

**TAXONOMY OF 'AKHLAQ' IN  
THE GOVERNANCE OF  
MALAYSIAN GOVERNMENT PROCUREMENT  
PRACTICES**

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**UNIVERSITI SAINS MALAYSIA**

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PRACTICES**

by

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## TABLE OF CONTENTS

<b>ACKNOWLEDGEMENT</b> .....	<b>ii</b>
<b>TABLE OF CONTENTS</b> .....	<b>iv</b>
<b>LIST OF TABLES</b> .....	<b>x</b>
<b>LIST OF FIGURES</b> .....	<b>xi</b>
<b>LIST OF ABBREVIATIONS</b> .....	<b>xv</b>
<b>LIST OF APPENDICES</b> .....	<b>xvi</b>
<b>ABSTRAK</b> .....	<b>xvii</b>
<b>ABSTRACT</b> .....	<b>xix</b>
<b>CHAPTER 1 INTRODUCTION</b> .....	<b>1</b>
1.1 Introduction.....	1
1.2 Background to the Research .....	1
1.3 Problem Statement .....	8
1.4 Research Questions .....	10
1.5 Research Objectives .....	11
1.6 The Scope of the Research.....	11
1.7 Significance of the Research.....	12
1.7.1 Theoretical Significance .....	12
1.7.2 Practical Significance.....	13
1.8 Definitions of Key Terms .....	14
1.9 Organisation of the Thesis .....	19
<b>CHAPTER 2 LITERATURE REVIEW</b> .....	<b>20</b>
2.1 Chapter Overview .....	20
2.2 Significance of Government Procurement.....	20
2.3 Corruption in Government Procurement .....	27
2.4 Opportunism of corruption in Government Procurement.....	31

2.5	Impact of Corruption in Government Procurement.....	33
2.6	Past Studies on Corruption in Malaysian Government Procurement .....	35
2.6.1	Approach of Research to Understand Why Corruption Happens.....	38
2.7	Theoretical Foundation .....	40
2.7.1	Agency Theory.....	42
2.7.2	Transaction Cost Theory .....	43
2.7.3	Comparative Analysis between TCT and Agency Theory .....	45
2.7.4	Application of TCT in Research Works Pertain Corruption and Government Procurement Transaction.....	47
2.7.5	Effect of Corruption: Inflates the costs of transaction.....	49
2.7.6	Critiques of TCT .....	50
2.7.7	Evolution of TCT.....	53
2.7.8	TCT Topics for Future Research .....	54
2.7.9	Human Behaviour .....	56
2.7.9(a)	Theory of Planned Behaviour.....	58
2.7.9(b)	Virtue Theory .....	61
2.7.10	Human Model .....	70
2.7.11	Human Governance Philosophy .....	72
2.7.11(a)	Fundamental of Quantum Physics.....	74
2.7.11(b)	Misinterpretation on meaning of Human Governance .....	76
2.7.12	Understanding Behaviour of Corruption and Integrity from Taxonomy of Characters.....	78
2.7.12(a)	Corruption and Integrity .....	78
2.7.12(b)	Al-Ghazali’s Spiritual Insight.....	82
2.7.12(c)	Al-Ghazali’s Theory of the Soul .....	87
2.7.12(d)	Overview on Interfacing of Spiritual Elements with the Brain .....	92

2.7.12(e)	Taxonomy of Characters .....	99
2.8	Theoretical Framework .....	111
2.9	Summary of Chapter .....	118
<b>CHAPTER 3 METHODOLOGY .....</b>		<b>119</b>
3.1	Chapter Overview .....	119
3.2	Research Paradigm.....	119
3.3	Qualitative Research .....	122
3.4	Phenomenology and Phenomenological Method.....	124
3.4.1	Phenomenological Processes .....	129
3.4.1(a)	Epoch.....	129
3.4.1(b)	Phenomenological Reduction.....	130
3.4.1(c)	Imaginative Variation.....	132
3.4.1(d)	Synthesis.....	132
3.5	Research Design.....	133
3.5.1	Phase 1: Sample Selection .....	136
3.5.2	Phase 2: Data Collection .....	141
3.5.2(a)	Securing Agreement .....	141
3.5.2(b)	Developing Instruments.....	141
3.5.2(c)	Interview Guiding Questions.....	142
3.5.2(d)	Validating Credibility: Pilot interview .....	151
3.5.2(e)	Soliciting Participation .....	151
3.5.2(f)	Scheduling Interviews .....	152
3.5.2(g)	Confirming Purpose.....	152
3.5.2(h)	Building Rapport .....	153
3.5.2(i)	Verifying Accuracy .....	154
3.5.3	Phase 3: Data Analysis.....	154
3.5.4	Phase 4: Conclusion and Recommendations: .....	156



3.6	Use of Research Tools .....	156
3.7	Credibility and Dependability .....	157
3.8	Ethical Dilemmas .....	161
3.9	Research Bias and Assumptions .....	162
3.10	Pilot Study.....	164
	3.10.1 Data Collection .....	167
3.11	Summary of Chapter .....	169
<b>CHAPTER 4 ORGANISING, ANALYSING AND SYNTHESISING DATA .....</b>		<b>170</b>
4.1	Chapter Overview .....	170
	4.1.1 Interviewees' Profiles .....	170
4.2	Horizontalising.....	174
4.3	Horizons .....	174
	4.3.1 Ethical Practices .....	175
	4.3.2 Taxonomy of Characters and Behaviours Relationship.....	192
	4.3.2(a) Intellect.....	192
	4.3.2(b) Appetition.....	198
	4.3.2(c) Self-assertion .....	204
	4.3.3 Behavioural Type.....	210
	4.3.3(a) Corruption.....	210
	4.3.3(b) Integrity .....	215
	4.3.3(c) Vacillates Between Corruption and Integrity .....	218
4.4	Clustering Horizons into Themes .....	218
4.5	Textural-Structural Descriptions.....	221
	4.5.1 XGO1 .....	222
	4.5.2 XGO2.....	226
	4.5.3 MACC1.....	230
	4.5.4 MACC2.....	234

4.5.5	MACC3.....	237
4.5.6	GP1 .....	241
4.5.7	GP2 .....	243
4.5.8	GP3 .....	245
4.5.9	GP4 .....	247
4.5.10	GP5 .....	250
4.5.11	GS1 .....	254
4.5.12	GS2 .....	257
4.5.13	GS3 .....	260
4.6	Triangulation on Sources of Data .....	263
4.7	Composite Textural-Structural Description .....	267
4.8	Summary of Chapter .....	292
<b>CHAPTER 5 CONCLUSION AND RECOMMENDATIONS .....</b>		<b>293</b>
5.1	Chapter Overview .....	293
5.2	Recapitulation of the Research’s Findings .....	293
5.2.1	The Findings to the First Research Question .....	295
5.2.2	The Findings to the Second Research Question .....	296
5.2.3	The Findings to the Third Research Question .....	297
5.3	Discussion of the Findings.....	298
5.3.1	Practice of Human Governance in influencing decision to commit corruption or uphold integrity in Malaysian Government Procurement Transactions.....	299
5.3.2	Innate Nature of Government Procurement Practitioners who are Corrupt in Behaviour .....	303
5.3.3	Behaviour of Integrity to Counteract Corruption.....	308
5.3.4	Characters and Behaviours can Vacillate.....	311
5.4	Proposed HG internal self-control Model.....	313
5.5	Contribution and Implication of the Research .....	318
5.5.1	Theoretical Contribution .....	318

