

## MAINTAINING THE MALAYSIAN ARMED FORCES AMID FISCAL CONSTRAINTS: OUTSOURCING OF MILITARY SUPPORT FUNCTIONS

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### Abstract:

The need for more modern equipment for MAF and stronger defence capabilities cannot thus be denied. With most of its vital assets had reached obsolescent phase, the capability of MAF in defending national interests and sovereignty is much questionable. Although the government's decision to increase the 2024 defence budget by RM 2 billion is laudable, the increment is nominal, and defence spending continues to be lower than what the MAF require. Competing priorities for government funding will likely continue to constrain defence spending. Considering the limited budget, the MAF could consider striving for greater efficiency in the utilization of the Operating Expenditure (OE) by outsourcing some of the support activities. Outsourcing of military support functions is not new phenomenon as many countries have devolved such functions to the private sector given the economic benefits, and opportunity for maintaining a leaner and meaner force dedicated only to core combat activities. This paper will thus explore the feasibility of outsourcing MAF support functions to the private sector to maximize the limited annual OE and produce an operationally ready force. This matter should be examined from both economic and military perspectives; the former to determine whether outsourcing offers a cost-effective solution whilst the latter is designed to consider the practicability of relying on the private sector for combat and non-combat activities. This paper also will investigate the problems faced by MAF with its current outsourcing program and will recommend few changes that can be made which may not only improve the outsourcing program but also further spur the nation defence industry.

### Keywords:

Budget, Defence Industry, Fiscal, Military, Outsourcing

## Introduction

Malaysia Budget 2024 was announced on 13 October 2023 by the YAB Prime Minister and Minister of Finance, Dato' Seri Anwar Ibrahim. Themed, "Budget 2024: Economic Reforms, Empowering the People", aims to steer Malaysia out of the past COVID-19 economic burdens and challenges while aspiring to place Malaysia as a leading economy in the Asia region. Estimation of the overall 2024 budget allocation is RM393.8 billion. From the allocated amount, 77.14% or RM303.8 billion is for operating expenditure (OE) and 22.15% or RM90 billion is for development expenditure (DE). Another 0.5% or RM2 billion is contingency reserves. Ministry of Defence (MINDEF) has been allocated RM19,731,497,700 or 5% from the overall Budget 2024 allocation. The amount allocated was divided into two parts, 64.25% or RM12,678,525,900 is for OE and 35.74% or RM7,052,971,800 is for DE.

In the last five years, MINDEF budget allocation has averaged 4.896% from the overall yearly Malaysia government budget allocation. Last year it was 4.57%, 2022 is 5.18%, 2021 is 5.15%, 2020 is 5.21% and 2019 is 4.39% (Kementerian Kewangan Malaysia, 2018-2023). Moreover, the average number of DE funds allocated is 28.668% with this year DE fund is the largest since 2019. More than 70% of the MINDEF budget goes to OE funds. As the numbers presented here, there is a marginal opportunity for the enhancement of the Malaysia Armed Forces (MAF) particularly in replacing obsolete military assets that are integral in maintaining peace, safety and security of the state. Acquiring quality and quantity hard power instruments shows assurance, valiant and potential of the armed forces in deterring external threats from entering the state and in maintaining national sovereignty.

Most of the MAF vital assets condition currently have reached its casting policy age. This can deteriorate MAF execution of operations. For example, the Hawk 108 M40 of the Royal Malaysian Air Force (RMAF) has been in operation since 1996, and its service age is 28 years old this year (Abdullah, 2021). One of the fighter jets crashes in a night flight exercise on 16 November 2021, resulted in the death of one of the pilots. This is the recent case of RMAF Hawk fighter jet model crashes. In records, there have been 9 crashes and 7 deaths including the above crash (Bernama, 2021). Recently, MAF received 50 new ambulances for the medical services. Former Minister of Defence, Datuk Seri Mohamad Hasan said that the other 130 ambulances that are over 30-40 years in operation will be replaced gradually (Zain, 2023). Commenting on the condition of the Royal Malaysian Navy (RMN) assets, Former Chief of Navy, Admiral Tan Sri Mohd Reza Mohd Sany suggesting that to facilitate the MAF adaptability and agility with the present threats, the government should consider increasing the MAF budget from 1 percent to 1.5 percent of the Gross Domestic Product (GDP) by degrees. Furthermore, he stressed on the usage of old and obsolete assets that should be avoided and not continuously utilised (Bernama, 2022 & Muhammad, 2022). In addition, the Malaysian Peacekeeping Battalion (MALBATT) 850 will acquire 20 new armoured vehicles 4x4 Panthera this year replacing the RPZ Condors 4x4 that are over 40 years in service (Zakaria, 2023).

