Power Exercise in the Institutionalization of an eProcurement System in Indonesian Local Government

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Abstract. Power possessed by institutional entrepreneur is believed to have an influential role in navigating the institutionalization process of an idea. However, only few studies that have examined how the institutional entrepreneur exercise his power throughout the institutionalization process. This study aims at examining this phenomenon in the context of developing countries with special reference to the implementation of an eProcurement system in Indonesia. It finds that the power has been exercised by the institutional entrepreneur differently along the process. Smart power was exercised by combining soft power at the early stage of institutionalization process. At this stage level of reluctance among organizational members was high, no authorization from higher-level agencies, and the benefits of adopting the system were opaque. Hard power was then exercised at the later stage, when the legal support was well formulated, and the system’s benefits were confirmed. The study also reveals that value-based power that is used wisely make organization change runs smoothly until it becomes institutionalized. Keywords: Institutionalization, smart power, soft power, hard power, value-guided power, eGovernment, eProcurement, Indonesia, developing countries.

1. Introduction
Literature documented two streams of research on organizational changes. The first stream stresses naturalistic evolution, whereas the second, agent-based view, emphasizes power and intentional design [1]. Moreover, previous studies acknowledge that the role of institutional entrepreneurs in initiating and leading divergent organizational change that makes an idea becomes implemented and institutionalized [2-4]. Other studies point out that their power is important in this institutionalization process [1, 3, 4].

Power is often associated with domination, and in many cases is responded with resistance [5]. Resistance from organizational members has been frequently cited as one of main obstacles in organizational change. Hence, identifying strategies on how to change an organization smoothly without drama is then important [6]. However, only few studies that go further by examining how the power is exercised during the institutionalization process [7, 8]. There is also a call that researchers need to power back in institutional theory [1, 9].

This study aims at examining how the power of the institutional entrepreneur has been exercised during the institutionalization process of an eGovernment initiative. Without neglecting the role of other actors, in this study, the institutional entrepreneur in question is the dominant one, i.e. the mayor of the city. It attempts to address this main question: how does the institutional entrepreneur exercise his power throughout the institutionalization process?

To answer this question, an interpretive case study was conducted to trace back the institutional process of an eProcurement system in an Indonesian city of Yogyakarta. Generally, institutional theory is used as lens, and specifically this study focuses on the concepts of institutional
entrepreneurship and power [1]. This study is important as it explicates an example of successful eProcurement projects in the context of developing countries, which experience a low success rate in implementing eGovernment initiatives in general [10] and eProcurement programs in particular [11].

The rest of the paper is organized as follows. After this introduction, Section 2 presents the conceptual premises of this study. Section 3 describes the context and research methods, followed by presentation of the findings and discussion in Section 4. Section 5 concluded this paper by summarizing the findings and identifying limitations and possible future research.

2. Theoretical Basis: Institutionalization and Power

There are two research streams in examining institutionalization. The first stream focuses on institutionalization as an outcome (i.e. an institution), while the second focuses on the process of institutionalization [12]. As noted earlier, the second has received less attention in the literature [7, 12]. Thus, this study focuses on the latter.

Institutionalization can be seen as a process of instilling values [13]. Before a value is instilled in an organization, it only has instrumental utility as a mechanical and disposable tool [14]. The institutionalization process is often preceded or accompanied by a deinstitutionalization process, which is “the process by which the legitimacy of an established or institutionalized organizational practice erodes or discontinues” [15:564]. The institutionalization process may be triggered by environmental jolts (i.e. changes at the organizational field) or institutional entrepreneurs who recognize problems and lead the deinstitutionalization process [3, 7, 16]. The old institution is disrupted and the new institution is created and maintained [17].

