

See discussions, stats, and author profiles for this publication at: <https://www.researchgate.net/publication/215417802>

# Enhancing Malaysian Public Sector Transparency and Accountability: Lessons and Issues

Article in *European Journal of Economics, Finance and Administrative Sciences* · April 2011

CITATIONS  
28

READS  
15,384

3 authors:



**Nur Barizah Abu Bakar**  
Alfaisal University

47 PUBLICATIONS 576 CITATIONS

SEE PROFILE



**Zakiah Saleh**  
University of Malaya

46 PUBLICATIONS 395 CITATIONS

SEE PROFILE



**Muslim Har Sani Mohamad**  
International Islamic University Malaysia

27 PUBLICATIONS 238 CITATIONS

SEE PROFILE

Some of the authors of this publication are also working on these related projects:



Accounting for Waqf, Baitulmal and Zakat Institutions [View project](#)



International Financial Reporting Standards (IFRS) [View project](#)

## **Enhancing Malaysian Public Sector Transparency and Accountability: Lessons and Issues**

**Nur Barizah Abu Bakar**

*Corresponding Author, Academic Trainee, Department of Accounting  
Faculty of Economics and Management Sciences  
International Islamic University Malaysia  
PO Box 10, 50728, Kuala Lumpur  
MALAYSIA*  
Tel: +60 19 288 4540; Fax: +60 3 6196 4850  
E-mail: nur.barizah@gmail.com

**Zakiah Saleh**

*Senior Lecturer, PhD, Faculty of Business and Accountancy  
University of Malaya, Kuala Lumpur, MALAYSIA*

**Muslim Har Sani Mohamad**

*Assistant Professor, PhD, Department of Accounting  
Faculty of Economics and Management Sciences  
International Islamic University Malaysia  
Kuala Lumpur, MALAYSIA*

### **Abstract**

This paper discusses the possibilities and challenges for a developing country, particularly Malaysia, to emulate the more inclusive accountability practices of advanced countries. The paper contended that the objectives of performance measurement initiatives will not be achieved in promoting greater transparency and accountability unless their development is extended further through disclosures. This disclosure may consequently assist the relevant entities to aptly rate and rank those government agencies within its sectors. The paper concludes that there is a seemingly encouraging trend in Malaysian public sector toward greater transparency, and this can be further enhanced provided that Malaysia first addresses implementation issues and liberates itself from obsolete judgments and policies.

**Keywords:** Transparency, accountability, Malaysia, public sector, disclosure, benchmarking

### **1.0. Introduction**

The most recent Malaysian general election held in 2008 saw an unprecedented result which has allowed, for the first time in the history of Malaysian politics, the Opposition front comprising three parties to capture five (out of 13 states) key states in the Malaysian Peninsula to form the State Governments (Rashid Moten 2009). Further, collectively, the three Opposition parties captured 10 out of 11 parliamentary constituencies in the capital city of Kuala Lumpur. Political analysts and observers locally and globally have attributed this swing in votes partly to the public call for change toward a

more transparent and accountable government by having a stronger opposition in the Malaysian democratic process. Besides, the post-mortem evaluation conducted by the ruling government has also found similar reasons among others.

Consequently, as the Federal Government now faces a stronger system of checks-and-balances, it has no choice but to work hard to meet the public's expectations and call for change if it wishes to stay relevant within the Malaysian political landscape. This paper aims to discuss an aspect that the Malaysian government may emulate from the governments of other developed countries in an effort to enhance its accountability with the objective of regaining public trust and confidence. In particular, this paper argues that this can be done by having a comprehensive and well-publicized performance measurement system in government bodies. This article further argues that although the Malaysian public sector has had a fairly comprehensive performance measurement system, it is still lacking in terms of implementation as well as insufficient disclosure of these performance information to the wider public. This consequently restricts the public's capacity to evaluate the level of accountability as well as performance of the various public agencies.

The paper first discusses the development of performance measurements in developed countries, including the disclosure and benchmarking of performance information in those economies. Some divisions in the public sector were then brought forward to serve as examples to further illustrate the issue. The paper then proceeds with a brief description of the Malaysian public sector in order to provide some insights on the public sector scenario in Malaysia. It then elaborates the status quo of performance measurement initiatives in the Malaysian public sector. Lastly, it evaluates the possibility of the Malaysian public sector to follow those initiatives that had been carried out in some developed countries. The paper then concludes.

## **2.0. Performance Measurement Developments in the Public Sector of Developed Economies**

### **2.1. Performance Measurement in the Public Sector**

Performance is a comprehensive concept that covers both the financial and non-financial aspects (Marcuccio and Steccolini 2009). It is also referred to in terms of economy, efficiency, and effectiveness (Modell 2004; Boyne 2002). Performance measurement (PM) finds its origin in the private sector. It has slowly been introduced and adopted by the public sector normally as a result of a policy change (Propper and Wilson 2003). Regardless of the differences between public sector and private sector entities, it is argued that only with a measurement system in place can an organization monitor its performance, and report, as well as act, on the results in a meaningful way (IFAC PAIB 2008; Vitezic 2007). In the context of public sector, PM can be specifically defined as the regular generation, collection, analysis, reporting, and utilization of a range of data related to the operation of public organizations and public programs, including data on inputs, outputs, and outcomes (Boyne 2002). It may facilitate 'choice' for consumers and users of services as choice has now appeared to be central to the delivery of a modern public service (Pidd 2005; NASUWT 2007; Wilson and Piebalga 2008).

