In turn, the Council of Europe considers the rule of law, impartiality, legal transparency, consideration of requests within a reasonable time, public involvement, compliance with regulatory standards (European Council, 2007).

Another fundamental good governance principle mentioned by respondents (A1, A2, A4, A6, B2 and B5) is the rule of law (procedures, norms, rules). The PERDA is a body of federal subordination, and in addition to internal regulations, it must comply with the requirements of the Ministries of Finance, Rural and Regional Development, the Department of Economic Planning, whose representatives are on the board of directors of the PERDA. Multi-layer subordination, on the one hand, is designed to ensure order and continuity of management mechanisms, but it also turns into a problem in conditions of political turbulence. We will return to this aspect in more detail below.

Representatives of the PERDA (A2, A6) pointed out the importance of drawing up the most detailed and open “passports” of construction projects. Home buyers (respondents B1, B3, B4) highly value a “transparent contract”, including one that minimizes risks when buying a home (for example, so that the project does not turn out to be frozen). The head of one of the departments (A1) noted: “As a rule, already at the start there are all kinds of attempts to influence “outside” decisions on the project, so following the rules will help to avoid unwanted compli-
Accountability in resource allocation. Proper financial management is one of the paramount factors for the successful implementation of highly complex projects, especially in the construction sector. Its absence leads to corruption, inefficient budget spending and other negative effects. This was pointed out by respondents (A1, A2 and A3), and mentioned responsibility and accountability for project managers for any action related to the use of public funds or the provision of services (Ebrahim, 2003; Keping, 2018). Such mechanisms are clearly spelled out in the PERDA (respondents A2, A3, A6). The effectiveness of each employee, the transparency of his activities, conscientiousness are evaluated, and in case of improper performance of duties, a system of sanctions is applied.

One of the defining forces of a multi-level socio-economic system, in particular sectoral — taking into account and establishing feedback, which guarantees the “healthy functioning” of the system in complex contexts. It is seen as a guarantee of public satisfaction with government policies and the level of services provided, a source of long-term benefits (Marzukhi, 2015; Nasir et al., 2013).

According to the respondents, as a result of constant dialogue with the “customers”, the state authorities have an incentive to revise the criteria for assessing their own effectiveness. There is an increasing flow of constructive ideas used in the development of development strategies. Here are the opinions of the respondents (A3, B4):

A3: “Good governance is ensured by community engagement, in the sense that bottom-up initiatives are brought to the attention of the PERDA leadership, evaluated and, if approved, taken into account both in our current activities and in the development of development plans.”

B4: “The challenge of maintaining high standards is acute at various levels of management. For example, the PERDA achieves transparency by involving the most diverse stakeholders (developers, contractors, etc.) into its orbit.”

Closely related to feedback is inclusiveness - the ability of the state to take into account the needs of different groups of the population to the maximum extent possible, which in Malaysia is considered as one of the fundamental elements of development strategies (respondents A2, A5). Inclusion and openness are realized through “mediation mechanisms” through which citizens organized into interest groups can influence policy development (Schmidt, 2013; Schmidt, Wood, 2019). In interviews with respondents A1 and A2, such a factor as professional competencies and their constant updating was mentioned as one of the key criteria for assessing the quality of public services.

Guarantees of economic and political stability also play a role significant role, as they improve the attractiveness of the country for foreign investors, which was noted by the respondent (A5). Another aspect of this factor noted by Respondent A2 is that in the face of political turbulence it would be difficult for the PERDA to carry out its tasks. This department has federal status, but operates on the territory of a particular region. If a different political grouping, rather than the ruling party, dominates its authorities, then conflicting instructions can come from different levels in the PERDA, which could be seen in the recent elections in Malaysia. Resolving these contradictions is a difficult task, but doable, because it depends on political will.