Institutional entrepreneurs have been defined as “change agents who initiate divergent changes, that is, changes that break the institutional status quo in a field of activity and thereby possibly contribute to transforming existing institutions or creating new ones” [2:76]. Here, an actor can be an organization or a group of organizations, an individual or a group of individuals [2]. This study pays special attention to a dominant individual, i.e. the mayor of the city. Institutional entrepreneurs are purposeful actors who have the necessary, resources, social and political skills at their disposal. In addition, they are in a social position (in this study the position as the mayor) to be able to lead change [2, 18]. Institutional entrepreneurs are actors who initiate divergent changes (i.e. changes that break with the existing dominant institutional logic or the institutional status quo), regardless of whether or not they succeed in their initiatives [2].

Institutional entrepreneurs act on a variety of motivations: for example, these may relate to material wealth and status, values, ideology, power or problem solving [2]. They serve as actors of legitimacy, supporting the creation of institutions that they consider to be appropriate and aligned with interests they value highly [18, 19]. These interests will influence institutional logic, and the character of the new institutions will be dependent on them [2]. Resources are integral to institutionalization; thus, institutional entrepreneurs use strategies to mobilize these resources [18, 19], which cannot be separated from the use of their power. Power is a relational concept: one can have it only in relation to others [8]. For the purpose of this study, power is seen as resulting from access to and control over resources that consist of cognitive, social, and material ones [18].

The extant literature defines and puts meaning on the concept of power differently [8, 9, 20, 21]. Issues of power and influence were central in the old institutionalism [22], but they received less attention in the new one [1]. Power has been both an independent variable causing outcomes such as influence, domination, and accumulation of valued resources; and a dependent variable, the results of, such as, dependency and centrality [8, 20]. In a review of 82 papers concerning the relationship between power and information systems, Jasperson et al. [21] identified four lenses for examining power: (a) rational – focuses on authority, information, and expertise as its basis; emphasizes rational decision making; and focuses on single goals, (b) pluralist – does not assume a single goal; assumes that the organizational members have different, potentially conflicting interest, (c) interpretive – focuses on symbolism, metaphors, language and meaning; deals primarily with perceptions and the
processes that shape them, (d) radical – focuses on discussion of power and information systems in a larger social context.

Power can be differentiated based on the way it is used in a context: (a) hard power is used by coercing others, (b) soft power is exercised by persuading others, and (c) smart power is seen “as the capacity of an actor to combine elements of hard power and soft power in ways that are mutually reinforcing such that the actor’s purposes are advanced effectively and efficiently” [23:115]. Smart power requires recognition a variety of institutional forms and relationship across among the organizational subunits/members, all of which have their own values and rigidities [23]. Often, power exercise is seen as a way to solve resistance during the process of organizational changes [5]. Inline with the pluralist view of power, Fleming and Spicer [5] suggest to go beyond this diamic relationship, by introducing the concept of struggle. They argue that this concept could provide a term for thinking about power and resistance as an interconnected dynamic.

At least three distinct resource mobilization strategies can be identified: convening, leveraging and accumulating. These three strategies are not mutually exclusive and may be conducted simultaneously [24]. In the convening process, the mobilization of resources is carried out through collaborative arrangement as a precondition for institutional change [24]. This involves ‘collective institutional entrepreneurship’, namely “the process of overcoming collective inaction and achieving sustainable collaboration among numerous and dispersed actors to create new institutions or transform existing ones” [25:1079]. This study gave as an example of the convening process, a situation in which the mayor attempted to gain support from other actors in the initial phase of the implementation of an eProcurement system. At that time, he used a normative approach rather than coercive power. In the leveraging process, politically skilled institutional entrepreneurs act as the driving force [24]. They mobilize legitimacy and support the use of frames to shape people’s perceptions, cognitions and preferences [2]. An example from this study is a situation in which the mayor, supported by his backers, exercised his power to gain more support and resources to further implement an eProcurement system. The mayor took this course of action after the benefits from adopting an eProcurement system had become apparent. In the accumulating process, support is gained through the actions and interactions of various actors. These result in a dominant design, which is then diffused [24]. This situation happens, for instance, when there are multiple and conflicting institutional logics or when more than one key institutional entrepreneur is involved. Their actions and interactions, over time, result in dominant patterns, which then are widely accepted.