Although for many public sector entities the financial profit motive may not be paramount, good or reasonable financial performance – in line with agreed budgets or other authority – is necessary both to continue service delivery and to demonstrate good stewardship of public money raised from taxation or charges for public services (IFAC PAIB 2008; Walker 2005). In many instances, specific measurement indicators like key performance indicators (KPIs) may help government bodies to be clear as to what is required of them and can calibrate their performance accordingly (Behn 2003).

## **2.2. Disclosure and Benchmarking of Performance Information**

A meaningful performance measurement practice requires not only that the performance indicators be carefully developed and used, but more importantly, that these indicators are accordingly reported and disclosed to the wider public as a means toward promoting greater accountability (Taylor 2006; Smith 2004). By reporting and publishing an entity's performance, it may allow the relevant authoritative entities to perform a fair evaluation in an effort to benchmark the common government entities. Benchmarking is when an organization compares its internal performance to external standards of excellence and acts to close any 'gap' (Laurie 2004). In the context of public sector, according to the paradigm of new public management (NPM), "benchmarking introduces competition into a state apparatus context that is characterized by the cooperation of public sector agencies for the 'collective' public good" (Kouzmin et al. 1999).

In the case of the U.K. Government, for example, it appears to place great faith in the potential of benchmarking to improve the performance of, and enhance accountability in, the public sector (Bowerman et al. 2002). Their first step has started as early as October 1995<sup>1</sup> (Cowper and Samuels 2003) and continued when the Public Sector Benchmarking Service (PSBS) was established as part of the U.K. Government's 'Modernising Government' program (Bowerman et al. 2002). More interestingly, U.K. also has moved from compulsory benchmarking - developed within the individual public sector body- toward voluntary benchmarking – developed by some external agency.

One popular and established way to benchmark is through the preparation of league tables, which display the comparative ranking of organizations in terms of their performance (Jacobs et al. 2007), after first rating these organizations. According to Adab et al. (2002), these tables range from those that simply rank crude performance on indicators to those that report sophisticated comparisons of summary adjusted statistics. In the U.K., in particular, the number and variety of league tables have increased substantially as a result of the increasing reliance by the public on these tables to assist them in judging public sector organizations (Jacobs et al. 2007). Subsequently, achieving good ratings has now become a major endeavor for public sector managers as it was evident that league table position can have major implications, for example, wholesale changes in the leadership of an organization (Jacobs et al., 2007). In short, the league tables have been able to promote competition among institutions, giving increased autonomy and more power to heads, promotion of a range of alternative providers, and opening up public services to commercial activity and sponsorship (NASUWT 2007).

## **2.3. Some Examples from Developed Countries**

To illustrate the extent of implementation of PM in developed countries, the paper will cite some examples of the practice in certain sectors where PM has been widely used, including its application in the schools, healthcare, and local governments.

In the U.K., for example, the education sector has been subject to relatively high levels of public monitoring since the implementation of the 1988 Education Reform Act. Since then, the performance management system has comprised two key elements: OFSTED reports and the annual publication of summary performance measures (PMs) in what are currently commonly referred to as the league tables (Propper and Wilson 2003). The school league tables were introduced across all schools as part of the general reform of schooling provision, with its main aim to facilitate parental and pupil 'choice'. It is also part of a larger national framework for school and teacher accountability. Among the indicators published for U.K. schools are the truancy and national exam pass rates.

In the case of healthcare, there are a few examples of publication of data on healthcare performance (Marshall et al. 2000) in the United States. Information is available on the comparative

---

<sup>1</sup> The first step started when the Deputy Prime Minister then, Michael Heseltine, announced his intention to benchmark the performance of central government Next Steps Executive Agencies against both the private sector and public services in other countries.

performance of health insurance plans, hospitals, and individual doctors. For example, the New York Cardiac Surgery Reporting System publishes data on hospital- and surgeon-specific risk adjusted coronary artery bypass surgery mortality. Interestingly, there was evidence that disclosure favorably influences the outcomes of care, as has been reported in the New York Cardiac Surgery Reporting System (Marshall et al. 2000). In a separate study, Hannan et al. (1994) found that mortality declined significantly following publication of data on mortality rates. In Scotland, data comparing outcomes across both hospitals and health areas were made public from the early 1990s (Propper & Wilson, 2003), while in England and Wales, some basic information about hospital performance in has been available since the early 1980s.

As for the local governments, as part of the Citizen's Charter, local councils and police forces had to publish in local newspapers the details of their performance against the indicators. This is required under the UK Local Government Act 1992. This information, as well as an explanation of the system used for its measurement, is also supplied to the Audit Commission at the end of the year. The Audit Commission then collates the data and produces a commentary on the key activities to accompany its publication. The first set of data, covering the operational year 1993/1994, were published in March 1995. The second set, covering 1994/1995, was published in March 1996, thus starting the reporting of trends.