5.5.2	Practical Contribution .....	319
5.6	Limitations and Recommendations for Future Research.....	319
5.6.1	To Revisit on Human Governance Philosophy at USM .....	321
5.6.2	To Enhance Taxonomy of Characters from Islamic Perspective Grounded on al-Ghazali’s Spiritual Anatomy .....	323
5.6.3	To Study the Interfacing between Human Spiritual Anatomy and Physical Anatomy .....	325
5.7	Conclusion of the Research.....	333
	<b>REFERENCES.....</b>	<b>341</b>
	<b>APPENDICES</b>	
	<b>LIST OF PUBLICATIONS</b>	

## LIST OF TABLES

		<b>Page</b>
Table 2.1	Ternary Model of Human (Stoddart, 1985).....	70
Table 2.2	Al-Ghazali’s Taxonomy of Characters (Umaruddin, 2003).....	101
Table 2.3	Ibn Miskawayh’s Taxonomy of Characters (Atrak & Khosravi , 2020; Arshad, 2009).....	104
Table 3.1	Phenomenology Interview Guiding Questions for Corrupt Individuals .....	145
Table 3.2	Phenomenology Interview Guiding Questions for Individuals with Integrity .....	148
Table 3.3	Triangulating Sources of Data: Characters of Corrupt Individuals .....	159
Table 3.4	Triangulating Sources of Data: Characters of Individuals with Integrity .....	159
Table 4.1	Profile of the interviewees .....	170
Table 4.2	Themes and Descriptions of the Lived Experiences of Interviewees .....	219
Table 4.3	Triangulation on Sources of Data: Comparing Individuals with Different Viewpoints on Characters of Corrupt Government Procurement Practitioners.....	265
Table 4.4	Characters That Drive Behaviour of Corruption as an Opportunistic Behaviour.....	265
Table 4.5	Triangulation on Sources of Data: Comparing Individuals with Different Viewpoints on Characters of Government Procurement Practitioners with Integrity.....	266
Table 4.6	Characters That Drive Behaviour of Integrity .....	266
Table 4.7	Characters That Drive the Behaviours of Government Procurement Practitioners to be Corrupt or of Integrity .....	267
Table 5.1	Themes and Descriptions of the Lived Experiences of Interviewees .....	294
Table 5.2	Taxonomy of Characters that Drive the Behaviours of Government Procurement Practitioners to be Corrupt or of Integrity .....	296

## LIST OF FIGURES

		<b>Page</b>
Figure 2.1	Classification of Organisations.....	24
Figure 2.2	Relationships between Main Organisational and Economic Units (Lindskog et al., 2010).....	25
Figure 2.3	Sectors Prone to Corruption in Malaysia (NACP, 2019) .....	27
Figure 2.4.	Modes of Conduct on Corruption in Malaysia (NACP, 2019).....	32
Figure 2.5	Williamson’s TCT (Kaplan Financial Knowledge Bank, 2012).....	44
Figure 2.6	Opportunism as an Attitude and as Behaviour (Ghoshal, 1996).....	51
Figure 2.7	The Psychological Economics TCT .....	54
Figure 2.8	TCT Focused Topics for Future Research.....	55
Figure 2.9	Theory of Planned Behaviour (Ajzen 2002).....	59
Figure 2.10	Conceptual Framework for an Extended TPB Model (Sommer, 2011).....	60
Figure 2.11	Virtue Theory (Bright & Winn, 2014).....	64
Figure 2.12	Deepening Within the Median against Beyond the Median (Crossan, Mazutis and Seijts, 2013),.....	68
Figure 2.13	The Driver of Behaviour is Character, Not Attitude .....	70
Figure 2.14	Human Model .....	72
Figure 2.15	‘Aql, Qalb, Ruh and Nafs different functions of inner ‘Self’ (Rothman & Coyle, 2018). .....	86
Figure 2.16	Al- Ghazali’s Spiritual Anatomy .....	89
Figure 2.17	Dynamics of al-Ghazali’s Spiritual Anatomy.....	91
Figure 2.18	Interfacing of Spiritual Elements to the Human Brain .....	94
Figure 2.19(a)	Interfacing of Sensory Power (Outer and Inner) to the Human Brain.....	94
Figure 2.19(b)	Central Nervous System (CNS).....	95

Figure 2.20	A Metaphor for the Whole Person (Tiller, 2009) .....	96
Figure 2.21	Scope of Research: Character Generator .....	98
Figure 2.22	Correlation between Taxonomy of Characters and Levels of Soul .....	109
Figure 2.23	The Qualitative process .....	112
Figure 2.24	Proposed Theoretical Framework - Taxonomy of Characters, Level of Soul and Behaviours Relationship .....	115
Figure 3.1	Hierarchy of Qualitative Phenomenology .....	127
Figure 3.2	Schematic Diagram: Research Design Phases.....	135
Figure 3.3	Functional Analysis System Technique (FAST) Diagram: Design of Phenomenology Interview Guiding Questions .....	144
Figure 4.1	Themes Identified from Interview Transcripts and Their Relationships (from ATLAS.ti 9 Analysis).....	219
Figure 4.2	Word Cloud (from ATLAS.ti 9 Analysis).....	220
Figure 4.3	Thematic Character-Behaviour Representation of XGO1's Experience as a Government Officer before Being Convicted of Corruption.....	226
Figure 4.4	Thematic Character-Behaviour Representation of XGO2's Experience as a Government Officer before Being Convicted of Corruption.....	230
Figure 4.5	Thematic Character-Behaviour Representation of MACC1's Experience of Investigating Corrupt Government Procurement Practitioners.....	234
Figure 4.6	Thematic Character-Behaviour Representation of MACC2's Experience of Investigating Corrupt Government Procurement Practitioners.....	236
Figure 4.7	Thematic Character-Behaviour Representation of MACC3's Experience of Investigating Corrupt Government Procurement Practitioners.....	240
Figure 4.8	Thematic Character-Behaviour Representation of GP1's Experience as Government Procurement Practitioner at the Prime Minister Office .....	243
Figure 4.9	Thematic Character-Behaviour Representation of GP2's Experience as Government Procurement Practitioner at the Federal Court of Malaysia .....	245