Several indicators of institutionalized practices exist: they are generally accepted without debate by the organizational members, are widely followed, exhibit permanence [26], and their existence is no longer dependent on powerful actors [27]. Hence, institutionalized practices become valued organizational routines and an integral part of day-to-day practices. According to Jarzabkowski [28], practices can be seen as “repetitive performance in order to become ‘practised’; that is, to attain recurrent, habitual, or routinized accomplishment of particular actions”.

3. Research Setting and Method

3.1. Setting the Stage

eProcurement was formally adopted by the Indonesian government in April 2007. One of the strategic objectives of this initiative is to improve the transparency and accountability of public procurement. This objective has gained ground in Indonesia because budget leakage in public procurement has reached an alarming level. Several sources indicate that between 10% and 50% of the public procurement budget has been misappropriated [e.g., 29, 30]. This is a huge number since public expenditures account for 30% to 40% of total national spending in Indonesia [31].

Corruption that affects public procurement in Indonesia involves a wide spectrum of individuals and organizations, including political leaders, judicial figures, senior administrators and officials in procurement roles, as well as suppliers and contractors [32]. Therefore, it is important to have sound
processes and proper management to reduce and minimize the potential for irregularities and misconduct [31].

The research site, namely the city of Yogyakarta, implemented eProcurement in 2008. However, preparatory activities began in 2007. By the end of 2008, 11 work packages had successfully been completed with the help of an eProcurement system. The work packages tendered were valued between IDR 500 million and 1 billion to attract a large number of vendors. In 2009, all work packages with a value greater than IDR 500 million (51 work packages) were tendered via the system. At the beginning of 2009, Yogyakarta was described by Transparency International Indonesia as the cleanest city in the country in terms of its anti-corruption practices. Since 2010, the eProcurement system has been used for all tenders valued at more than IDR 100 million. Up until the end of 2015, 1,858 tenders were made using the eProcurement systems, offering a saving of 13.66% (around IDR 295 billion) (see Table 1).

| Table 1. The use of the eProcurement system. |
|--------------------------------------------|
|                | 2008      | 2009      | 2010      | 2011      | 2012      | 2013      | 2014      | 2015      |
| Number of tenders | 11        | 51        | 137       | 247       | 342       | 300       | 432       | 342       |
| Value (IDR million) | 5,449     | 78,866    | 141,267   | 249,278   | 376,918   | 367,696   | 391,517   | 338,268   |
| Efficiency (IDR million) | 225       | 12,649    | 22,404    | 37,567    | 52,824    | 52,824    | 52,824    | 52,824    |
| Efficiency (%)     | 4.34      | 16.18     | 16.10     | 15.07     | 12.33     | 17.19     | 10.86     | 12.02     |

Source: Interviews and http://report-lpse.lkpp.go.id

3.2. Research Method

This case study is interpretative in nature. The data were collected data from various sources: interviews, documents, and observations.

Interviews were conducted with variety of key players in eProcurement or eGovernment implementation at various levels. The interviewees were the mayor of the city of Yogyakarta, four heads/vice-heads of departments, three heads of divisions and three administrators. The snowball method was used to select the interviewees. Some of them were no longer involved, such as the former head of the IT division who was later assigned to different tasks not related to the eProcurement initiative. He was the first informant who pointed to other relevant informants. In addition, the existing organizational structure was consulted to identify potential informants. Involving key players at different levels as research informants was intended to make better sense of the phenomenon under investigation [33] and to avoid elite bias [34], i.e. overweighting data from articulate, well-informed, usually high-status informants and, conversely, under-representing data from less articulate and lower-status ones. In total, 11 semi-structured interviews were conducted, which were between 30 and 150 minutes long. Most of the interviews were recorded. Otherwise, note taking was conducted.

In order to ensure the validity of the interpretation of the phenomenon, whenever possible, member checks [33, 35] were conducted, mostly through an informal discussion with three of the interviewees. In these discussions, additional information for some areas, which were not obvious during the previous interviews, was obtained.

In addition to the interviews, data were also collected from written documents/reports, websites, presentation slides, and news presented in the media. Field observation, including participating in a national meeting of eProcurement agencies, was also made. The intention was to better understand the context of the study by collecting information about the implementation of eProcurement system in other districts and at the national level agencies. The understanding was very important when sensemaking the data.