### **3.0. Public Sector in Malaysia**

The states of affairs of Malaysian government transparency and accountability have been captured by several worldwide studies in their rankings. These studies which were mostly conducted by independent non-governmental organizations generally indicate that Malaysia needs to put rigorous effort in improving its accountability and transparency (Abu Bakar and Ismail 2011). Public information are not always readily available (Barraclough and Phua 2007; Yaakob et al. 2009) and in many instances, are not accessible (Siddiquee 2010).

Among the studies was a recent report by The World Bank on Governance Indicators in the aspect of 'Voice and Accountability' (Kaufmann et al. 2008), which places Malaysia in the third quarter of the 2007 ranking. It is also disheartening to note that this has been the case for the past 11 years, as the study benchmarks the data to those of year 1996 to 2006 (Abu Bakar and Ismail 2011). Another separate study called 2008 Open Budget Index conducted by an independent body (i.e. International Budget Partnership) ranked Malaysia at 53<sup>rd</sup> place out of 85 countries being evaluated, implying that it has been providing minimal information on the central government's budget and financial activities during the course of the budget year (International Budget Partnership 2008). This makes it quite difficult for citizens to hold the government accountable for its management of the public's money.

In light of the objectives of this study, the discussion continues with the relevant comprehensive performance measurement system program in the Malaysian central government organizations.

### **4.0. Performance Measuremet Initiatives in Malaysia**

Since 1991, there was a positive trend toward increasing emphasis on result accountability in Malaysia's public sector organizations (Shafie 1996; Haque 2000), as a result of the NPM surrounding the public sector both in the international and local context. This can be seen through the introduction of the Productivity Improvement Initiative (PMI), Total Quality Management (TQM), and the Modified Budgeting System (MBS) programs (Siddiquee 2006b; John Antony Xavier 2009; Siddiquee 2002; Saleh 2008, 2005), which place importance on comprehensive performance measurement systems (CPMS) in the Malaysian central government organizations. CPMS covers both financial and non-financial indicators that capture the important dimensions of achieving organizational objectives.

These campaigns for greater performance were also supported with the introduction of the performance-based pay of civil servants, the New Remuneration System (NRS) (Siddiquee 2002). Further, Client's Charter, which also echoed the NPM, although narrowly focusing on front-end service delivery, has contributed toward promoting greater accountability for results (John Antony Xavier 2009). In a more recent development, government organizations were required to develop and set targets for their KPIs (BERNAMA 2009b).

The Modified Budgeting System (MBS), which was officially introduced for the 1990 annual operating budget preparation, has the main objective of improving and modernizing the process of resource allocation (John Anthony Xavier 1998) and increasing the public sector managers' accountability (Saleh 2007, 2005) on the basis of performance. Also, the MBS is supposed to cause a shift from process performance measurement to results-based performance (Mohamad and Karbhari 2009). The architects of the reforms have claimed that the MBS has improved financial management and accountability in public services (Malaysian Government 2000) as the majority of the agencies have shown positive changes toward output-oriented management by developing performance indicators and by improving financial management controls.

The PMI and the TQM were introduced by the Malaysian Administration Modernisation and Management Planning Unit (MAMPU) of the Prime Minister's Department (PMD) in the years 1991 and 1992, respectively, to government organizations. These two initiatives provided the general framework for processes necessary to set up a performance measurement system. They are part of the series of reform programs to be implemented by government agencies. With the PMI, government agencies were required to establish productivity measurement systems at organizational and employee levels. At the organizational level, this first attempt was obviously to make civil service managers more aware of the impact of their decisions and actions on productivity of service delivery system. The fact that it was the attempt to link resources and results through a performance measurement system (PMS) could be seen as essential to the Malaysian civil services to match its counterparts worldwide, particularly the developed economies under the label of the NPM. Tan Sri Ahmad Sarji, the Chief Secretary of the Malaysian Government, then nicely pointed out that the Malaysian civil service was in the process of a 'paradigm shift' with emphasis on importing efficiency of private sector into government organizations (Abdul Hamid 1994). Definitely, the PMI reflected this value for money drive.

Complementing the earlier reform initiative, the TQM program that was introduced in 1992 provided further emphasis on establishing the PMS at an organizational level (Saleh 2008). Its focus on customer orientation, team-based work, and continual improvement implicitly requires a renewed and compatible PMS to be in place. It emphasizes the importance of establishing performance measures and quality standards for input, process, and results (Saleh 2008). Although the TQM initiative does not specifically address the issue of improving further input and output relationships of government programs and activities, it requires government organizations to set up a performance control system that is more comprehensive than the existing financial control system (i.e. the Vote book). Besides developing the suitable measures of performance, the government organizations need to set management information system and feedback mechanisms to ensure that relevant performance data are reported to relevant managers for corrective actions. With the right way to measure performance, this should enable government agencies to draw a clearer line of responsibilities. Thus, this provides them with opportunities to improve service delivery and greater accountability of the civil servants.

In 1999, a benchmarking policy has also been introduced in the Malaysian public organizations, mainly to enhance the continuous improvement culture inculcated by previous reform programs (Prime Minister's Department 1999). The five types of benchmarking to be conducted by government bodies include: comparison between units within similar organizations, comparison between agencies providing similar types of services, comparison between agencies providing dissimilar services, comparison between different sectors, and comparison with international counterparts.