Figure 4.10	Thematic Character-Behaviour Representation of GP3's Experience as Government Procurement Practitioner at the Ministry of Health .....	247
Figure 4.11	Thematic Character-Behaviour Representation of GP4's Experience as Government Procurement Practitioner at the Ministry of Defence.....	250
Figure 4.12	Thematic Character-Behaviour Representation of GP5's Experience as Government Procurement Practitioner at the Ministry of Home Affairs .....	254
Figure 4.13	Thematic Character-Behaviour Representation of GS1's Experience as Government Supplier Dealing with the Corrupt Government Procurement Practitioners .....	257
Figure 4.14	Thematic Character-Behaviour Representation of GS2's Experience as Government Supplier Dealing with the Government Procurement Practitioners Who were of Integrity .....	260
Figure 4.15	Thematic Character-Behaviour Representation of GS3's Experience as Government Supplier Dealing with the Government Procurement Practitioners Who were of Integrity .....	263
Figure 4.16	Physical and Spiritual as Component of Human (from ATLAS.ti 9 Analysis).....	270
Figure 4.17	Nature of Human Model (from ATLAS.ti 9 Analysis) .....	272
Figure 4.18	Interviewees' Views on Human Governance (from ATLAS.ti 9 Analysis).....	274
Figure 4.19	Vice Characters (from ATLAS.ti 9 Analysis).....	279
Figure 4.20	Virtue Characters (from ATLAS.ti 9 Analysis) .....	283
Figure 4.21	Behaviour of Corruption (from ATLAS.ti 9 Analysis) .....	287
Figure 4.22	Behaviour of Integrity (from ATLAS.ti 9 Analysis).....	289
Figure 4.23	Characters Can Vacillate (from ATLAS.ti 9 Analysis .....	290
Figure 4.24	Composite Thematic Character-Behaviour Representation of the Lived Experiences of all the 13 Interviewees Pertaining to the Characters and Behaviours of Government Procurement Practitioners.....	291
Figure 5.1	Themes Identified from Interview Transcripts and Their Relationships (from ATLAS.ti 9 Analysis).....	294

Figure 5.2	Taxonomy of Characters and the Levels of Soul that Drive Behaviours of Corruption or Integrity.....	298
Figure 5.3	HG internal self-control Model .....	314
Figure 5.4	Interfacing Between the Outer Sensory Power of Sight and the Brain Occipital Lobe.....	328
Figure 5.5	Fetal Development Chart.....	332



## LIST OF ABBREVIATIONS

ADB	Asia Development Bank
AFO	Agriculture Farmers' Organisation
B2G	Business to Government
GP	Government Procurement
GS	Government Supplier
HG	Human Governance
IB	International Business
JoPP	Journal of Public Procurement
KPI	Key Performance Indicator
MACC	Malaysia Anti-Corruption Commission
MNE	Multinational Enterprise
OECD	Organisation for Economic Co-operation and Development
OKT	'Orang Kena Tuduh'
PPK	'Pertubuhan Peladang Kawasan'
PTJ	'Pusat Tanggungjawab'
TCT	Transaction Cost Theory
TPB	Theory of Planned Behaviour
TGS	Transaction Governance Structure
UN	United Nations
XGO	Ex-Government Officer
XGP	Ex-Government Procurement

## **LIST OF APPENDICES**

Appendix A	Interview Guide - Ex-government procurement practitioner Convicted of corruption
Appendix B	rev 1: Interview Guide - Anti-Corruption Investigator
Appendix C	rev 1: Interview Guide - Government Procurement Practitioner
Appendix D	rev 1: Interview Guide - Government Supplier
Appendix E	Confidentiality and Informed Consent Agreement

# **TAKSONOMI 'AKHLAQ' DALAM TADBIR URUS AMALAN PEROLEHAN KERAJAAN MALAYSIA**

## **ABSTRAK**

Rasuah merupakan sebuah fenomena global. Laporan OECD (2016) dan NACP (2019) menyatakan sektor perolehan kerajaan merupakan sektor yang paling terdedah kepada aktiviti rasuah. Kajian-kajian terdahulu berfokus kepada faktor sistem dan amalan perolehan kerajaan Malaysia. Fokus kajian ini bertumpu kepada falsafah Tadbir Urus Insan dengan memberi penekanan kepada dimensi fizikal dan kerohanian insan. Penelitian mendalam terhadap aspek 'Diri' dalaman menurut kerangka al-Ghazali dilakukan terhadap peserta kajian untuk meneroka faktor dalaman yang mendorong pengamal perolehan kerajaan melakukan rasuah atau mengekalkan integriti. Objektif kajian adalah: (1) Menentukan amalan Tadbir Urus Insan dalam urus niaga pasaran perolehan B2G kerajaan Malaysia dalam mempengaruhi keputusan untuk melakukan rasuah atau mengekalkan integriti. (2) Mengenal pasti kriteria taksonomi 'akhlaq' yang mendorong tingkah laku pengamal perolehan kerajaan untuk melakukan rasuah atau mengekalkan integriti. (3) Mengkaji sama ada tingkah laku rasuah dan integriti sejajar dengan kriteria taksonomi 'akhlaq' dan kriteria kejiwaan seperti yang dibina dalam kerangka teori berdasarkan pemikiran al-Ghazali. Kajian berbentuk fenomenologi digunakan untuk mengumpulkan data kualitatif berdasarkan pengalaman 13 peserta kajian melalui kaedah temu bual. Hasil kajian merumuskan peserta tiada pengetahuan tentang falsafah Tadbir Urus Insan sebagai satu mekanisme kawalan sendiri dalaman dalam membuat keputusan untuk mengelakkan terlibat dengan amalan rasuah. Dapatan juga menunjukkan pengamal perolehan kerajaan yang terlibat dengan amalan rasuah

mempamerkan kriteria 'akhlaq' yang bersikap licik dan menipu daya. Mereka menjalani gaya hidup mewah dan mempamerkan kriteria 'akhlaq' yang rendah iaitu sikap berlebih-lebihan demi keseronokkan sehingga tidak menunjukkan rasa malu untuk meminta wang rasuah dan bersikap hipokrit dengan berpura-pura menunjukkan kebaikan dan kemurahan hati menggunakan wang perolehan rasuah. Selain itu, terdapat peserta kajian yang menyembunyikan amalan rasuah dengan kehidupan normal dan tidak bermewah-mewah. Hal ini dilakukan untuk mengelakkan mereka daripada ditangkap oleh pihak berwajib. Secara tuntasnya, falsafah Tadbir Urus Insan perlu diterjemahkan ke dalam aspek pelaksanaan untuk mencetuskan kesedaran dan mengupayakan pengamal perolehan kerajaan dengan mekanisme kawalan sendiri dalaman. Hal ini dapat menyuburkan kriteria 'akhlaq' mulia dan mempunyai integriti serta mampu untuk menahan diri daripada terjebak dalam rasuah dalam kalangan pengamal perolehan kerajaan.

