

# Chapter XXXIV

## Institutional Theory and E-Government Research

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### INTRODUCTION

Recent developments in institutional theory are highly promising for the study of e-government. Scholars in various disciplines, such as economics (North, 1999; Rutherford, 1999), sociology (Brinton & Nee, 1998), and political science (March & Olsen, 1989; Peters, 2001), have used institutional approaches to understand diverse social and organizational phenomena. Insights gained from these studies can be valuable for guiding research in e-government. In fact, there are some initial efforts in information systems and e-government research that have applied institutional theory and proved useful in generating new insights about how information technologies are adopted (Teo, Wei, & Benbasat, 2003; Tingling & Parent, 2002), designed and developed (Butler, 2003; Klein, 2000; Laudon, 1985), implemented (Robey & Holmstrom, 2001), and used (Fountain, 2001) in organizations. In this chapter, we provide a brief overview of some of these initial studies to highlight the usefulness of institutional theory in e-government research. We also suggest some

opportunities for future research in e-government using institutional theory.

This chapter does not capture all the essential theoretical and empirical issues related to using institutional theory in information systems and e-government research. Instead, it is a brief review and a good starting point to explore the potential of institutional theory. We hope that e-government scholars find it interesting and useful. The chapter is organized in five sections, including this introduction. The second section provides a brief overview of institutional theory in various disciplinary traditions, with an emphasis on institutional theory in sociology. Then the chapter identifies various patterns of the use of institutional theory in information systems and e-government research. Based on our analysis of the current state of the art, the fourth section suggests some opportunities for future research. Finally, the fifth section provides some final comments.

## **BACKGROUND: AN OVERVIEW OF INSTITUTIONAL THEORY**

### **Defining Institutions**

Institutions can be conceptualized as guidelines for human actions, or the “logic of appropriate” behavior in society (March & Olsen, 1984). Jepsen (1991) defines institutions as “those social patterns that, when chronically reproduced, owe their survival to relatively self-activating social processes.” People tend to believe that there is a fundamental rationale for these patterns’ existence. As institutions are historically produced, their legitimacy is often not questioned. Accordingly, they are taken-for-granted standardized sequences of activities, and institutionalization is the process through which these activities come to be seen as objective or taken for granted (Zucker, 1977). Institutions consist of cultural-cognitive, regulative, and normative elements (Scott, 2001). With associated resources, they provide stability and meaning to social life. They are transmitted over time and across space through various symbolic and relational systems, routines, procedures, and artifacts (Scott). They operate at multiple levels from global to national and local contexts. Even though institutions suggest social stability and persistence, they are subject to both incremental and radical change and discontinuity (Scott).

### **Institutional Theory in Various Disciplines**

Institutional theory has progressed over the years in multiple disciplines such as economics, history, political science, and sociology. Within each of these disciplines, institutional theory has its own distinct flavors. However, institutional scholars in all disciplines have a common skepticism toward the rational-actor model that has dominated the study of human behavior in social sciences over the last 50 years. In addition, they all agree that institutions and the social processes surrounding their evolution, maintenance, and transformation

matter in the fashioning of social life (Scott, 2001).

### **Institutionalism in Economics**

In general, institutional theory in economics focuses on microeconomic theory and proposes that individuals maximize their utilities over stable and consistent preferences under cognitive limits (Simon, 1945), incomplete information, and difficulties of monitoring and enforcing contractual agreements (Williamson, 1975, 1985). Institutions, in such perspective, come into existence as they offer greater benefits than the transaction costs (Coase, 1937) incurred in creating and sustaining them. More specifically, institutions help us to reduce uncertainty associated with the asymmetric information, bounded rationality, and opportunistic behavior of others by providing a set of stable and consistent legal frameworks for economic exchange. Therefore, institutions can be seen as governance structures and rules (North, 1999) that facilitate the smooth functioning of markets by minimizing transaction costs.

### **Institutionalism in Political Science**

Institutional theory in political science is mainly concerned with political decision-making processes, especially the ways in which political institutions shape political outcomes (DiMaggio & Powell, 1991). Rational-choice institutionalists consider political institutions as being critical to account for unpredictable and paradoxical decisions that can result from majority voting systems (DiMaggio & Powell). Complementing institutional theory in economics, these scholars argue that political institutions reduce uncertainty associated with political exchange and opportunistic behaviors among politicians, and enhances the prospects of political cooperation by creating institutional checks and balances (Moe, 1984). Both formal and informal political institutions and mechanisms, according to this perspective, are critical for the stability in and continuation of political processes. In contrast, historical and normative institutionalism in political science

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