All the above development basically took place during the era of the fourth Prime Minister, Mahathir Mohamed, who had also introduced his concept of 'Bersih, Cekap, Amanah' (Clean, Efficient, and Trustworthy) to drive the performance of civil service.

Later, in 2004, the fifth Prime Minister, Abdullah Ahmad Badawi, introduced KPIs for the government-linked companies<sup>2</sup> (GLCs) (Norhayati and Siti-Nabiha 2008), under the 10-year GLC Transformation (GLCT) Programme<sup>3</sup>. The KPIs for these GLCs were created by Ethos Consulting, a private consulting firm. The GLCs are required to report its KPIs on a quarterly basis to a special committee called the Putrajaya Committee on GLC High Performance (PCG) formed by the government specifically to follow through and catalyze the GLCT Programme. This reform program resulted in marked improvement in the performance of GLCs through KPI (Tun Razak 2008).

The interesting part of all this development is that data on the GLCs KPI achievements are revealed to the masses. Such an announcement by GLCs is indicative of several achievements. Firstly, KPIs increase transparency and accountability, which historically had been lacking at GLCs, in particular, and in the government, in general. Clarity has now been provided to stakeholders, along with a strong signal of an increased commitment to delivering on promises of improved performance. Also, these metrics and targets provided a basis for stakeholder feedback to the GLCs (Nor Mohamed Yakcop 2006).

A year after KPIs were introduced in the GLCs, the Malaysian government went a step further by instituting the use of performance indicators for all public agencies through the issuance of Guidelines on Establishing Key Performance Indicators (KPIs) and Implementing Performance Assessment at Government Agency (DAC2/2005) in year 2005. The measurement of KPIs shall focus on (i) the efficiency and effectiveness of the process of service delivery, (ii) the human resource and financial productivity, and (iii) the customers' satisfaction toward the service received (Developmental Administrative Circular 2005). It will be formulated based on a detailed examination of each step of providing services and the duration of time needed to do a certain task and based on the agency's current process providing service. It was expected that by 2010, almost all public agencies in Malaysia are required to implement the KPI system (Economic Planning Unit 2006).

With regard to the benchmarking issue, beginning 2007, there was an effort by the Malaysian National Audit Department (NAD) to carry out some form of benchmarking activity within the framework of audit rating system (Abu Bakar and Ismail 2011). This system, which is primarily based on its self-developed Financial Management Accountability Index (FMAI), assesses the financial management adherence of various government bodies including Ministries, Departments, Statutory Bodies, Local Authorities and Islamic religious councils toward the government financial laws and regulations, conducted within the scope of nine elements<sup>4</sup> of financial management (National Audit Department of Malaysia 2008). The results of this audit program have been published in the NAD's website showing a total score for each auditee/entity presented in bar charts. However, no detailed information was provided in terms of the scoring for each of the nine (9) elements being assessed (Abu Bakar and Ismail 2011).

In a more recent development in Malaysia, Najib, the new premier, has pledged to achieve transformation in the government machinery through a performance-based leadership. To achieve this, he has introduced a KPI to gauge the performance and achievements of his new cabinet line-ups. Khazanah Nasional (National Treasury) had been assigned to assist the government, specifically the minister and ministries, in drawing up a Key Performance Index (KPI) system within one month. It aim

---

<sup>2</sup> GLCs in Malaysia remain the primary provider of utility and infrastructure services including electricity, telecommunications, postal, airlines, airports, public transportation, water, and sewerage, as well as banking and finance.

<sup>3</sup> GLC transformation program encompass four phases spanning 10 years (from the middle of 2004 until 2015).

<sup>4</sup> The nine elements are (i) Organisational Management Control, (ii) Budgetary Control, (iii) Receipts Control, (iv) Expenditure Control, (v) Management of Trust Funds, Trust Accounts and Deposits, (vi) Management of Assets and Inventories, (vii) Management of Investments, (viii) Management of Loans, and (ix) Financial Statement.

was to make the ministers and senior officials in civil service responsible for their own achievements based on the KPIs.

The KPIs, which would reflect the country's key strategy, according to the premier, will focus on impact, and not input, on outcome or result, and not output (2009b). This is to ensure "value for money public delivery system." The government's seriousness in this effort is evident through the establishment of a specific and new unit headed by a minister in the Prime Ministers Department called 'unity and performance management' unit (BERNAMA 2009a). The first evaluation on the performance of all ministers and ministries was carried out in November 2009, with the Prime Minister personally involved to ensure that any obstacles impeding their performance are removed on a continuous basis.

Table 1 lists the key programs relevant to performance measurement development in the context to public sector reform in Malaysia.