# **TAXONOMY OF ‘AKHLAQ’ IN THE GOVERNANCE OF MALAYSIAN GOVERNMENT PROCUREMENT PRACTICES**

## **ABSTRACT**

Corruption is a global phenomenon. The OECD Report (2016) and NACP report (2019) stated that government procurement is the sector most prone to corruption. Past studies have focused on factors of the Malaysian government procurement system and practice. The focus of this research is on Human Governance philosophy giving emphasis to the physical and spiritual dimension of humans. In-depth research on the aspect of inner ‘Self’ according to al-Ghazali’s framework was done with the research participants to explore the inner factors driving the government procurement practitioners to commit corruption or uphold integrity. The objectives of this research are: (1) To determine the practice of Human Governance in Malaysian government procurement B2G market transactions in influencing decisions to commit corruption or uphold integrity. (2) To identify the criteria for taxonomy of characters which drive the behaviour of the government procurement practitioners to commit corruption or uphold integrity. (3) To examine if the behaviours of corruption and integrity align with the criteria for taxonomy of characters and levels of soul as constructed in the theoretical framework based on al-Ghazali’s thoughts. Research in the form of phenomenology was applied to collect qualitative data based on the experiences of 13 research participants through the interview method. The research result concludes that the participants do not have knowledge of Human Governance philosophy as an internal self-control mechanism in making decisions to avoid being involved with corrupt practice. Findings also show that the government procurement practitioners

who were involved with corrupt practice exhibited criteria for character of being crafty and deceitful. They lived a lifestyle of extravagance and exhibited criteria for low character that is being lavish for the sake of enjoyment until they did not show shamelessness to ask for corruption money and being hypocritical by pretending to show caring and generosity by using the money obtained from corruption. Besides that, there is a research participant who has hidden the corrupt practice by living a normal life and not being lavish. This was done to avoid being caught by the authorities. On the whole, Human Governance philosophy has to be translated into the implementation aspect to trigger awareness and enable the government procurement practitioners with the internal self-control mechanism. Amid the government procurement practitioners, this can nurture the criteria for noble characters and having integrity as well as being able to refrain from falling into corruption.

# **CHAPTER 1**

## **INTRODUCTION**

### **1.1 Introduction**

This chapter sets the groundwork for the thesis. It introduces the background of the research, problem statement, research questions and research objectives. Then the scope of the research is briefly described, the significance of the research is highlighted, definitions of key terms are presented, and this thesis is outlined.

### **1.2 Background to the Research**

Corruption is a global phenomenon. To substantiate this, the United Nation (UN) designated 9 December as International Anti-Corruption Day. The UN Secretary General Antonio Guterres on the 9 December 2019 announced, “On this International Day, I urge people everywhere to continue to work on innovative solutions to win the battle against corruption and to ensure that precious resources serve the people of the world” (International Anti-Corruption Day, 2019).

The OECD Report (2007b) and reasserted by the OECD Report (2016b) stated that government activity that is most prone to corruption is the government procurement. This is evident by the National Anti-Corruption Plan 2019 – 2023 for Malaysia launched on the 29 January 2019. Based on the data collected from 2013 until 2018, the activity most prone to corruption in the government sector is Procurement, contributing to 42.8% of corruption cases (NACP Report, 2019).

It is a fact that government contracts for works involve enormous transactions in which include “major infrastructure projects such as power stations, roads, building public universities and equipping them with telecommunications” (OECD Report, 2007a). Therefore, government procurement immaterial of the nation’s location, political inclination, progress phase, is a main economic component of any nation (Lindskog, Brege & Brehmer, 2010). This is reaffirmed by the OECD Report (2016b) in which mentioned that an important economic and government activity in the OECD nations is government procurement. The report stated that in 2013 this activity contributed 12% and 29% to the GDP and government’s general expenditure respectively; totalling EUR 4.2 trillion. As for the case of Malaysia’s economic progress the spending as percent of GDP from 1960 to 2019; the average value for Malaysia during that period was 14 % with a maximum of 19.25 % in 1972 and a minimum of 9.77 % in 1998. For 2019 the value was 11.69 %. For comparison the world average in 2019 based on 151 countries was 15.75 % (Malaysia government spending percent of GDP, n.d.). The Malaysian government quarterly spending from 2005 until 2021 averaged MYR 30.9 billion, a record low of MYR 12.4 billion in the first quarter of 2005 and reaching an all time high of MYR 55.9 billion in the fourth quarter of 2020 (Malaysia government spending, n.d.). It is to be observed the Malaysian government spending annually which includes procurement goes into billions of MYR. Thus, this research focuses the government sector procurement rather than the private sector procurement. The reason is because as described by Larson (2009), government procurement is a very big business that holds significant procurement power for goods, services and works.



Government procurement “can be considered as a special case of business transactions” among establishments which is B2G i.e. businesses to government (Lindskog et al., 2010). The main interface between the private and public sectors is government procurement through which there are significant numbers of business transaction. This leads to opportunity in diverting public fund by both private and government employees in which could result in corruption (OECD Report, 2016b). Amundsen and Pinto (2009, as cited in Snellman, 2015) stated that in relation to government administration, corruption could be explained as the wealth-seeking action of individuals who represent the government and its organisations. Zhang (2009) conducted a study on corruption applying the Transaction Cost Theory which has two behavioural constructs: opportunism and bounded rationality. He uses “corruption as a surrogate for opportunism”. Finding suggests that corruption is a vital factor that could inflate transaction cost.

Impacts of government corruption can be direct costs; “loss of public funds through misallocation or higher expenses and lower quality of goods, services and works”. It can also be indirect costs which lead to “distortion of competition, limited market access and reduced business appetite for foreign investors” (OECD Report, 2016a). Other consequence of corruption is that it creates numerous undesirable impacts on “society, the economy and individuals” which is a worldwide concern. It weakens the “rule of law, citizens’ democratic rights and loss of public resources”, as well as undermines the economic development. This is resulting from increase in unproductive costs for both government sector and private sector. Ultimately, it creates distrust to government officials as well as “political decision making” (Lindskog et al., 2010). In the Malaysian NACP Report (2019), it stated that:

The real impacts of corruption include rising living costs, declining purchasing power, power imbalances, effects on wages and growth, and increased crime rates. The situation is made worse by the increase in public debt and in leakages due to misgovernance of public funds. (p. 6)

For Malaysia as reported in the NACP Report (2019), based on data collected from 2013 until 2018 the top two modes of conduct on corruption are: firstly, administrative failure due to manipulation of systems and procedures (36%); and secondly, conflict of interest due to discretionary power, absolute power and political interference (33%). Thus, it can be deduced that 69% modes of conduct on corruption are notably due to weakness in systems and procedures as well as failure of human behaviour to be of integrity.

The purpose of this research is to explore what drives the government procurement practitioners to commit corruption or uphold integrity.

The OECD Report (2016a) recommendations on government procurement highlighted “integrity, transparency, stakeholder participation, accessibility, e-procurement, oversight and control” as principles that support one another either directly or indirectly in preventing corruption and promoting good governance and accountability.

