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Digitally-enabled service transformation in the public sector: The lure of institutional pressure and strategic response towards change

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ABSTRACT

Digitally-Enabled Service Transformation (DEST) projects in public sector institutions are viewed as a choice of strategic response towards changes in policy. Such transformation can destruct institutional stability and legitimacy and result in failure if the complex institutional setting of the public sector is not comprehended in the change-institutionalisation effort. Through a multiple case enquiry, this study examines how institutional pressures contribute towards the emergence of DEST in public agencies and how newly introduced transformation is implemented and diffused within the institutional setting. The findings highlight that as a form of technology driven change, DEST is characterised and shaped dominantly by continuous interplay with institutional elements and the impact of these interactions define the institutionalisation, deinstitutionalisation and re-institutionalisation of DEST. Ability to recognise such stages and provide the required support will determine a public institution's ability to effectively manage DEST and attain its strategic goals.

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1. Introduction

The introduction of digital government services in the mid-late 1990's has stimulated efforts across public administrations to transform their services using technology. The internet in particular is seen as a catalyst for enabling efficient, low cost and transparent services to citizens through integration and sharing of knowledge and resources (Janowski, 2015; Sivarajah, Irani, & Weerakkody, 2015). Such efforts have been facilitated by the implementation of digitally-enabled service transformation (DEST) programs, which have helped improve interactions between public institutions and stakeholders, and changed the public service delivery landscape (Danneels & Viaene, 2015).

Although DEST has helped public institutions to radically improve service delivery, transparency and accountability and resulted in reduced costs, multitude of challenges throughout the transformation journey has impeded many DEST efforts from being institutionalised (Danneels & Viaene, 2015; Dwivedi, Weerakkody, & Janssen, 2012; El-Haddadeh, Weerakkody, & Al-Shafi, 2013). Ironically, although DEST is empowered by ICT, the use of technology itself has been identified as the most significant factor impeding the institutionalisation process (Diniz, Birochi, & Pozzebon, 2012). This is because the rapidly

evolving nature of technology often adversely affects DEST by stimulating unanticipated pressures on the organisation and producing unwanted outcomes that alter organisation properties (El-Haddadeh et al., 2013; Heinze & Hu, 2005).

Reflecting on various examples of DEST in the public sector around the globe, most often the undesirable outcomes have been rooted in technology related issues. This is due to the reason that most DEST projects are not viewed as an integrated institutional process of change, but rather as isolated projects that are implemented, often reactively, to policy decisions, using private sector thinking without due consideration for the complex public sector institutional setting (Currie & Guah, 2007; Currie, 2012; Janowski, 2015).

Unlike other institutions, public organisations compete for political power, institutional legitimacy, as well as social and economic fitness (Cordella & Tempini, 2015). These organisations are shaped by the interactions between elements within environment that they operate in, rules and norms imposed on them, behaviours of their internal systems, and cognitive patterns of their inhabitants (Klievink, Bharosa, & Tan, 2015). As part of the institutional elements, an organisation evolves through mutual interactions of various sub-institutions such as regulators, society and competitors. In this vein, digital technology is often used as a catalyst to shape new forms of organisational functions and in helping the government to increase public sector legitimacy in the digital-age through integration of various functions between public agencies. In pursuit of legitimacy, the 'new functions' will eventually define how organisations should evolve, in terms of their structures,

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culture, and systems to achieve the desired goals. Knowing this, implementation of digital technology should be viewed as an integrated institutionalisation process of change on an ongoing basis, rather than a single view of isolated technology implementation case on reciprocal basis. Therefore, potential challenges, complexities and associated negative outcomes of DEST should be anticipated and approached accordingly. In addition, the fact that technological change is a complex social process driven by organisational structure, politics and management strategies should be thoroughly understood in order to facilitate the institutionalisation of DEST (Irani & Kamal, 2015). Therefore, the central question to this research is:

How is DEST implemented and diffused within public organisations through the process of institutionalisation, deinstitutionalisation and re-institutionalisation?

This research question offers the frame of reference to investigate the factors inflicting institutional pressures and the role of isomorphic mechanism, which over time embed the Digitally-Enabled services in working practices of the public agency that undergoes transformation. As such, the question focuses on deinstitutionalisation and re-institutionalisation processes of mutual transformation underpinning the interplay between technology and its hosting organisation. This focus aims to analyse how Digitally-Enabled services (as structure), is shaped and shapes its organisational context of use, and how this interplay then underpins the institutionalisation of a service in the working practices of the public agency. In this respect, using a case study approach and review of the existing literature, the paper examines how technology institutionalisation occurs in public organisations, and more precisely how institutional logics relating to technology implementation are diffused within organisations through three isomorphic processes i.e. coercive, mimetic and normative. The findings will be used to extrapolate the challenges and complexities of digital-led transformation from the perspective of public agencies. This study offers a reference point for practitioners and researchers involved in the new era of digital-led government transformation projects – such as e-government, enabling them to relate implementation paradoxes and associated challenges. The broader aim of the study is to draw lessons from multiple public agencies on the trajectory of institutionalisation of digital-led service transformation projects that are aimed at delivering cost savings for government and improved service outcomes for citizens.