Today, MAF obsolete assets are not the main factor to raise the DE funds and to pursue the modernisation of the armed forces. Rather, it is the threats present in the Southeast Asia (SEA) region and disasters occurring in the state on an annual basis, floods or health emergencies like the COVID-19 pandemic. Yazid (2023) adequately summarised the threats from China in the South China Sea (SCS) territorial claim disputes faced by Malaysia:

“In recent years, Malaysia has faced several cases of encroachment, intrusion and harassment in the water territorial areas of the long disputed South China Sea. This is with the claimant by China of the nine-dash line that parts of which are claimed by Malaysia, Vietnam, Brunei and Philippines. This is considered as a provocation of the four countries' sovereignty as the nine-dash line is included in the country's exclusive economic zone (EEZ). The EEZ as defined by the 1982 United Nations Convention on the Law of the Sea, is an area of the sea in which a sovereign state has exclusive rights regarding the exploration and use of marine resources, including energy production from water and wind. It stretches from the outer limit of the territorial sea (12 nautical miles from the baseline) out to 200 nautical miles (nm) from the coast of the state in question” (Yazid, 2023).

Other disputes are, in June 2021, 16 China's air force planes intruded Malaysia air space over 60 nm off Sarawak state (Joseph, 2021). July 2021, China Coast Guard (CCG) vessels harassed Petronas subsidiary, Petronas Carigali, project at Kasawari gas field in the Malaysian part of the South China Sea in Block SK316 offshore Sarawak (Damon, 2021). September 2021, Malaysian authorities detected a large Chinese survey ship, 4,600-ton Da Yang Hao in an area that runs through the EEZs of three countries: Brunei, Malaysia and the Philippines. Most recent dispute in May 2023, Malaysian authorities detained a Chinese-registered vessel illegally anchored in the Malaysian part of the South China Sea looting two British World War Two shipwrecks (Hannah, 2023)

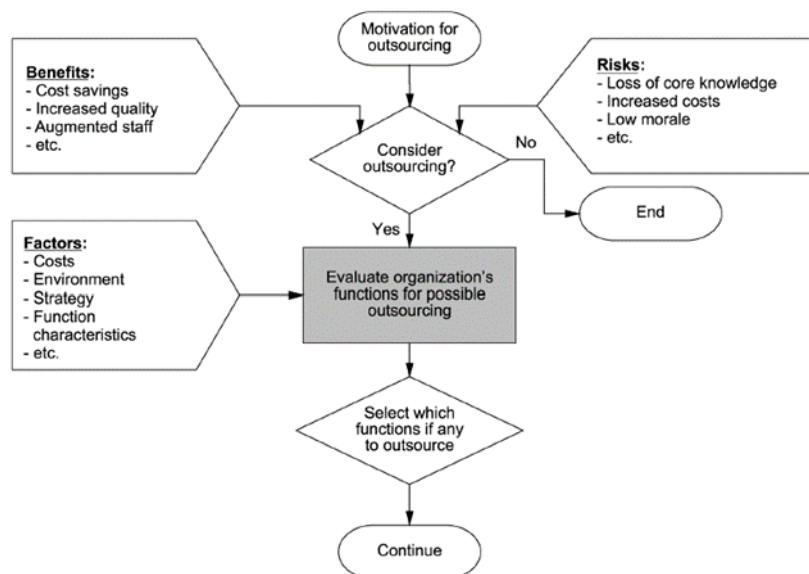
On the other hand, MAF is an indispensable unit in managing disasters. This is shown through its competence in managing the East Coast floods in 2014 and Seberang Perai, Penang in 2017. MAF military assets could push through any terrains and situations with its durability and sturdiness. Complementing the assets utilised, MAF possesses “comprehensive structure, sufficient equipment, well trained personnel, highly mobile and reliable assistance when the time requires” (Yusof, 2020, p. 57). Amid the COVID-19 pandemic, MAF was deployed to tackle the strain on medical facilities and services provided by civilian health agencies. They assisted in supplying essential medical services, built temporary hospitals, delivered vaccines to difficult places and were part of the movement-control order (MCO) enforcement task force (Ibrahim & Wan Ahmad, 2022).