In the context of literature on corruption in Malaysian government procurement, a study by Othman, Zakaria, Nordin, Shahidan and Jusoff (2010) revealed that in the Malaysian government system of administration; a government procurement system does exist. However, the system is subject to threat or risk such as abuse, unethical manipulations and corrupt practices. Another study by Hui, Othman, Rahman and Haron (2011) revealed that in Malaysian government

procurement practice, the prime concerns are “accountability, transparency, corruption, integrity and cronyism”. The study by Wan Abdullah, Ahmad and Ariff (2018) focused on the procedure and system approach to combat corruption. Dee (2006, as cited in Nambiar, 2011) has opined that a reliable protection against “rent-seeking and corruption” is for Malaysia to have strategies for transparency to allow for competition. This will enable government contracts to attain “value for money” and the resources will be efficiently allocated.

In the NACP Report (2019), for the government procurement under strategy 3 it stated that it is to increase “the efficiency and transparency in government procurement”. Supporting this strategy is strategic objective 3.2; which is to “have greater procurement transparency, enabling better identification and mitigation of corruption risks, market distortion and anti-competitive behaviour”. This includes minimising human intervention between parties through enhancement in the technology-based procurement system including the use of e-procurement. However, Lindstedt and Naurin (2010) posit that transparency alone is insufficient in addressing the problem of corruption in countries. Transparency in itself is not enough. Making information available will not prevent corruption if the conditions for publicity and accountability are weak. This is also suggested in study by Hui et al. (2011) on Malaysian government procurement system which among others revealed that the introduction of the e-procurement is expected to only reduce but not fully eliminate negative perceptions. Jiménez and Albalade (2018) have conducted empirical investigation on Spain's 110 largest municipalities. It was to investigate relationship between local government transparency and political corruption. Results indicated the undeniable significance of transparency in predicting the probability of corruption to occur. However, it appears that other support mechanisms: “sanctions,

social embarrassment, education, broadcasting media, etc.” are essential for corruption control. Thus, it seems that no amount of system improvement can prevent corruption, but the improvement could deter it from happening.

Wong, Tan, Tan and Tseng (2019) investigated on private information leakage among employees and have suggested that Human Governance can be the mechanism to hinder corrupt behaviour from occurring. Meanwhile Hanapiah, Daud and Wan Abdullah (2016) developed a theoretical framework to explore how the Human Governance which comprised of the elements: leadership, integrity, religiosity, spirituality and culture as determinants of corruption relates with the level of corruption risks. This is to establish the level of corruption risks is affected by which determinants. The framework proposed is expected to provide assistance to government in moulding the integrity, accountability and other core values of the people in combating corruption. Salleh, Ahmad and Kumar (2009) defined Human Governance philosophy is “an internal mechanism to guide human in emanating internal behaviour which is about integrity”. Human Governance viewpoint has been suggested as an approach to control corruption. Nonetheless, the two studies on Human Governance did not dwell further into the human spiritual anatomy in explaining how Human Governance can manifest behaviour of integrity to counteract corruption.

Little is known about non-physical dimension of human as an approach to counteract corruption. Only when existence of the non-physical is acknowledged, the approach to counteract corruption can be through the inner ‘Self’. Otherwise, the focus will be limited to processes and procedures, rules and regulations as well as systems and structures. As what Salleh and Ahmad (2010) opine, there is inclination to employ corporate governance mechanism to rectify unethical behaviour by

imposing further strict regulations and rules. Case in point, the Sarbanes-Oxley Act was enacted in reacting to Enron debacle. Thus, giving impression to observers “the approach has been reactionary and externally driven”. They both have posited the approach through an external mechanism to control human needs to be revisited.

Human Governance philosophy is based on the model of human in which comprises at-once physical and non-physical dimensions. “Human is viewed as the existence of non-material soul residing in the biological body for locomotion” as what have been postulated by Salleh and Ahmad (2008). This research fathoms the 12<sup>th</sup> century al-Ghazali’s Spiritual Anatomy to explain the inner ‘Self’ at work. The inner ‘Self’ which resides within human body is spiritual in nature. It governs over the human body via six powers: Sensory, Impulse, Intellect, Appetite, Self-assertion and Will. Interaction between Intellect, Appetite and Self-assertion generates virtue or vice characters (Umaruddin, 2003). In the context of this research, when inner ‘Self’ governs human body through virtue characters and manifest integrity; Human Governance is actualised which can counteract behaviour of corruption. As what Salleh and Anis (2019) have posited, Human Governance is “the pathway in addressing the human dimension on integrity and corruption”. In the Malaysian NACP Report (2019) it stated that no matter how we define corruption, “integrity and governance are the twin solutions to the phenomenon”. The eventual solution for corruption is integrity. In other word if humans were to take action with integrity, there will be no corruption; always “doing the right thing even when nobody is watching their actions”. Thus, integrity is the essence of governance.

### **1.3 Problem Statement**

As stated at the beginning, corruption is a global phenomenon. The OECD Reports (2007b; 2016b) reported that government sector most prone to corruption is the government procurement. For Malaysia, the NACP Report (2019) validated that government procurement is most prone to corruption. This is further reaffirmed in the press statement by Chief Commissioner Datuk Seri Azam Baki, Malaysian Anti-Corruption Commission (MACC) on 1 October, 2020. Who reported that “Corruption cases resulting in leakage of government procurement involving civil servants are seen to be increasingly critical. 50 per cent of such cases involved government agencies”. The higher the worth of government procurement, the value of corruption increases. Not only that, the quality of the project is also affected (Bernama, 2020).

Government procurement is key interface between government and private sectors in addition to the sheer volume of business transactions. This situation presents numerous opportunities to divert government monies for both government and private personnel (OECD Report, 2016b). Also reported for Malaysia, the top two modes of conduct on corruption are administrative failure due to manipulation of systems and procedures, and conflict of interest due to discretionary power, absolute power and political interference. The modes of conduct on corruption are notably due to weakness in systems and procedures as well as failure of human behaviour to be of integrity (NACP Report, 2019). Impacts of corruption in government procurement are direct costs and indirect costs (OECD Report, 2015, as cited in OECD Report, 2016a). Consequently, corruption creates distrust in government institutions (Lindskog et al., 2010).

Past studies looked into Malaysian government system of administration: government procurement system, government procurement practice, and strategies for transparency to allow for competition. Human Governance viewpoint has also been suggested as an approach to control corruption. But does not dwell further into the human spiritual anatomy in explaining how the vice characters' drive behaviour of corruption and that virtue characters can manifest Human Governance to drive behaviour of integrity which can counteract corruption. Umaruddin (2003) elaborated that the fundamental elements of a human's inner composition include Intellect, Self-assertion and Appetition. All these elements have to harmoniously function with each other in the right proportion for the formation of virtue characters. When Intellect dominates Self-assertion and Appetition, one's activity will be based on Intellect and religious requirements. Else, when Self-assertion and Appetition become excessive and uncontrollable, Intellect is easily manipulated. Thus, the characters are generated based on the interaction among three elements: Intellect, Appetition and Self-assertion to form taxonomy of characters which can be vice or virtue.

