Title: Ownership and contracting specialization: unlocking the productivity of construction firms in hybrid market economies

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Abastact: In hybrid market economies, the mix between government and private ownership aims to balance innovation and social stability. However, the impacts of these ownership structures and their contracting specialization on construction firm productivity remain largely unexplored. Using longitudinal datasets of 55 Malaysian construction firms over 12 years, we explore construction firm productivity differences between Government-Linked Companies (GLCs) and Private-Controlled Firms (PCFs), as well as productivity differences between General Contracting Firms (GCFs) and Specialized Trade Firms (STFs). We use Total Factor Productivity (TFP), meta-frontier frameworks, and the Generalized Method of Moments (GMM) to measure firm productivity, technological gaps, and managerial efficiency while accounting for potential endogeneity issues. The findings reveal no significant impact of ownership types on construction firm productivity. However, controlling ownership shares significantly moderates construction firm productivity. Furthermore, contracting specialization significantly impacts construction firm productivity, with GCFs consistently outperforming STFs, primarily due to technological advantages. Despite this, STFs demonstrate higher managerial efficiency in applying available technologies, suggesting their productivity is hindered by external constraints such as existing policies. Our study recommends that policymakers in hybrid market economies consider reducing excessive government control among construction firms and look for ways to mitigate technological gaps between GCFs and STFs.

Keywords: Construction productivity ownership structures contracting specialization hybrid market economies technological gap

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