In analysing the data, various concepts of power (especially soft and hard power) were used as templates in the coding process. Since the notion of power holds multiple meanings, here, when referring to it, this study included authority, decision, policy, and influence. In this study, as top
management, the mayor certainly has formal authority to collaborate with other government agencies (such as the National Development Planning Agency (Badan Perencanaan Pembangunan Nasional [Bappenas]) and the Corruption Eradication Commission (Komisi Pemberantasan Korupsi [KPK]), to make decisions (such as intention to adopt the eProcurement system in 2007 and allocating government budget to support it), and to set up policies (formalised in several mayoral decrees) (see Table 2). He has also influence to persuade or attract other actors to become his backers, especially in the early stage of the implementation of the eProcurement system.

Table 2. The critical events throughout the institutionalization process.

| Year | Event or status |
|------|-----------------|
| 2007 | • The mayor declared his intention to adopt the eProcurement system.  
  • An internal preparation team was setup to learn how eProcurement works by visiting two other cities  
  and the National Development Planning Agency (Bappenas).  
  • The mayor mobilized resources and support from various stakeholders.  
  • In collaboration with the Corruption Eradication Commission (KPK), all the government officers (around 9,000) signed an Integrity Pact (Pakta Integritas) to reject corrupt practices. |
| 2008 | • Resources were allocated and granted. Support was gathered.  
  • The city signed a memorandum of understanding with Bappenas (6 March).  
  • Mayor’s decree on the establishment of an eProcurement Agency (Layanan Pengadaan Secara Elektronik [LPSE]) was released.  
  • The eProcurement system and agency were launched officially (25 July). |
| 2009 | • Mayor’s decision came into force. All tenders valued at more than IDR 500 million had to use the eProcurement system.  
  • Mayor’s decree on the establishment of the Procurement Services Unit (Unit Layanan Pengadaan [ULP]) was released.  
  • The city was described by Transparency International Indonesia as the cleanest city in Indonesia with regard to its anti-corruption practices. |
| 2010 | • Mayor’s decision came into force. All tenders valued at more than IDR 100 million had to use the eProcurement system.  
  • Mayor’s decree on the technical guidelines of the eProcurement mechanism was released. |
| 2011 | • All tenders valued at more than IDR 100 million had to use the eProcurement system.  
  • The eProcurement Agency of Yogyakarta was named the Motivating Agency (LPSE Motivator) by the National Public Procurement Agency. |
| 2012 | • All tenders valued at more than IDR 100 million had to use the eProcurement system. |
| 2014 | • Mayor’s new decree on the technical guideline for public procurement to address national government regulation was released. |
| 2015 | • Mayor’s new decree on the technical guideline for public procurement to address national government regulation was released.  
  • All tenders valued at more than IDR 200 million had to use the eProcurement system. |

4. Findings and Discussion
The findings reveals important insights on how the institutional entrepreneurs exercise the power in an emerging field where interactions between actors are not yet stabilized and routinized and they still have a weak mutual awareness [cf. 36]. The eProcurement practices in the context of this study could be considered as an emerging field that successfully challenged the highly institutionalized old procurement system. Table 2 summarizes the critical events throughout the implementation process of the eProcurement system in Yogyakarta, especially when the power is exercised. Other aspects have been reported elsewhere [4, 37]. The findings explicate that the role the institutional entrepreneur, i.e. the mayor, was very influential, as stated by one administrator: “[The resistance] lasted only for a while. It was dependent
on the mayor. At that time [in 2009], the mayor decided that every work package valued at more than IDR 500 million should use eProcurement. Period."

A head of department also asserted: "If the mayor is committed, then the process can be accelerated. ... Based on information we got from other districts, many of them are willing to accelerate the adoption of the eProcurement, but their mayor or head of district gives no responses. There are also some opposite cases."