Salleh and Ahmad (2008) have opined that based upon the backdrop of many corporate debacles, the external control mechanism created on a rule-based governance structure as a philosophy either for self-regulation or direct control has proven to fail. There is a necessity to promote internal motivation with consciousness from inner side as a governance structure, which can govern human in turn for human to govern the organisation.

The novelty of this research is that it focuses on human aspect based on the model of human which comprises at-once physical and non-physical dimensions. This research suggests to shift beyond the focus of human's physical dimension and

to delve into the human spiritual dimension for the comprehension of what really drives one's behaviour.

It is to reiterate that the purpose of this research is to explore what drives the government procurement practitioners to commit corruption or uphold integrity. This research underpins on Transaction Cost Theory to explain the occurrence of corrupt practices, Virtue Theory, Human Governance philosophy and Al-Ghazali's Theory of the Soul to explain the inner 'Self' at work in influencing decision to commit corruption or uphold integrity. The main issue is to understand the participants' lived experiences pertaining to corrupt practice and integrity through in-depth interviews. Thus, in attempting to understand the phenomenon of corruption, the Research Questions and Research Objectives as stated in the next two sections.

#### **1.4 Research Questions**

The research questions to guide this research are as follows:

RQ1: What is the extent of Human Governance practice by the Malaysian government procurement practitioners in influencing decision to commit corruption or uphold integrity?

RQ2: What are the criteria for taxonomy of characters based on three components of human inner powers: Intellect, Appetition, and Self-assertion that drive the behaviours of the procurement practitioners to commit corruption or uphold integrity?

RQ3: How do the behaviours of corruption and integrity align with the criteria for taxonomy of characters and levels of soul as constructed in the theoretical framework based on al-Ghazali's thoughts?



## **1.5 Research Objectives**

The main objectives of this qualitative phenomenological research are as follows:

RO1: To determine the practice of Human Governance in Malaysian government procurement B2G transactions in influencing decision to commit corruption or uphold integrity.

RO2: To identify the criteria for taxonomy of characters which drive the behaviour of the procurement practitioners to commit corruption or uphold integrity.

RO3: To examine if the behaviours of corruption and integrity align with the criteria for taxonomy of characters and levels of soul as constructed in the theoretical framework based on al-Ghazali's thoughts.

## **1.6 The Scope of the Research**

This research underpins on Transaction Cost Theory (TCT) to explain the fundamental on occurrence of corrupt practice. The Virtue Theory, Human Governance philosophy and Al-Ghazali's Theory of the Soul to explain the inner 'Self' at work in influencing decision to commit corruption or uphold integrity. This research is focused on the relationship between characters and behaviours in the human spiritual dynamic. Although thoughts/ideas (good or bad) are generated in the mind, the actions eventually taken is determined by the state of the soul i.e. characters; vice or virtue. Ibn Miskawayh (1966, as cited in Omar, 2010) was an eminent Muslim moral philosopher who described character as the "state of the soul"

which causes it to execute its actions without thought or deliberation. Ibn Miskawayh also expressed that the state of soul cannot be termed as character until it turns into behaviour in most, if not all circumstances.

The research on corruption is pertaining to the mid-level government officials as procurement practitioners who interface with the government suppliers. These officials are typically well educated, have knowledge of the procurement processes and system. Also having authoritative position to make procurement related decisions and recommendations. Procurement is prime interface connecting government sector and private sector. This presents numerous opportunities for government and private personnel to divert government monies through corruption; inflating costs of government procurement. Nonetheless, the focus of interview is not on the nature of corruption, but rather on the spiritual aspects of the government procurement practitioners that drive them to commit corruption or uphold integrity in the procurement transaction with the government suppliers.

## **1.7 Significance of the Research**

### **1.7.1 Theoretical Significance**

Many past studies on corruption in Malaysia examined on the quantifiable theme such as government system of administration: government procurement system, government procurement practice and transparency strategies. Intriguingly, Human Governance (HG) viewpoint was also suggested as an approach to control corruption but the authors did not examine further the human spiritual anatomy to explain how the Human Governance can manifest behaviour of integrity that can counteract corruption.

The novelty of this research is its focus on the human aspect based on the model of a human comprising both the physical and non-physical dimensions. The Human Governance philosophy is based on this model. Human is viewed as the existence of a non-material soul residing in the biological body for locomotion as postulated by Salleh and Ahmad (2008). This research fathomed the 12th century al-Ghazali's Spiritual Anatomy to explain the inner "Self" at work. The inner "Self" which resides within the human body is spiritual in nature. It governs over the human body via six powers, namely: Sensory, Impulse, Intellect, Appetition, Self-Assertion and Will. Interactions between Intellect, Appetition and Self-assertion generate virtue or vice characters (Umaruddin, 2003). When inner "Self" governs the human body through virtue characters and manifest integrity, Human Governance is actualised, counteracting corrupt behaviour.

### **1.7.2 Practical Significance**

Aron (2011) has reckoned that character is developed through education. Unlike attitude which is developed through experience. Salleh and Ahmad (2012) further elaborated that to Yero (2002) the word education, originated from e-ducere, in Latin which implies "to lead out". It relates to activity in stimulating a person's potential to emerge so as to cope with being alive. It is about developing the human characters and not only about cognitive apprehension of ideas and skills enhancement. Case in point, Park, Tsukayama, Goodwin, Patrick and Duckworth (2017) conducted a study about identifying the taxonomy of characters, albeit a different Taxonomy of characters and field of studies. The study was conducted to determine what competencies should schools encourage in children other than cognitive ability. The study suggests a tripartite taxonomy of characters in which

there are three separate features of ethical characters: interpersonal, intrapersonal and intellectual. From empirical test it suggests that “interpersonal character” is foreseen in “positive peer relations”. “Intrapersonal character” is foreseen in “report card grades” and “intellectual character” is foreseen in “class participation”. The study by Park et al. (2017) is somewhat parallel to this research.

The research findings from this thesis are expected to aid the relevant agencies in Malaysia to counteract corruption. The findings of this research that vice characters are the driver of behaviour to commit corruption and Human Governance philosophy which encapsulates the taxonomy of virtue characters as the driver in upholding integrity can be a subject matter for discussion in training and motivation session under the topic of human spiritual dimension. Additionally, it presents another viewpoint in comprehending corruption among government employees with a focus on procurement practitioners.

## **1.8 Definitions of Key Terms**

Meanings of several terms related to corruption, procurement, al-Ghazali’s character descriptions and some other specific terms warrant explanation for greater clarity as implied in the context of their usage. Thus, these terms have been defined as what gathered from the literature review and also to explain the terms used in the taxonomy of characters and behaviour relationship as in the theoretical framework.

1. **“Akhlaq”** (its plural of “Khuluq”) which traditionally in Islam denote characters. The English word ‘characters’ is used for the most part in this thesis write-up.
2. **B2G** is business to government relationship or government procurement transaction (Lindskog et al., 2010). In the context of this research, the

Business unit is the government supplier whose role is to supply. Whilst the Government unit is the government organisation e.g. government ministry whose role is to procure.