Strengthening MAF competency through increasing DE funds is vital in maintaining peace, safety and security of Malaysia. Thus, this paper will explore the possibility of reducing the OE funds of MINDEF via practising rigorous outsourcing military functions policy accompanied by highlighting the pros and cons of outsourcing military functions, comparison study between the United Kingdom (UK) in their outsourcing military functions practices and providing insights in implementing military functions outsourcing in the context of Malaysia. This paper also will investigate the problem faced by the MAF in its outsourcing program and what are future recommendation to improve it.

### **Outsourcing and Military Outsourcing**

Outsource is a term used in employing an exterior service to complete a task required in a business or organisation. It is usually considered to optimise the core business model of the company and maximise workforces available. Competitive tendering, privatisation, contracting-out, contractorization, market testing, Private Finance Initiative (PFI) and Public Private Partnerships (PPP) are among other similar terms used in describing the practice of outsourcing. According to McCarthy and Anagnostou (2004), outsourcing also involves the

transfer of expertise knowledge and physical business function with a tacit mutual agreement between parties in safekeeping confidential information not merely purchasing a service or product. In ensuring quality of the core product or service, outsource is applied to develop the business or organisation further. Apple could serve as one of the best examples of good outsourcing practice by a private company. They focus on developing software, building a brand, designing smartphones, advertising and marketing and creating a seamless integrated multi-devices operating system. Contrarily, procuring raw materials for the devices and assembling the devices are outsourced to other companies. This ensures that Apple can control its brand reputation by focusing on what they do best.



**Figure 1: Outsourcing decision framework**

Source: Kremic et al. (2006)

Military outsourcing however deals with arms procurement, training modules, assets repair and maintenance and to the extent hiring private military and security companies (PMCs) for combat missions. Petersohn (2010) said that choices of outsourcing services have diversified from military adviser services, protection duties, repair and maintenance of weapons systems, logistics, and protection of supply chains. Also, commanders increasingly receive aerial reconnaissance images and situation analyses from private companies. In some cases, civilians even directly participate in combat operations and service weapons systems or supply coordinates for air strikes.

There are several reasons for companies and organisations to opt for outsourcing. Abraham and Taylor (1996) as cited in McCarthy and Anagnostou (2004) identified that economically, employers can reduce the company or organisation financial strain from additional wage and benefit payments, transmission of demand ambiguity to the external contractor and acquire valuable skills and experiences available in the market. Likewise, Bendor-Samuel (1998) as cited in McCarthy and Anagnostou (2004) added that outsourcing gives a company or organisation access to power. It is meant by the third-party specialisation in certain areas in the market. In short, outsourcing is a method to reduce financial burden while at the same time

raising profits with focusing on the core business offered and relying on an external party for inessential matters.