**Table 1:** Major milestones in the Malaysian public service reform

No.	YEAR	INITIATIVES
1	1968	Programme and Performance Budgeting System (PPBS)
2	1987, 1992	Micro-Accounting System (MAS)
3	1990	Modified Budgeting System (MBS)
4	1991	Productivity Improvement Initiative (PMI)
5	1992	Total Quality Management (TQM)
6	1993	Clients' Charter
7	1996	ISO
8	1999	Benchmarking
9	2004	Key Performance Indicators (KPIs) for government-linked companies
10	2005	Key Performance Indicators (KPIs) for all other government agencies
11	2007	Treasury Strategic results area and strategic KPIs
12	2007	Auditor-General's Star Rating on Financial Management
13	2008	MAMPU's Star Rating System on Public Management
14	2009	Key Performance Indicators (KPIs) for Minister and Ministries
15	2009	Key Performance Indicators (KPIs) for jobholders in the senior echelons of public service

**Source:** Adopted from Abu Bakar and Ismail (2011)

## 4.1. Toward Enhancing Accountability in the Malaysian Public Sector

### 4.1.1. Approaches in the Development of PMS and its Implementation

Literatures have argued that an effective approach in developing KPIs should involve public participation (Vitezic 2007; Mimba et al. 2007). In many instances, however, the approach employed by the Malaysian public sector does not seek public views. An example is when an external private consulting company (i.e. Ethos Consulting) was consulted for KPI development for GLCs instead of gathering views of stakeholders such as users, fund providers, customers, and trade unions. Another case is when KPIs for ministers and ministries are developed by themselves with the assistance of the National Treasury.

The weakness of the current practice of performance measurement development in Malaysia, which does not include participation of civil societies, is that it may not be able to serve the public's interests, who are the main recipient of the system (Sanger 2008). It would be advantageous if meetings with stakeholders could be conducted in order to seek their opinion and to incorporate their expectations. These end recipients should be consulted to get their feedback on their expectation like what they mostly want to know regarding each public agency (Thompson 1993). Getting feedbacks from the masses may increase public receptiveness toward the system and reduce the possibilities of the KPI or the system to later be the topic of dispute, as it will be giving them the information they really want.

From the preceding sections, it may have been obvious that the performance measurement system has already been introduced since as early as the 1990s through various reform programs



including the TQM and PMI (Abu Bakar and Ismail 2011). Hence, it is our contention that the issue to be addressed here is no longer on the introduction of the PMS, but rather on the execution of the system (Siddiquee 2006a; Shafie 1996; John Antony Xavier 1996). Office bearers and administrators could take charge on implementing a comprehensive PMS as has been propagated in the 1990s reform programs. The system implemented should be carefully monitored across the board, in all governmental departments, agencies, local authorities, and to all civil servants on an individual basis. Merely introducing one reform program after the other when one took office will no longer be pleasing in the public's eyes if there is no tangible result of the program that follows. The government should recognize that the awareness (Yaakob et al. 2009) and education level among the general Malaysian population has greatly increased (Abdul Khalid 2008), and thus, they are becoming increasingly critical as well as vocal toward how the government should be. The government needs to walk the talk by effectively implementing these useful systems in order to provide value for money service to the citizens.

With regard to the directives in DAC2/2005, which requires all government agencies to implement the KPI system, there is little evidence to show what will materialize as progress thus far has been rather slow. As a case in point, Abdul Khalid (2008) has found that by the end of 2007 still not many local authorities have fully implemented the system. Some have just received training by their respective state government on the concept of indicators, whereas others are in the process of formulating it. Worst still, there are also some local councils that have not implemented the system. There seems to be no effective execution of the said policy by the relevant authority.

#### **4.1.2. Disclosure of Performance Information**

In response to the new premier pledge toward a more accountable and transparent government, the system will be handicapped if the KPI results are kept from the public's view. It is believed that an accountable government should not be afraid of public scrutiny (Buang 2009). KPI results should be published and treated as public documents which are easy to access at few costs; otherwise, it will create an unwarranted public perception that the government pledge is merely rhetoric (Siddiquee 2006b). Based on anecdotal evidence, it is believed that increased public documentation is able to enhance public's confidence in the government's accountability.

In the case of GLCs, KPI achievements of selected 20 GLCs have been revealed to the public (The Star Online 2007), which is commendable. Nonetheless, as these GLCs are the top 20 GLCs, quite expectedly, the results revealed have been rather favorable ones, with 76% meeting their KPIs in 2007 (Ang 2008). It would be more convincing if results of all GLCs are released to the public, rather than just the *crème de la crème* ones.

Further, a study on KPI practice in Malaysian local governments by Abdul Khalid (2008) has demonstrated that KPI reports were meant to be used only for internal purposes. As a result, external monitoring and evaluations were not possible to be made toward the KPIs for public agencies that have implemented the system. To a greater extent, there is also an absence of mechanism to serve as a 'carrot and stick' for promoting the KPI agenda (Abdul Khalid 2008). Here, again, it is clear that the implementation issues seem to be the main stumbling block in carrying out government policies or directives related to the reform program.

At this juncture, it is also worth noting that immediately following the premier's announcement of KPI development in ministries in April 2009, there was an almost impromptu detractor by one of the ministers against revealing the KPIs to the public, for fear of public misinterpretation (The Star Online 2009a), as has been argued. This reaction by the respective government personnel was actually not uncommon as it has been previously experienced by the U.K. during the initial stages when they first required the local government to publish its performance information. In that particular case in the U.K., Cowper & Samuels (2003) have attributed it to two factors. First, there was some perception that it represented a politically-motivated intrusion by central government into the affairs of local government. Second, many in local government predicted that publication of the data would have little

impact and that the resources required for its collection would therefore be expended for little gain. These concerns however, proved to be unfounded.