Despite this fact, this study unearths that the institutional entrepreneur use his power carefully throughout the institutionalization process. At the beginning (2007-2008), the institutional entrepreneur can be said to have a pluralist view of power, as there were multiple institutional logics in play. At that time, some heads of department were still reluctant to use the systems by ‘hiding’ under the ‘collaboration’ logic between the procurement officers and the vendors. In practice, this ‘collaboration’ logic can be considered as the root of corrupt practices. In addition, the mayor and his backers struggled to convince the local parliament, for example by inviting KPK. Hence, at the beginning of the eProcurement system implementation, a convening strategy in resources mobilization was chosen. This strategy was executed through collaborative arrangement [24] and involves ‘collective institutional entrepreneurship’, that is, “the process of overcoming collective inaction and achieving sustainable collaboration among numerous and dispersed actors to create new institutions or transform existing ones” [25]. This strategy could be regarded as soft power exercise.

Only after the claimed benefits of the eProcurement system were prevalent (in 2009), a more coercive (hard) power was exercised through the used leveraging strategy of resource mobilization. A set of local regulation enacted at the same time also provided deterring effect to those who were reluctant to support and use the system. In connection to this, metaphorically, the dominant institutional entrepreneur (i.e. the mayor) asserts: "When climbing a mountain, you find a steep track. For me, resistance is not a burden to stop me or to set me back. We only need to know when we should move slowly, when we should move fast. It's more about how to choose the right rhythm to play."

Above quotation indicates that the power should not be used blatantly, but rather it is exercised carefully by taking the specificity of the context into account. As Fligstein [38] argues, the use of particular strategies by institutional entrepreneurs “depends very much on whether or not an organizational field is forming, stable or in crisis”. The mayor’s standpoint precisely illustrates the concept of struggle [cf. 5], when power meets resistance.

Here, the institutional entrepreneur is a powerful actor but he uses the power wisely by taking the contextual elements into consideration. This approach is more prevalent at the beginning of the institutionalization process where the institutional entrepreneur adopted normative mode of influence, that is called by Scott [39] as soft power.

The findings do not only point out that power is needed by the institutional entrepreneur, but it goes beyond by providing empirical evidence how the power is exercised. The mayor argues: "Transform power into ‘political waqf’¹. It can be understood in a broad sense: not arrogant, open minded, risk taking. There is always a group of people who support and oppose your decisions. ... In ‘the political waqf’, we give more than we take."

Hence, power is only a necessary condition, not sufficient one, for an actor to become institutional entrepreneur. As I observed in some local governments, many powerful actors cannot bring about divergent organizational change, which in this study, drive the institutionalisation process of the eProcurement system. This study reveals that values to which the institutional entrepreneur believes are important in stimulating and driving the institutionalization process. This finding corroborates Selznick’s [13] conception of institutionalization which is about value instilling. The mayor puts it this way: "As I understood it, the eProcurement agency advanced by themselves, with their own innovation without my input. At first, I only cultivated values and shaped them. The hardest part [in the

¹ The mayor uses the term “waqf” metaphorically. In the Islamic tradition, the original meaning of “waqf” is an endowment made by a Muslim to a religious, educational, or charitable cause.
organizational change] is if there are no values. ... An institution is like a box and its foundation is values”.

Instilling values is even more important in an emerging field like the implementation of the eProcurement system, since it has to deal with the highly institutionalized corrupt practices in public procurement. Although curbing corrupt practices that have been taken for granted is not easy, but they are not persistence [40]. Instilling values is a part of the efforts.

This study goes beyond mentioning that instilling values is important, but it also reports how the dominant institutional actor (i.e. the mayor) spreads it to other actors, as shared values are regarded as the primary basis of a stable social order [36]. Showing values to other actors is not enough; the institutional entrepreneur should act as role model. This is very important in a context with a culture of great power distance, like Indonesia, where inequality in power distribution is accepted and, in some cases, expected by less powerful people; leaders play a very influential role in deciding ‘to go’ or ‘not to go’ [41]. In such a context, considering the institutional entrepreneur, as a ‘hyper-muscular actor’ is not inappropriate, and this is against criticism on this concept in articulated literature [1, 42, 43].