This paper will explore the potential of reducing MINDEF's OE allocation through the outsourcing of military support functions, thereby reallocating resources to DE. It will assess the benefits and drawbacks of outsourcing within the military, compare the United Kingdom's experience with outsourcing military functions, and examine the feasibility of implementing similar practices in Malaysia. The paper will also identify the challenges faced by the MAF in outsourcing and propose recommendations for enhancing outsourcing practices

## Outsourcing: Economically and Militarily

### *Economy*

The question of outsourcing military functions economically relies on the efficiency of a service handling funds funded by society that came from government taxes. In other terms, society's scarce resources. From an economist's perspective, they look at two components namely, technical efficiency and allocative efficiency. Hartley (2004) defined technical efficiency as attaining results with the least amount of cost included and allocative efficiency is a balance of interest and investment acceptable by the masses. Outsourcing offers a way of breaking up the public monopolies called in-house projects through competition with advertising service tenders required by the government. Players or bidders entering from the free market will bid their way to obtain the service tender. Competitiveness element in this method will force the players to propose services that benefit both parties. In the end, the public receives more affordable and efficient services. Another example, advanced arms procurement could be made through private companies available in the market. This reduces the financial burden and time wastage risk from owning and developing own equipment (Troacă et al, 2012). Nonetheless, the absence of attentive outsourcing rules for military functions would reverse the tide. High reliance on markets implies state security compromise. Over reliance can hinder the progress of the armed forces or deployment of combat missions, rather it is regressing and failing. Table 1 below adequately summarised the advantages and risks of outsourcing.

**Table 1: Economic Advantages And Risks Of Outsourcing**

Outsourcing in Economics	
Advantages	Risks
Cost savings	Unrealised savings or hidden costs
Reduced Capital expenditures	Less flexibility
Capital infusion	Poor contract or poor selection of partner
Transfer fixed costs to variable	Loss of knowledge/skills and/or corporate memory and the difficulty in reacquiring a function
Quality improvement	Loss of control/core competence



Increased speed	Power shift to supplier
Greater flexibility	Supplier problems (poor performance or bad relations, opportunistic behaviour, not giving access to best talent or technology)
Access to latest technology/infrastructure	Losing customers, opportunities, or reputation
Access to skills and talent	Uncertainty/changing environment
Augment staff	Poor morale/employee issues
Increase focus on core functions	Loss of synergy
Get rid of problem functions	Create competitor
Copy competitors	Conflict of interest
Reduce political pressures or scrutiny	Security issues
Legal compliance	False sense of irresponsibility
Better accountability/management	Legal obstacles

Source: Kremic et al. (2006)

### ***Military***

As the aforementioned on how outsourcing military functions works, it provides a supporting role to the readily state armed forces. PMCs to some extents were being hired for official state events as security partners. This complement parts of the state armed forces challenges in providing comprehensive security measures. Conversely, the state armed forces level of readiness and alertness is heightened giving the space to focus on their reinforcement and core responsibilities. Possession of advanced high technology military grade assets is also one of the factors on relying on the PMCs in some military operations. Strategic cooperation between the state armed forces and PMCs could further contribute to mediating conflicts, managing disasters, special operations and intel sharing. Nonetheless, it poses many considerable negative effects to the state armed forces efficiency and effectiveness. Also, PMCs willingness to prioritise the state over profits if there are no policies regulating outsourcing military functions.

**Table 2: Military Advantages And Risks Of Outsourcing**

Outsourcing in Military	
Advantages	Risks
Efficiency gains	Danger of loss of skills in the armed forces
Access to new technology	Loss of effectiveness through increasing dependency on markets

Capability for rapid build-up	Loss of legitimacy for the regular armed forces as a consequence of inappropriate actions by the private contractor
The free market can provide service more efficiently and affordably than the state	If the security situation in a theatre of operations should deteriorate, providers of logistics and support may refuse to continue their services
Provide at least temporary solutions to capability shortfalls	Reduces the state's competence on the international plane including its ability to project its sovereign power abroad within the framework of international laws agreed by states on the basis of sovereign equality
Absorb resource shortages	The state erodes the power of direct command and control it has over armed force essential for the state's monopoly
	A strong vertical system of control over the use of force is replaced by a weaker horizontal one
	Privatisation of force shifts the applicable national legal framework away from public law towards private law

Source: Petersohn (2010) and White (2021)