To address some of the above issues, the U.K. Audit Commission had undertaken research into the public's views and found that people valued the information being made available, believing that this would enhance public accountability. Concerns that reporting might be biased also proved unfounded -- research indicated that people tended to interpret the performance indicators as throwing a positive light on local government and were impressed at the range of services provided for the money spent. Press coverage was also more positive than negative. The result has been that there now exists a broad national and local political acceptance of the value of the performance indicators and of national publication.

It is thus argued that it is important that government officials and government bodies be more receptive on the idea of an open-government. The whole government machinery, especially the top-level management, needs a comprehensive awareness and education program on the importance of publishing its performance to the owners of the resources they are handling, i.e. the people. They should be made to fully understand the need for government to be accountable and should neither be fearful of, nor object to, a system of effective government accountability. It is the right of the public to get access to public sector information, as it is their money that the public sector is managing (Giroux and Shields 1993).

Road show of seminars and talks for government officers, school headmasters, councillors, police authority, etc, meeting them in their own workplaces and highlighting how the indicators can help them to appreciate the whole process of performance review are a few ways to educate the public sector. Although it will be a tough task, it will be worth the effort as has been proved by countries such as the U.K., whereby those councils with the worst performance in the year of assessment had improved significantly in the next year once the data were published - the five worst councils had improved performance by between 30% and 60% (Cowper and Samuels 2003). As there are still many things to be done and many actions to be made, there seems to be still a long journey for the Malaysian government to be at the same level as its counterparts in the developed countries such as the U.K.

Once Malaysia is ready to publish its performance information, there are various ways to widely disseminate it to the public at large. It can follow the U.K.'s steps whereby in the 5 main cities, it has installed a computerized version of the performance indicators in the main library and will assess the level of interest from the public before deciding whether to make this exhibition more widely available (Cowper & Samuels, 2003). The Citizen's Charter Unit has also produced a CD-ROM that brings together performance information for schools, hospitals, local authorities, and emergency services. The program uses a computer map to help people find the information on their local services. Copies are being made available free to schools, libraries, and individuals.

After the performance information is disclosed by the respective government bodies, it is expected that benchmarking will naturally take place. This may be done by the government itself, which is more commendable, or by external interested parties. Here, there are definitely several challenges that need to be faced, taking into consideration the report of Kouzmin *et al.* (1999), that the relatively early stages of the introduction of benchmarking into the public sector were received with much skepticism and resistance to organizational change within the workplace.

Among the benchmarking problems unique to the public sector is that for some services there are no direct competitions against which to judge results or processes (Wynn-Williams 2005), although for many others competitions do exist (Wynn-Williams, 2005). In the Malaysian context, this is true for the energy provider, Tenaga Nasional Bhd. (TNB), which monopolizes the industry. Thus, for these kinds of organization, benchmarking can be either against itself over a certain period of time to identify its progress toward its 'personal best', or perhaps to benchmark against other countries.

## 5.0. Conclusion

A comprehensive and properly executed performance measurement system, which is adequately disclosed to the masses and rated by interested parties, by and large, may help to increase the level of competitiveness of the public sector, thus benefiting the entire economy. It was an established fact in the Malaysian public sector that a number of reform programs and policies faced implementation setbacks. Hence, the foremost issue here is to measure the government's implementation mechanism. It follows that any existing program should be closely monitored and evaluated in order to ensure that implementation is on track. To achieve this, key personnel in each government bodies should be made accountable for the program results at their own bodies. Obsolete and old-fashioned beliefs and judgments need to be removed. To a larger extent and, more effectively, few policies that are seen to impede progress may well be revised. This might include policies such as the Official Secrets Act and the Seditious Act (Siddiquee 2005), which might become a hindrance toward greater transparency of official, but public, information.

It is, nonetheless, agreed upon that making and sustaining change in the public sector will not be smooth sailing, partly due to malaise and inertia as rightly pointed out by the fifth Prime Minister, Abdullah Ahmad Badawi (Ahmad Badawi 2005). Notwithstanding that the government has no choice but to 'change' if it wants to become the 'best in class' public sector in the world, as aspired, and if it wishes to stay relevant among the electorates. Public grouses demonstrated through the last election should have given enough indication that various shortcomings in the Malaysian public sector need to be dealt with and overcome. The trend is presumably positive toward greater transparency and accountability as has been recently pledged by the new Prime Minister Najib Razak (Tun Razak 2008). The journey in bringing the Malaysian public sector to a new level of performance certainly will be a demanding and laborious one, but it is believed that with strong political will and determination, this dream can be materialized and will eventually bring Malaysia to greater heights, for the benefit of the current and future generations.

## Acknowledgement

The authors wish to thank participants of the 21<sup>st</sup> Asian-Pacific Conference on International Accounting Issues, held in Las Vegas, USA on the 22-25 November 2009 for their insightful comments on the paper.