3. **Corruption** is as defined by The Malaysian Anti-Corruption Commission Act 2009; “the act of giving or receiving of any gratification or reward in the form of cash or in-kind of high value for performing a task in relation to his/her job description”. What can be considered as corruption is; “dishonest behaviour by those in positions of power, such as managers or government officials. Corruption can include giving or accepting bribes or inappropriate gifts, double-dealing, under-the-table transactions, manipulating elections, diverting funds, laundering money, and defrauding investors” (MACC Act, 2009).
4. **Government procurement** as defined by United Nation is viewed as a complete “process of acquiring goods, civil works and services”. This comprises “all functions from the identification of needs, selection and solicitation of sources, preparation and award of contract”. Subsequently, every stages in contract management by way of service contract or an asset utilitarian life (United Nation Development Programme, 2007, as cited in Thai, 2009).
5. **Human Governance philosophy** is defined as “an internal mechanism to guide human in emanating internal behaviour which is about integrity” (Salleh, Ahmad and Kumar, 2009).
6. **Integrity** as expressed by Lawton and Pa´ez (2015), whereby integrity entails behaving in agreement with ethical “principles, norms and values” (Fijnaut & Huberts, 2002). In coherent “with laws and codes” (Dobel, 1999)

that encompasses “wholeness, coherence and a sense of moral soundness in which the core values are honesty and justice” (Badaracco & Ellsworth, 1991). Additionally, concerns in displaying “exemplary ethical behaviour” (Brenkert, 2004).

7. **OECD** was established in 1960. Currently there are 37 member countries: “Australia, Austria, Belgium, Canada, Chile, Colombia, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Latvia, Lithuania, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey and the United Kingdom and United States” (Our global reach – OECD, n.d.).

**Character descriptions by al-Ghazali (Umaruddin, 2003):**

1. Abasement: “a sense of being too low and mean”.
2. Acute mindedness: “the ability which helps in arriving at the correct decisions when opinions are divided”.
3. Boasting: “considering oneself more exalted than one is”.
4. Bravery: “fearlessly facing death, when the dictates of reason make it necessary”.
5. Cheerfulness: “full of good spirit”.
6. Clearness of vision: “the insight that helps one to adopt the right means for achieving the best results in a given problem”.
7. Contentment: “it consists in devising means of honest livelihood, preferring poverty to dishonest means”.
8. Craftiness; “lies in selecting means which are not straight forward and are only seemingly but not really good for realising one’s motives”.

9. Deceitfulness: “a low and unfair motive”.
10. Dignity: “the ability to find pleasure in deeds and enterprises of high character”.
11. Disgracefulness: “indulgence in vices and indifference to self-elevation through virtue”.
12. Effeminacy: “excess of shyness and constraint inhibiting free talk and action”.
13. Endurance: “enables a person to remain calm in difficult and painful circumstances”.
14. Envy: “feeling unhappy at the success and happiness of deserving people and desiring their downfall”.
15. Extravagance: “wasting wealth by spending it blindly and lavishly”.
16. Firmness: “the quality of staunch-heartedness and unflinchingness”.
17. Flattery: “to humble oneself unduly and to flatter people, thus betraying lack of self-respect”.
18. Forbearance: “the mean between cruel and heartless revenge on the one hand, and lack of self-respect on the other. It makes a man dignified”.
19. Forgiveness: “foregoing certain rights willingly in favour of others”.
20. Generosity: “spending with pleasure for high and noble objects”.
21. Gracefulness and wit: “its possessor talks charmingly with due regards to the status and culture of the persons around and the fitness of the occasion without descending to vulgarity”.
22. Hypocrisy: “to hanker undeservedly after securing the praise and respect of people”.

23. Inexperience: “sound perceptual ability but lack of the wisdom that comes with sufficient experience”.
24. Lamentation: “giving vent to one’s grief loudly in public”.
25. Lavishness: “spending on vanities like self-adornment, ostentation, self-glorification, or boasting”.
26. Mania: “pursuit of an abnormal end”.
27. Meanness: “unwillingness to spend money even if it is one’s moral duty to do so, yet to boast of one’s large-heartedness”.
28. Modesty: “the quality of not being too proud or confident about yourself or your abilities”.
29. Munificence: “it implies spending with pleasure where it is good to do so but avoiding expenditure on luxuries”.
30. Patience: “the struggle of the self against passion and appetition and keeping oneself away from low and unlawful pleasures”.
31. Piety: “living a virtuous life for the elevation of character and nearness to God without any element of hypocrisy in it”.
32. Self-abasement: “sense of inferiority and incapacity to assert oneself”.
33. Self-love: “produced by pride, which implies over-estimation of one’s real worth”.
34. Self-respect: “so composed and dignified that unexpected joys and sorrows, do not elate or depress him”.
35. Shamelessness (Infirak): “complete absence of self-respect and remaining unprovoked by the grossest insult”.
36. Shamelessness (Waqaha): “shamelessness and open indulgence in vice without experiencing any fear of disgrace or dishonour”.



37. Shrewdness: “the ability to discover the subtle points in thought or action and to accept truths straight away on the evidence of experience without getting into fallacious arguments about it”.
38. Stinginess: “unwillingness to spend where one ought to”.
39. Stupidity: “the adoption of wrong methods for the realisation of one’s ends”.
40. Terror-stricken: “is chicken-heartedness”.
41. Tranquility: “is remaining gratified with what one gets of higher and noble pleasures”.
42. Wicked glee at other’s misfortune: “feeling happy at the failures and difficulties of people and blaming them for their faults”.

## **1.9 Organisation of the Thesis**

The thesis reporting structure commences with Chapter 1 in which it discussed broad outline of the research. In Chapter 2, it discussed on the findings of literature review. Then followed by Chapter 3, whereby it discussed specifically on the research methodology. In Chapter 4 the data collected through face to face interviews with 13 interviewees were subject to analysis following the Moustakas (1994) being the modified van Kaam method. Eventually the findings were discussed and recommendations for future research made in Chapter 5.

On this groundwork, this thesis can proceed with Chapter 2 to discuss thoroughly on the literature review pertaining to this research.

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.1 Chapter Overview**

This chapter begins with the discussion pertaining to government procurement and the phenomenon of corruption in government procurement. It then deliberates on the theoretical foundation: Transaction Cost Theory, Planned Behaviour Theory, Virtue Theory, Human Governance philosophy and Al-Ghazali's Theory of the Soul. Eventually, it explains the theoretical framework for this thesis.

#### **2.2 Significance of Government Procurement**

Government sector and private sector are two organisational entities having dissimilarity in management philosophy, responsibility and configuration. But then, for organisations in both sectors there are similarities in "corporate governance principles such as: accountability, transparency and ethical business conduct" (Madhani, 2014).