White (2021) argued extensively on the disadvantages of outsourcing military functions: (i) lessen state's capability to project its sovereignty in international politics, (ii) deteriorates the authority of controlling and commanding the armed forces for the interest of the state, (iii) potential of disloyalty and dishonesty towards the state, (iv) decentralising control over force from one to many and (v) relevant national legal framework is shifted from public law to private law when force is privatised. Additionally, Petersohn (2010) debated on the limits of military functions outsourcing while recapturing the true role of a state armed forces. Three concepts were brought up that originated from the US Commission on Wartime Contracting established by the Senate in 2008. Those three concepts are: the concept of state-inherent tasks, the concept of core capabilities, and the concept of mission-critical tasks. The first concept draws the line on what tasks should inherently be conducted by the state only without any external intervention. For example, security matters but critics concern the ability of the state to control it all rapidly with no external assistance. Second concept wants to direct key minor operations be it state-inherent or non-state-inherent to the armed forces which is indispensable for the success of the main operation. This concept opens opportunities for the minor operations to be given to a third party as the main operation has no attachment to the normative idea of the state rather the situation of the mission. Third concept necessitates that the armed forces possess the skills to every mission there is even though it is susceptible to being outsourced with the reason for critical situations. As an illustration, mechanics are available to be outsourced and not considered as core competencies, but it is vital in the middle of combat to operate smoothly.

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## Understanding Outsourcing Through the Transaction Cost Economics (TCE) Framework

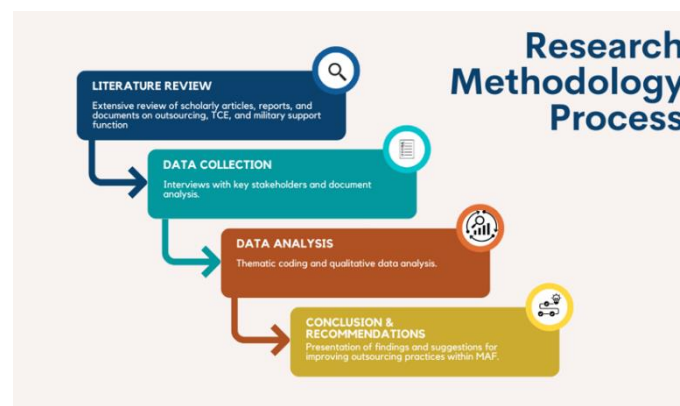
Discussion on the decision to outsource a service depends on whether the in-house production can undertake the responsibility efficiently and benefits the institution financially or privatising the service to private firms available in the market is more efficient and economical. TCE is a framework that meticulously analyses economics of governance, organisations and institutions. It provides insights on the problem of make-or-buy that the MINDEF and MAF have struggled with in the last decade. In solving the question of make-or-buy, Gibbons (2010) generously summarises TCE precepts that addresses the question; (1) a method for analysing and contrasting various governing models; (2) presumptions on the characteristics of some significant economic transactions and the tools available to regulate them; (3) applications of the TCE framework. These are the precepts that must be investigated to address the make-or-buy problem encountered by an organisation.

### Research Methodology

This study employs a qualitative research method, focusing on analysing and contrasting different governing models to mitigate transactional failures in outsourcing military support functions. The transaction cost economics (TCE) framework guides this research, specifically addressing internal (make) versus external (buy) decisions. This approach allows for a deeper exploration of the factors contributing to organisational efficiencies or failures in outsourcing military functions. The result will provide a deeper qualitative analysis understanding in determining the make-or-buy conundrum (Gibbons, 2010; Michael & Michael, 2011; Pratten, 1997; Williamson, 1998, 2008, 2010; Yang et al., 2012).

The research was conducted between January and June 2024. The study focused on Malaysian Armed Forces (MAF) operations, with data collection taking place in Kuala Lumpur and key military sites across Malaysia. In-depth interviews were conducted with defence contractors, military officers, and government officials involved in procurement and budgeting processes. Document analysis was also used, focusing on public budgetary documents and defence policy statements.