## Bibliography

- 1] Abdul Hamid (1994). *The civil service of Malaysia: A paradigm shift*. Kuala Lumpur: Percetakan Nasional Malaysia Berhad.
- 2] Abu Bakar, N. B., & Ismail, S. (2011). Financial management accountability index (FMAI) in Malaysian public sector: A way forward. *International Review of Administrative Sciences*, 77(1), 159-190.
- 3] Adab, P., Rouse, A.M. & Mohammed, A. (2002). Performance league tables: the NHS deserves better. *British Medical Journal*, 324: 95-98.
- 4] Ahmad Badawi, A. (2005). The GLC transformation programme. In Prime Minister Office (Ed.). Putrajaya.
- 5] GLCs set to revise targets. (2008, 28 October 2008). *The Star*.
- 6] Barraclough, S., & Phua, K. L. (2007). Chronicling health care policy change in Malaysia: From consensus to an uncertain and contested agenda. In K. L. Phua (Ed.), *Malaysia public policy and marginalised group* (pp. 143-163). Kuala Lumpur: Malaysian Social Science Association.
- 7] Behn, R. D. (2003). Why measure performance? Different purposes require different measures. *Public Administration Review*, 63(5), 586-606.

- 8] BERNAMA (2009a). From Chief Minister to Minister. <http://bernama.com>. Accessed 14 April 2009.
- 9] BERNAMA (2009b). KPIs show PM's seriousness on development agenda, says Muhyiddin. <http://www.bernama.com> . Accessed 14 April 2009 2009.
- 10] Bowerman, M., Francis, G., Keynes, M., Ball, A., & Fry, J. (2002). The evolution of benchmarking in UK local authorities. *Benchmarking: An International Journal*, 9(5).
- 11] Boyne, G. (2002). Concepts and indicators of local authority performance: An evaluation of statutory frameworks in England and Wales. *Public Money and Management*, 22 (2), 17-24.
- 12] Buang, A. (2009). Governance in volatile economic conditions - Malaysian government perspective. <http://www.audit.gov.my>. Accessed 31 December 2009
- 13] Cowper, J., & Samuels, M. (2003). Performance benchmarking in the public sector: The United Kingdom experience. UK: Next Steps Team, Office of Public Services.
- 14] Developmental Administrative Circular (2005). Guideline on establishing key performance indicators (KPI) and implementing performance assessment at government agency. *DAC 2/2005*.
- 15] Economic Planning Unit (2006). Ninth Malaysia plan 2006-2010. Putrajaya: Economic Planning Unit, Prime Minister's Department.
- 16] Giroux, G., & Shields, D. (1993). Accounting controls and bureaucratic strategies in municipal government. *Journal of Accounting and Public Policy*, 12(3), 239-262.
- 17] Haque, M. S. (2000). Significance of accountability under the new approach to public governance. *International Review of Administrative Sciences*, 66(4), 599-617, doi:10.1177/0020852300664004.
- 18] IFAC PAIB (2008). Developments in performance measurement structures in public sector entities. (pp. 72). New York: International Federation of Accountants.
- 19] Hannan, E., Kilburn, H., Racz, M., Shields, E. & Chassin, M. (1994). Improving the Outcomes of Coronary Artery Bypass Surgery in New York State. *JAMA* 271:761-766.
- 20] International Budget Partnership (2008). Open budget index 2008. <http://www.openbudgetindex.org>. Accessed on 30 December 2009
- 21] Jacobs, R., Goddard, M., & Smith, P. C. (2007). Composite performance measures in the public sector. Centre for Health Economics.
- 22] Kaufmann, D., Kraay, A., & Mastruzzi, M. (2008). Governance matters VII: Governance indicators for 1996-2007. Washington: The World Bank.
- 23] Kouzmin, A., Loffler, E., Klages, H., & Korac-Kakabadse, N. (1999). Benchmarking and performance measurement in public sectors: Towards learning for agency effectiveness. *International Journal of Public Sector Management*, 12(2), 121-144.
- 24] Laurie, N. (2004). Benchmarking, KPI's, annual reporting for parliamentary department and the use of member surveys: Queensland case study. In *ANZACATT Professional Development Seminar, Sydney, 29 January 2004 2004*. 01
- 25] Malaysian Government (2000). Perkhidmatan awam Malaysia: Memperkukuh agenda pembaharuan (Malaysian Public Service: Strengthening reform agenda). Kuala Lumpur: Percetakan Nasional Berhad.
- 26] Marcuccio, M., & Steccolini, I. (2009). Patterns of voluntary extended performance reporting in Italian local authorities. *International Journal of Public Sector Management*, 22(2), 146-167.
- 27] Marshall, M., Shekelle, P., Brook, R., & Leatherman, S. (2000). *Dying to know: Public release of information about quality of health care*. London: Nuffield Trust.
- 28] Mimba, N. P. S. H., Helden, G. J. v., & Tillema, S. (2007). Public sector performance measurement in developing countries: A literature review and research agenda. *Journal of Accounting & Organizational Change*, 3(3), 192 - 208.
- 29] Modell, S. (2004). Performance measurement myths in the public sector: A research note. *Financial Accountability & Management*, 20(1), 39-55.