What can the institutional entrepreneur do in this regard? Leading by example is necessary. The mayor provides an illustration: “I gave them an example how to use and how I took advantage of technology. They would follow. ... When we were talking about eGovernment, we did not see to the social status. You can send an SMS to a mayor without any burdens. ... I was talking about to have a more effective, efficient, transparent, and accountable work; which was inherent in good governance practices.”

If so, one may ask, why the mayor did not adopt the eProcurement system earlier? Contextual conditions such internal readiness and the absence of supporting regulation, may explain this. Organizational change is a response to the will of institutional entrepreneur; it requires resource mobilization; and it is dependent on the availability of opportunities [24].

Another important issue is identifying under which circumstances either soft or hard power is preferable. The finding presented above provides several insights, which are summarized in Table 3.

| Circumstance                     | Soft power       | Hard power       |
|----------------------------------|------------------|------------------|
| Level of reluctance of the adopters | High             | Low              |
| Number of backers                | Limited          | Many             |
| Authorization from higher level agencies | Absent or weak  | Strong           |
| Legal supports                   | Not ready or opaque | Well formulated or transparent |
| Benefits of adopting the system  | Expected         | Confirmed        |

Taking all into consideration, it seems that the institutional entrepreneur has applied the concept of smart power [23], by combining soft and hard power at different institutionalization stages appropriately. In doing so, the role of values is very important. In this context of this study, the use of smart power could be best described as value-guided power exercise.

By considering the readiness of the context, the mayor exercised soft power in the early stage of implementation of the eProcurement system. At this time, the number of his backers was limited and the resistance was still high due to lack of empirical proof of the effectiveness of the system. Moreover, there was no obligation to adopt the system set by the national government. The legal support was not ready. Instead of waiting for proper legal supports from the national government, the mayor decided to release several mayoral decrees. After the effectiveness of the system was confirmed, the mayor started to use hard power. At this time, there was a strong support from the national government.

This kind of power exercise was proven to be useful in institutionalization of the eProcurement systems smoothly, by minimizing resistance. At the same time, it also increases the legitimacy, as it
attracts as many as possible stakeholders to support the system. After all, institutionalization is about making a system widely accepted and taken for granted.

5. Conclusion
This paper has reported how the institutional entrepreneur has exercised power during the institutionalization process. By carefully paying attention to the contextual issues, they opted to use smart power by combining soft (normative) and hard (coercive) power. The study reveals several circumstances under which either type power is more appropriate to be exercised (Table 3). In short, in the context of this study, ‘Kung Fu masters’ are an appropriate metaphor for the institutional entrepreneurs since they use the power smartly and aesthetically, as an opposite to ‘Wrestling fighters’ who often use the power roughly, though according to a code of rules.

This study has some limitations. First, it paid specific attention to the dominant institutional entrepreneur. Analysing the roles played by other actors, such as heads of departments, will provide a more complete picture of the interplay of power among them. Second, this study inherited all the limitations associated with a single case study, including a lack of generalizability in the sense of statistical sample-to-population inference. However, because it is an interpretive case study, the generalization was attained by extrapolating the empirical findings to theory, either using a supporting theory or a rival one [35, 44]. As such, this study can contribute to theory refinement and development. Third, as a single case study, this study could not capture all possible alternative trajectories of eProcurement institutionalization. In many cases, eGovernment system implementation is context-sensitive [45]. Thus, this study cannot provide alternate explanations for the use of power in a failed institutionalization process, because the system studied was a successful one.

This study offers several contributions. Firstly, it fills the void by responding the call for research on how the power is exercised during the institutionalization process [cf. 7, 8]. Secondly, it offers strategies on how to change an organization smoothly without drama [cf. 6], by identifying a set of circumstances under which smart power is a wise choice. In this context, this study adds the notion of value-guided power into the concept of smart power. Thirdly, it offers insights on how the power is used in the institutionalization process from a less-articulated context in the extant literature, which is the context where highly institutionalized corrupt practice is prevalent from a culturally rich developing country.

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