The objectives of government procurement in the government sector are broader than that of private sector firms which focus on profit (Larson, 2009, as cited in Arlbjørn & Freytag, 2012). Government procurement objectives comprise delivering broad array of "government services, including law and order, health, social services, education, defence, transport, and the environment" effectively. Hence, for most government sector's organisations the scope of procurement compares to that of private firms is much broader "in terms of the diversity and needs of customers being served" (Erridge, 2007, as cited in Arlbjørn & Freytag, 2012). Government procurement is subject to specific regulations to ascertain the goods and

services being procured are at the best prices. In the government procurement process what required is transparency with the objective of fair and open competition. In private sector, procuring at the best prices also is a major objective for private firms (Arlbjørn & Freytag, 2012).

In government sector and private sector entities the procurement professions are in essence dissimilar in their basic goals and practices. Procurement practitioners in government sector are administered by “legislative bodies, laws, and regulations”; procurement practitioners in private sector are managed by “boards of directors and business plans”. For government sector’s organisations to serve the public their sources of fund are derived through revenues from taxes and fees. For private firms to achieve their profit-making motives they have to create revenue through sales of goods and services (McCue & Pitzer, 2005, as cited in Larson, 2009).

In this research, government sector procurement is selected over private sector procurement on the basis that government holds high procuring power for goods, services and works. Government contracts for works are enormous transactions which include “major infrastructure projects such as power stations, roads, building public universities and equipping them with telecommunications” (OECD Report, 2007a). Government procurement is very “big business” as portrayed by Larson (2009). Arlbjørn and Freytag (2012) opine that a huge portion of the government sector’s organisations overall budget are due to government procurement, whereby the volume and value of procurement are at par or even greater than many private firms. Substantiating this statement, government procurement contributes to about 15% of GDP in OECD countries. Therefore, government procurement immaterial of the country’s geographical position, political tendency or development stage, is a major component of economy in any country

(Lindskog, Brege & Brehmer, 2010). In the OECD Report (2016b), it stated that in 2013 the government procurement is a very significant government and economic activity in OECD countries contributing to 12% of GDP and 29% of general government expenditure which amounted to around EUR 4.2 trillion:

In the World Bank historical data for Malaysia's government spending as percent of GDP from 1960 to 2019, the average value for Malaysia during that period was 14 % with a maximum of 19.25 % in 1972 and a minimum of 9.77 % in 1998. For 2019 the value was 11.69 %. For comparison, the world average in 2019 based on 151 countries was 15.75 % (Malaysia: government spending percent of GDP, n.d.). Whilst the Department of Statistics Malaysia reported that government quarterly spends from 2005 until 2021 averaged MYR30.9 billion. In fourth quarter of 2021 it reached an all-time high of MYR55.9 billion and in first quarter of 2005 it reached a record low of MYR12.4 billion (Malaysia government spending, n.d.). Jones (2018) in the economic development of Malaysia drew attention to the significant role of government procurement. The spent on procurement in 2016 was RM78 billion which contributed to 31% of gross government expenditure (a combination of development and operating spending), corresponding to about 6% of GDP. It is to be observed the Malaysian government spending annually which includes procurement goes into billions of MYR.

In the Journal of Public Procurement (JoPP) maiden issue the term procurement comprises "acquisition, contracting, buying, renting, leasing, and purchasing". It also includes "functions such as requirements determination and all phases of contract management" (Thai, 2001). Government procurement to the United Nations (UN) is viewed as a complete "process of acquiring goods, civil works and services". This comprises "all functions from the identification of needs,

selection and solicitation of sources, preparation and award of contract”. Subsequently, every stages in contract management by way of service contract or an asset utilitarian life (United Nation Development Programme, 2007, as cited in Thai, 2009). For Snider and Rendon (2012) the term government procurement is the type of method whereby government organisations “acquire supplies and services from outside sources”. Thus, government procurement as defined by UN is most comprehensive encompassing the scope of procurement and the functions within the entire procurement cycle. In the context of this research, government procurement will be as defined by the UN.

Chartered Institute of Procurement and Supply (2012) explains, government procurement transaction operates in a market environment and is subject to the fundamental of micro economics. That is “how firms behave in the markets they operate in: what goods they decide to produce, in what quantities, at what cost, and for what selling prices”. Market is defined as a place where procurers and suppliers of a product are brought together to trade. The main features of a market are the exchange of goods or services and payment in some form. Market can be categorised as follows:

1. Product markets are the markets in which a firm supplies its products and services to consumers.
2. Supply markets are the markets in which a firm procures the resources it needs for production.

In the context of this research, the procuring firms are the government procurement organisations. The supplying firms are the government suppliers. The two entities are engaged typically in product markets. The scope of micro economics

between government procurement organisations and government suppliers encompasses transactions of goods, civil works and services. Chartered Institute of Procurement and Supply (2012) further elaborates there are several modes of grouping organisations as depicted in Figure 2.1.

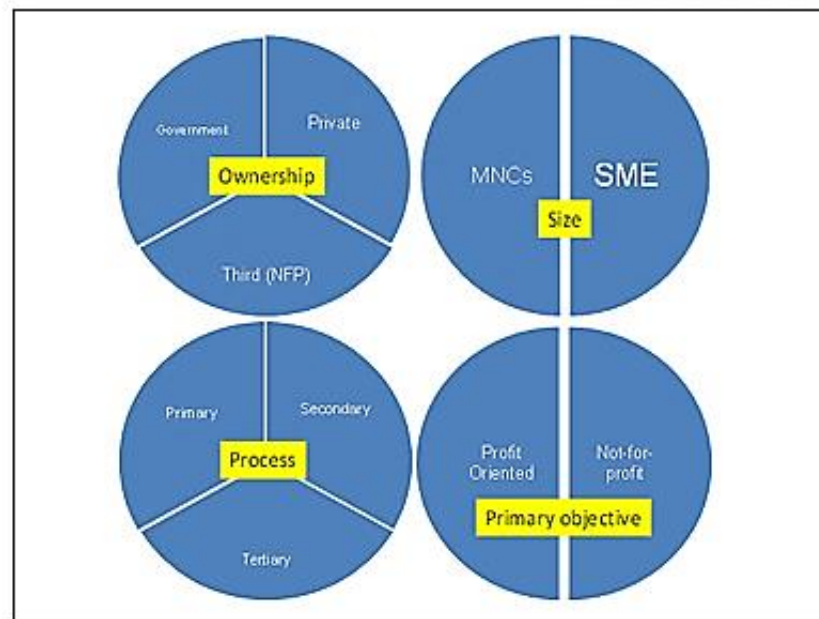


Figure 2.1. Classification of Organisations

One of the modes is by primary objective which is defined as follows:

- “Profit-oriented organisations (common in the private sector) aim to generate profits for their owners, or return on investment”.
- “Not-for-profit organisations aim to provide public, social or charitable services, protect stakeholder interests or fulfill the purposes of their members - without aiming to make a profit from doing so. Any 'surplus' of funds is reinvested in the organisation's activity

In the context of this research, the Not-for-profit organisations are the government procurement organisations such as the government ministries.