The research process can be broken down into several key stages, represented in the following flowchart:



**Figure 2: Research Methodology Flowchart**

Source: Illustrated by author



### ***Challenges in Data Management***

Data management during the study presented several challenges, particularly due to the sensitivity of military-related information and the complexity of gathering input from multiple stakeholders. These issues were addressed by anonymising data where appropriate and obtaining necessary approvals from relevant authorities to access classified information. In terms of data collection, securing interview participants proved difficult, largely because of security clearance requirements, which delayed the timeline. Additionally, ensuring a balanced representation of perspectives from both the private sector (contractors) and military personnel added further complexity to the process. For data analysis, the diverse sources of qualitative data made it challenging to maintain consistency and accuracy when applying thematic codes. To address this, NVivo software was used to systematically organise and streamline the qualitative data analysis.

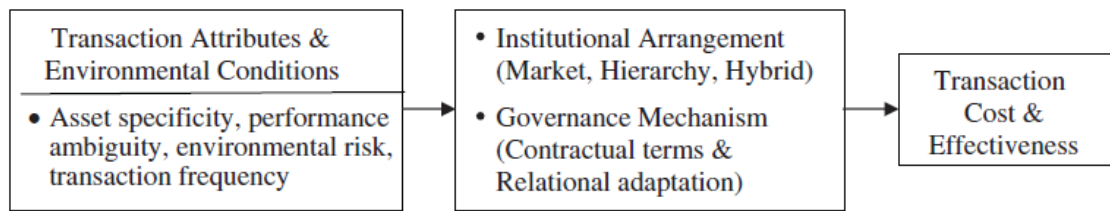
### ***Assumptions***

Presumptions on the characteristics of some significant economic transactions and the tools available to regulate them is important to minimise the possibilities of transactional failures. There are three conditions Gibbons (2010) foresees that can increase the probability of transactional failures; (a) unprogrammed adaptation because ex ante contracts are complete, (b) lock-in arising from the "fundamental transformation", and (c) haggling (i.e. inefficient bargaining) because ex post contracts are incomplete.

First condition suggested the importance of a business to be able to respond swiftly through unforeseen accidents or circumstances that could happen. Thus, unprogrammed adaptation gives the flexibility for an organisation in a situation of an incomplete contract for example to realtering the contract terms and conditions to meet personal interests. Second condition is where an organisation becomes "locked-in" with a supplier even though competition for other alternatives is high. This extended relationship can arise from specific investments made by parties, such as specialised equipment or training, which make it costly to switch partners. Third condition clarifies the negative effects of incomplete contracts that can lead to detrimental impacts to both parties in the long term (Gibbons, 2010; Michael & Michael, 2011; Pratten, 1997; Williamson, 2010; Yang et al., 2012).

### ***Applications***

In applying the TCE framework, the founder and chief developer of TCE, Oliver Williamson proposed the vertical integration. Namely it is a mechanism to mitigate costs associated with transactions between firms. Williamson identified three major costs: search and information costs, bargaining and negotiation costs and coordination and governance costs. By applying vertical integration, an organisation can reduce the transaction costs by internalising some activities rather than outsourcing it to the market. This follows with greater coordination, control and efficiency in an organisation's operational matters.



**Figure 2: Simplified Version Of The TCE Framework**

Source: Yang et al. (2012)

### **Drawing Lessons from The United Kingdom (UK) Military Outsourcing Practices**

The United Kingdom is one of the early adopters to outsource their military functions to the private sector. Lessons should be drawn from the United Kingdom in progressing Malaysia military outsourcing practices in optimising the limited budget allocation year by year. Outsourcing has the key potential in solving MINDEF and MAF financial strain using the average amount of budget available to them with introducing competitive prices in the market while breaking the public monopolies of in-house provision. Considering defence as a public good, opening participation of private sectors in the defence market allows the inclusion of non-rivalry and non-excludability as the central principles of a public good. This is in conforming to the values of institutionalising good governance as one of the three building blocks in implementing Malaysia's first ever Defence White Paper (DWP) plan by emphasising Malaysia's defence transformations in accordance with a transparent and accountable manner.