- 30] Mohamad, M. H. S., & Karbhari, Y. (2009). The NPFM in emerging economies: The modified budgeting system (mbs) in Malaysian government. *Indonesian Management and Accounting Research*, 8(1), 47-89.
- 31] NASUWT (2007). Public sector accountability. England: National Association of Schoolmasters Union of Women Teachers.
- 32] National Audit Department of Malaysia (2008). *Accountability index: Financial management*. Putrajaya: National Audit Department of Malaysia.
- 33] Nor Mohamed Yakcop (2006). Financial sector and corporate Malaysia: Addressing the global competitive challenges. Kuala Lumpur: Treasury Malaysia.
- 34] Norhayati, M. A., & Siti-Nabiha, A. K. (2008). A case study of the performance management system in a Malaysian government linked company. *Journal of Accounting & Organizational Change*, 5(2), 243-276.
- 35] Pidd, M. (2005). Perversity in public service performance measurement. *International Journal of Productivity and Performance Management*, 54(5/6), 482-493.
- 36] Prime Minister's Department (1999). Implementation of benchmarking in the public services development administration circular no. 1. Kuala Lumpur.
- 37] Propper, C., & Wilson, D. (2003). The use and usefulness of performance measures in the public sector. *CMPO Working Paper Series*
- 38] Rashid Moten, A. (2009). 2004 and 2008 general elections in Malaysia: Towards a multicultural, bi-party political system? *Asian Journal of Political Science*, 17(2), 173 - 194.
- 39] Saleh, Z. (2005). Development in governmental accounting and reporting in Malaysia. In A. Bourmistrov, & F. Mellemvik (Eds.), *International trends and experiences in governmental accounting* (pp. 67-79). Oslo: Cappelan Akademisk Forlag.
- 40] Saleh, Z. (2007). Malaysia governmental accounting: National context and user orientation. *International Review of Business Research Papers*, 3(2), 376-384.
- 41] Saleh, Z. (2008). Reforming public sector accounting. In S. S. Devi, & R. Muhamad (Eds.), *Meeting the challenges of the knowledge economy: Exploring glocalisation in accounting education and financial accounting and reporting* (pp. 14-36). Kuala Lumpur: KPMG.
- 42] Sanger, M. B. (2008). From measurement to management: Breaking through the barriers to state and local performance. *Public Administration Review*, 68(6), S70-S85.
- 43] Shafie, H. B. (1996). Malaysia's experience in implementing the new performance appraisal system. [Article]. *Public Administration & Development*, 16(4), 341-352.
- 44] Siddiquee, N. A. (2002). Administrative reform in Malaysia: Recent trends and developments. *Asian Journal of Political Science*, 10(1), 105 - 130.
- 45] Siddiquee, N. A. (2005). Public accountability in Malaysia: Challenges and critical concerns. *International Journal of Public Administration*, 28(1/2), 107-129.
- 46] Siddiquee, N. A. (2006a). Paradoxes of public accountability in Malaysia: Control mechanisms and their limitations. *International Public Management Review*, 7(2), 43-65.
- 47] Siddiquee, N. A. (2006b). Public management reform in Malaysia: Recent initiatives and experiences. *International Journal of Public Sector Management*, 19(4), 339 - 358.
- 48] Siddiquee, N. A. (2010). Combating corruption and managing integrity in Malaysia: A critical overview of recent strategies and initiatives. *Public Organization Review*, 10, 153-171.
- 49] Smith, K. A. (2004). Voluntarily reporting performance measures to the public. [Article]. *International Public Management Journal*, 7(1), 19-48.
- 50] Taylor, J. (2006). Statutory bodies and performance reporting: Hong Kong and Singapore experience. *Public Organization Review*, 6, 289-304.
- 51] The Star Online (2007). GLCs on the right track. <http://thestar.com.my/news/story.asp?file=/2007/9/8/ecoreport2008/18803011&sec=ecoreport2008>.

- 52] The Star Online (2009a). Khaled: KPI may be misinterpreted if made public. <http://thestar.com.my/news/story.asp?file=/2009/4/13/nation/3683253&sec=nation>.
- 53] The Star Online (2009b). PM: Ministers' performance to be reviewed every six months. <http://thestar.com.my/news/story.asp?file=/2009/4/9/nation/20090409181732&sec=nation>.
- 54] Thompson, F. J. (1993). Revitalizing state and local public service: Strengthening performance, accountability, and citizen confidence. San Francisco Jossey-Bass.
- 55] Tun Razak, N. (2008). Opening of the 13th Capital Market Summit. Office of the Deputy Prime Minister.
- 56] Vitezic, N. (2007). Beneficial effects of public sector performance measurement. *Uprava*, V(2), 7-24.
- 57] Walker, D. M. (2005). Key national indicator systems: An opportunity to assess national progress, improve performance and strengthen accountability. *The Journal of Government Financial Management*, 54(2), 10.
- 58] Wilson, D., & Piebalga, A. (2008). Performance measures, ranking and parental choice: An analysis of the English school league tables. [Article]. *International Public Management Journal*, 11(3), 344-366.
- 59] Wynn-Williams, K. L. H. (2005). Performance assessment and benchmarking in the public sector: An example from New Zealand. *Benchmarking: An International Journal*, 12(5), 482-492.
- 60] Xavier, J. A. (1996). Budget reform -- the Malaysian experience. *Public Administration & Development*, 16(5), 485-501.
- 61] Xavier, J. A. (1998). Budget reform in Malaysia and Australia compared. *Public Budgeting and Finance*(Spring), 99-118.
- 62] Xavier, J. A. (2009). Establishing key performance indicators for the senior echelons of the public service. *Journal Excellence*, 1(1), 18-43.
- 63] Yaakob, A. F., Kadir, N. A., & Jusoff, K. (2009). Accountability from the perspective of Malaysian governance. *Journal of Politics and Law*, 2(3), 48-60.