The paper is structured as follows. The next section presents an in depth analysis of the literature that shapes this research followed by a discussion of the process of institutionalisation and deinstitutionalisation of digital-led transformation in public agencies and various dimensions of it. The proceeding section explains the research framework and approach driving the study, followed by findings and discussion. The final section concludes with a discussion of the research contributions, implications to theory and practice.

2. Literature review

2.1. Digital-led service transformation in public institutions

As a policy instrument, digital initiatives continue to flourish in expectancy of enhancing the public service delivery system, lowering operational cost and bettering government controls on information and data as well as transparency and efficiency (Mergel & Desouza, 2013). However, many Digital Enabled Service Transformation (DEST) initiatives have failed to realise such a context due to the complex organisational structures, as well as homogeneous values and beliefs among the institutional actors, which often inhibit information sharing in public agencies (Currie, 2012; Lounsbury, 2008; Lounsbury & Boxenbaum, 2013). Such issues are further compounded by unsupportive legislations and use of complicated technology that demotivate users and stimulates unanticipated pressures towards the

organisation which affect outcomes (Baptista, Newell, & Currie, 2010; Baptista, 2009; Diniz et al., 2012; El-Haddadeh et al., 2013; Mousa, 2013). In this context, the fact that technological changes in organisations are closely related to a social process, mediated by other formal or informal institutional structure, political influences and management strategies, is confirmed (Sharif, Troshani, & Davidson, 2014). Therefore, digital-led solutions should not be viewed as merely ‘tools’ to produce and deliver services, but as part of organisation practice that requires changes in ‘taken for granted activities’, including cognitive abilities to modify existing culture, sanction of new procedures to reinforce actions and regulating practices to form new norms (Azad & Faraj, 2011; Al-Busaidy & El-Haddadeh, 2011; Baptista, 2009).

In this backdrop, it is vital to recognise the events that trigger the deinstitutionalisation stage in change – a stage which is also known as ‘pre-institutionalisation’ (Tolbert & Zucker, 1999 from Scott, 2014), which starts the institutionalisation cycle of change. This analysis should then be followed by a key question that examines how a public organisation secures a common structure through ‘typification’ events and what are the mechanisms used to rest the continuity of this structure.

2.2. Institutional theory and the institutionalisation of change

Several studies adopted Institutional Theory as a potential lens to study the institutionalisation process of ICT-led changes in the Public Sector, emphasising that organisations interact with its internal and external environment to achieve legitimate status, or state of being widely accepted or institutionalised (see for example Al-Busaidy & El-Haddadeh, 2011; Diniz et al., 2012; El-Haddadeh et al., 2013; Panagiotopoulos, Elliman, & Fitzgerald, 2011; Phang, Kankanhalli, & Ang, 2008; Zucker, 1988). The basic assumption made utilising this theory is that – technology becomes institutionalised in an organisation when it forms as routines of the organisation’s inhabitants, which then gradually reduces the need for cognitive efforts (Baptista et al., 2010). Recurring interactions between the technology or structure and the organisation’s inhabitants or actors are required in order to achieve this status (i.e. routinised actions) over time and space through different modalities and actions. The interplays, which produce consequences – both intentionally and unintentionally, will later shape new institutional structure forming organisational routines and eventually institutionalised practice (Veenstra, Melin, & Axelsson, 2014; Veenstra, Janssen, & Tan, 2010).

Tolbert and Zucker (1991, quoted from Scott, 2014) further dissected the institutionalisation process from a micro-level perspective and explained that a newly introduced invention would undergo stages known as ‘habitualisation’ and ‘objectification’ before it is institutionalised. ‘Habitualization’ is a stage where new practices (or in this context known as structure) are produced as the result of a ‘typification’ process, which is a micro-process where organisational inhabitants give meaning towards a new innovation or change according to their individual belief. As actors respond differently using a diversity of evolving approaches, variety of new structures are created and proposed as a solution or response towards the new innovation or change. According to Scott (2014), the occurrence increases vulnerability in the habitualisation stage, thus reducing the chance of realising a common solution to enable movement to the next stage, towards institutionalised practice. ‘Objectification’, a stage after the ‘habitualization’ - is a stage where organisational inhabitants start to develop consensus among them towards the value of a structure, to set common agreeable practice (Clegg, Hardy, Lawrence, & Nord, 2006, p.p. 820). The final stage of the institutionalisation process – known as the sedimentation stage, involves embedding the common practice that was derived from the previous stage, as part of organisation culture. Completion of the three stages ensures institutionalised practice in any organisation.

Therefore, in the context of institutionalising DEST in the public sector, an understanding towards both institutionalisation and

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