### Table 1. Distribution of answers of respondents in relation to the considered components of good governance

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Respondents</th>
<th>Supporting Literature</th>
</tr>
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<tbody>
<tr>
<td>Good Administration</td>
<td>A1, A3, A5, A6, B1, B2, B3</td>
<td>Patyi, 2016; Council of Europe, 2007</td>
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<tr>
<td>Law Abiding or Rule of Law</td>
<td>A1, A2, A4, A6, B2, B5</td>
<td>Nik, 2013; UN ESCAP, 2009; Bouckaert, Vand de Walle, 2003; Garraldua, 2018</td>
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<tr>
<td>Transparency and Integrity</td>
<td>A1, A2, B1, B3, B4</td>
<td>UN ESCAP, 2009; Ayob, 2009; Schmidt, Wood, 2019; Huberts, 2018; Kassing, 2007; Van Ryzin, 2011</td>
</tr>
<tr>
<td>Accountability</td>
<td>A1, A2, A3, A6</td>
<td>Ebrahim, 2003; Keping, 2018</td>
</tr>
<tr>
<td>Efficient and Effectiveness</td>
<td>A2, A3, A6</td>
<td>Keping, 2018</td>
</tr>
<tr>
<td>Public participation and Inclusiveness</td>
<td>A3, B4, A2, A5</td>
<td>Marzukhi, 2015; Nasir et al., 2013; Schmidt, 2013; Schmidt, Wood, 2019; Abhra, 2016</td>
</tr>
<tr>
<td>Professionalism</td>
<td>A1, A2</td>
<td>Nor et al., 2021; Moenir, 2002</td>
</tr>
<tr>
<td>Guarantee for Economy and Political Stability</td>
<td>A5, A2</td>
<td>Kaufmann et al., 1999; 2009; Mengistu, Adhikary, 2011</td>
</tr>
<tr>
<td>Consensus Oriented and Responsiveness</td>
<td>A2</td>
<td>Mohiuddin, 2016; UN ESCAP, 2009; Buraey, 1985; Mohiuddin, 2016; Coles et al., 2001</td>
</tr>
<tr>
<td>Combating Political Interference</td>
<td>A1</td>
<td>Carpentero, Siemiatycki, 2016; Khan et al., 2019; Crawford et al., 2003; Crawford, Helm, 2009</td>
</tr>
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Source: authors.
Consensus-oriented. Orientation towards achieving consensus and taking into account the interests of different parties is the basis of the national, cultural traditions of Malaysia (Mohiuddin, 2016), which was noted by respondent A2. Consensus is the result of a constant iterative dialogue between the parties (object and subject of management, manager and employer) (Buraey, 1985; Mohiuddin, 2016). When it is enabled, the speed of response to the requests of the population increases, which increases the satisfaction of the latter with the quality of public services (UN ESCAP, 2009).

Finally, one of the respondents (A1) pointed out the importance of such a component of good governance as opposition to outside political interference, to avoid negative impact on the implementation of government projects. This aspect is intrinsically linked with the careful observance of the rules.

“This is due to the fact that, as a rule, from the very beginning there are various attempts to influence the content of the project and the direction of its implementation. For example, in the course of procurement tenders, construction customers seek to convince the tender commission to make a choice in favor of “their contractors. However, following the established rules is embedded in the very mission and strategy of the PERDA. As a federal executive agency, we are obligated to follow the rules approved by the government in everything. The good governance concept has been operating “at the top” for a long time and extends to all aspects of our activities. Therefore, any attempts at lobbying are successfully suppressed. If the proposal of the developer or contractor does not meet certain criteria, it will be rejected. To check the qualifications of applicants, their ability to implement the project, an in-depth examination is organized”.

The importance of resisting the lobbying of private interests is also noted by other researchers. For example, when implementing infrastructure projects, its negative effects are manifested in a non-optimal choice of route, modes of transport, classes of service, and procurement mechanisms. As a result, the new facility does not integrate well into the existing infrastructure network, which negatively affects the project efficiency and the environment (Carpintero, Siemiatycki, 2016; Khan et al., 2019).

Conclusion

Improving the quality of public administration is recognized as a key condition for the economic progress of countries and their contribution to the achievement of sustainable development goals. The article analyzes the perception and practice of applying the good governance concept by the management of the PERDA and project beneficiaries. The results show that the perception of good governance concepts by both parties does not have significant differences and is generally consistent with global perceptions of its best practices. Respondents most often named such an aspect as effective organization of management. At the bottom positions in the “mention rating” of the good governance components were the desire to reach consensus and take into account the interests of all parties, which, however, does not detract from their importance. This indicates that the concept of good governance is widespread in Malaysia and is actively used in the implementation of government projects, at least in the case of PERDA. It can be stated that the understanding of good governance principles by the staff of the organization and the public is important for the proper implementation of projects in the region under consideration. The concept of PERDA has successfully “taken root” here, both the authorities and the population as a whole have adapted to it. This picture needs to be further verified by analyzing the data of the audit reports in order to identify the dynamics of the decrease in the number of cases of bad governance.

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