Decision of adopting outsourcing or competitive procurement policy by the United Kingdom's Ministry of Defence (MoD) has almost similar feat to Malaysia's MINDEF current situation. Started in 1983, the policy was introduced to get the best deal there is and enhance efficiency of the armed forces. They found it more economical to permit the partaking of the private sector in state defence matters as it decreases loss of state funds whilst preserving the operational readiness of the military (Hartley, 2023). By 1985, aircraft servicing, air traffic control, support for ranges and training areas, catering, grounds maintenance, security guarding, the use of civilian driving schools for training Royal Air Force (RAF) pilots, cleaning and laundry services in nearly all military arrangements had been contracted out to the private sector. Introduction of contestability in the traditional monopoly defence market was proven favourable through this privatisation policy as the United Kingdom's MoD reported cost savings of £50 million annually in 1989.

Furthermore, the narrative of retaining the armed forces true service to the state that is protecting the sovereignty made up the commitment of outsourcing the state military support services to the private sector. This is the belief in the conception of core competency. Deploying military personnel for non-combat, non-inherently governmental, core military tasks is thus considered as poor governance and imprudent practices. Imitation of the market exercises began to take place in the efforts of reforming the defence industry. For instance, the government of the UK in 1964 implemented the Planning-Programming-Budgeting System (PPBS) and created the Review Board for Government Contracts in the efforts of restructuring defence contractorization programmes. This value of managerialism and entrepreneurship later became entrenched in the UK defence management as reflected in the privatisation of state-owned defence companies, publicly listing government tenders in contrast to direct procurement and decentralising defence budget formulation by including the end users in the

final decision making. Presently, all the said values incorporated as part of the UK defence reform agendas have been institutionalised into their defence policy formulation. Turning the state to a responsible customer that evidently contributes to the growth of the defence industry (Erbel, 2017).

### **MAF Experience in Outsourcing Programme & Future Recommendations**

It can be said that the outsourcing of MAF assets maintenance started in 1970s with the inspiration to have defence 'self-reliance' after the withdrawal of British military from Malaysia. Government initiatives to establish defence companies such as Aircraft Repair and Overhaul Depot (AIROD) and Syarikat Malaysia Explosives and Ordnance (SMEO) had also spurred the inspiration of starting the nation defence industry (Balakrishnan, 2008). This action taken is to ensure that the readiness of our armed forces can be kept at the highest level. Currently, MAF outsourced the maintenance of its assets such as transportation vehicles, armour vehicles, aircrafts, ships and supply of fuel, spare parts, catering services. MAF also leasing vehicles for staffs and utility usage. Whilst it is a good practice which has been done by most of the world military, however, whether it achieves its objective to maintain high readiness level of MAF is still questionable. Through 10 years of experience managing the maintenance of army helicopters, aircraft support vehicles, aircraft support equipment, members of the army logistic activity committee that foresee the maintenance of army assets, procurement of spare parts, supply of fuel, intra-region transportation and catering services, and part of MINDEF audit conference that been held every quarterly, it can be said that a lot of improvement is needed if MAF want to achieve it readiness standard through the outsourcing of its support functions. Among other problems faced by the MAF with the current outsourcing contracts are lack of budget, under training of staff that handling the contract, underperforming contractors, and the lack of enforcement of the contracts term by the contract manager (Procurement Division). The government also may need to relook at the process of awarding the contract which sometimes take too long.

Staffs that were assigned to handle the contract whether at the procurement division or user must be well trained. They must be conversant with the contract terms and conditions. They must be familiar with the contract value, duration of the contract, process of issuing the orders, what conditions a penalty can be imposed, what percentage and maximum number of days penalty can be imposed and what action can and must be taken if the contractor cannot deliver the order. Staffs need to know what report needs to be submitted to the contract manager and to what extent they can act if the contractor is not performing. They also need to be familiar and hands on with the computerised procurement system. The procurement division as the contract manager also needs to ensure that the contractor fulfilling its contractual obligations. Action must be taken if they received a report from the user informing the non-performing contractor and what options available to ensure the servicing or maintenance of the assets not jeopardised thus not affecting the readiness of MAF. A regular meeting between the procurement division, the contractor and the user is needed to ensure that the purpose of the contract is achieved.

The process of awarding the contract starting from the request from the user until the signing of the letter of acceptance usually take more than one year. With the current economic situation where the ringgit is dwindling every month, increase in tax rate, introduction of new taxes, it may affect the price list of spares part and services quoted by the contractor during the tender. The price list stated in the then awarded contract may not reflect the current market price thus

will affect the procurement of the spare parts that will be needed to carry out the maintenance of the assets. The contract may need to be revised every year to allow the changes on the spare parts price list and the contract value to facilitate the maintenance of the assets by the contractor. The procurement division may also investigate the duration of the contract. The current 3 years contract may not suit the requirement of the user. A new clause may be introduced in the new contract that states if the contractor had excellent performance as reported by the user, the contractor had the option to continue the contract for another 3 years. This incentive may drive the contractor to perform as they are expected. The tender board must carry out detailed vetting especially on the technical capabilities and financing ability of the company before awarding the contract. Companies that have been reported as underperforming in previous contracts by users should not be considered even though they are offering the lowest price. Previous experiences had shown that companies that offered lower prices may face problems in fulfilling the contractual obligations as the contract goes on. The tender board should carry out their duties diligently and honestly without any intervention because they must realise that the nation's sovereignty is at stake.

Moreover, RMAF had embarked into the leasing program of its utility helicopter for the last 3 years. The Malaysian Army also followed suit by leasing four utility helicopters for its utility regiment. The Army is expected to receive the first leasing helicopter in April this year. This leasing program is different from the conventional maintenance contract in which the helicopter was owned and maintained by the leasing company. The RMAF and the Army will only operate it and payment will be made based on the number of hours flown. This leasing program was not the first one. It started with the leasing of vehicles for the official use of government servants. MAF also followed the same concept for its military police motorcycle. These leasing program said had been successful in supporting MAF operations, but further study is needed to prove whether this leasing program is a way forward for MAF.

The concepts of outsourcing support functions used by the MAF can only be successful if those responsible in handling, monitoring and enforcing the contract carry out their task diligently and without favour. Lack of budget may have affected the serviceability of the MAF assets but if the responsible parties, which include the civil staff, the military personnel and the contractor, performed their obligation as what was required, the effect may not be so damaging.

## Conclusion

The objective of this study was to explore the potential of outsourcing military support functions within the Malaysian Armed Forces (MAF) as a solution to maintaining operational readiness amid fiscal constraints. Through a comparative analysis of the United Kingdom's outsourcing practices and a detailed examination of Malaysia's existing outsourcing programs, this study has demonstrated that while outsourcing offers significant benefits in cost-saving and efficiency, the implementation in Malaysia has faced challenges due to poor governance and inefficient contract management.

The study concludes that although the objectives of outsourcing in enhancing MAF's core competencies have been partially achieved, the current system requires substantial improvements. Governance issues, such as corruption and mismanagement, have eroded the potential benefits of outsourcing, limiting its positive impact on the readiness of MAF.

This research contributes to the growing body of literature on defence outsourcing by offering a comparative perspective between the UK and Malaysia. It highlights the lessons that Malaysia can adopt from the UK's experience, particularly in terms of managing contracts, ensuring accountability, and maintaining a high level of service quality. Additionally, the study provides actionable recommendations for improving the outsourcing framework, such as improving contract enforcement, training staff, and revising contract durations to reflect changing market conditions.

Future studies could explore the privatisation of military training and courses, assessing the feasibility of outsourcing non-combat-related tasks to private entities. This would free up MAF personnel to focus on their core mission of combat readiness. Additionally, research on the long-term impact of leasing programs within the MAF could provide valuable insights into whether this model could be a cost-effective solution for maintaining operational assets. Finally, a broader study on governance reforms within the military procurement process could offer solutions to overcome the systemic issues that have hindered the success of outsourcing initiatives.

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