

10-30-2018

## Mapping the Terrain: An Indonesian Business Perspective of the ASEAN Economic Community

Marko S. Hermawan

*International Business Program, Management Department, BINUS Business School Internasional Undergraduate Program, Bina Nusantara University, Jakarta, Indonesia, marko@binus.edu*

Lena Choong

*International Business Program, Management Department, BINUS Business School Internasional Undergraduate Program, Bina Nusantara University, Jakarta, Indonesia*

Follow this and additional works at: <https://scholarhub.ui.ac.id/seam>



Part of the [Management Information Systems Commons](#), and the [Management Sciences and Quantitative Methods Commons](#)

---

### Recommended Citation

Hermawan, Marko S. and Choong, Lena (2018) "Mapping the Terrain: An Indonesian Business Perspective of the ASEAN Economic Community," *The South East Asian Journal of Management*: Vol. 12 : No. 2 , Article 4.

DOI: 10.21002/seam.v12i2.9730

Available at: <https://scholarhub.ui.ac.id/seam/vol12/iss2/4>

This Article is brought to you for free and open access by UI Scholars Hub. It has been accepted for inclusion in The South East Asian Journal of Management by an authorized editor of UI Scholars Hub.

# Mapping The Terrain: An Indonesian Business Perspective of The Asean Economic Community

164

Marko S. Hermawan\* and Lena Choong

*International Business Program, Management Department, BINUS Business School International Undergraduate Program, Bina Nusantara University, Jakarta, Indonesia*

Revised: 12 October 2018

Accepted: 29 October 2018

## Abstract

**Research Aims** - This paper focuses on the institutions that the ASEAN Economic Community (AEC) project will affect. By employing institutional logics theory, this study scrutinizes academics and business practitioners as institutions and the cultural context embedded within them.

**Methodology** - A mixed method of newspaper data analysis and semi-structured interviews was used to obtain comprehensive data from both sources.

**Research findings** - The findings suggest a definite orientation gap between business practitioners, associations, and academics—the three groups have less information and contributions compared with the government and association influences. This study concludes that more participation is needed from these institutions, which are currently feeling “victimized” and excluded by the project.

**Originality** - The originality of this paper lies in its application of institutional logics to business perspectives within an Indonesian context. The framework offers a holistic approach to how people are institutionalized based on their macro-, meso-, and micro-environments.

**Managerial implications in the Southeast Asian context** - There has been a lack of communication and coordination amongst these institutions. Therefore, this study guides the related institutions and helps them to map their roles in enhancing the AEC project.

**Research limitations and recommendations** - This research has two limitations: 1) the lack of literature in this field, and 2) and the difficulty in accessing information from the government institutions. The paper offers avenues for further research: additional variables regarding Indonesian norms and values as well as a method for extending the research to other ASEAN members.

**Keywords** - ASEAN economic community, institutional logic, business practitioners, academics, associations.

## Introduction

December 31, 2015 marked the implementation of the ASEAN economic community (AEC); all 10 nations bound together in the ASEAN region were expected to harmonize their economic and trading regimes. As stipulated in the Bali Concord II blueprint, the economic integration constituted “a stable, prosperous and highly competitive ASEAN economic region in which there is a free flow of goods, services and investments, a freer flow of capital, equitable economic development and reduced poverty and socio-economics disparities” (ASEAN, 2007). The AEC is essentially a process of singularizing the market and production within the region into a larger marketplace (Soesastro, 2008). Its intention was to fulfill regional consumption needs while offering wider opportunities to market easily within ASEAN countries. One strategy for doing so was the removal of trade barriers such as customs and taxes for goods, services, and investment. Approximately 591 million

people in the region have been affected because of removing trade barriers and strengthening cooperation amongst the ASEAN member countries.

The economic integration that had been planned since the establishment of the agreement in 2003 was considered an “ambitious and sophisticated initiative of its kind” (Jones, 2015; Petri, Plummer, & Zhai, 2012). The initiative began after the ASEAN foreign trade agreement in 1993 was considered to be progressing too slowly in terms of implementation and commitment from its members (Ravenhill, 2008). Moreover, the nature of ASEAN integration had been voluntary (Soesastro, 2008); thus, regional cooperation between these nations was an open-ended process lacking momentum. However, the AEC blueprint established in November 2007 was expected to advance the implementation process.

Another obstacle the AEC faced was the clarity of the blueprint. Ravenhill (2008) argued that the blueprint document contained well-meaning phraseology but lacked specificity regarding the realization of its objectives. He suggested that based on McKinsey’s report (McKinsey & Company, 2003), the ASEAN members should provide standardization and harmonization via barrier removals, taxation systems, competition principles, and product standards. This involved harmonizing domestic goods, investors, and labor standards.

The AEC as an initiative requires its members to open their markets and allow free-barrier intra-transactions. However, harmonizing the free-trade area is no easy task. At least two obstacles faced the integration. First, the liberalization of intra-ASEAN trade was not of “sufficient significance to warrant expending substantial resources to lobby for deeper integration” (Ravenhill, 2008, p. 482). Moreover, the diversity of tariff dispersion rates was high (Plummer, 2006). Here, harmonization was a matter of how the executives and leaders of each nation committed to the campaign for integration. The issue of “political will” was an oft-used excuse for which commitments and executions were addressed to levels of authority. Second, trade between ASEAN members was relatively low. Ravenhill (2008) pointed out that although the trade inflow to ASEAN had been stable for 40 years, the proportion of intra-regional trade amongst the members was only one quarter of all of ASEAN’s trade. Hence, there was a strong disincentive to change as far as business and political interests were concerned.

A number of economic, social, and cultural issues hindered the process of fundamental change. The issue of infrastructure and business readiness in Indonesian businesses supports this argument, as it eventually impacts the free flow of goods and services as well as the freedom to operate across the region (Benny, Yean, & Ramli, 2015). Specifically, Indonesian businesses fear the implementation of AEC, where most of the obstacles that micro-, small-, and medium-sized enterprises face are infrastructure bottlenecks, credit shortages, limited skilled workers, and bureaucratic corruption (Rüland, 2016). In contrast, some countries such as Singapore and Malaysia are making visible preparations to harmonize their economic policies in accordance with the Bali Concord of 2003.

A number of studies acknowledge the implications of the AEC in the region and provide an overview of these at a macro-economic level (Hew & Soesastro, 2003; Soesastro, 2003, 2008), but few studies analyze the micro-levels within a particular nation. Moreover, much research on ASEAN integration and regionalization has been conducted by employing political-economic approaches (Jones, 2015; Sukma, 2014), but few studies have adapted institutional theory as an alternate insight. To some extent, there has been weak exposure and preparation in each of the ASEAN nations, at least from the business point-of-view. There has been a paucity of information and socialization throughout the campaign, and there has been limited action produced by governments as regulators to enhance the merging of a one-market economy in the region (Perwita, 2015). It is imperative to determine the level of readiness to implement such new policy, and to what extent the ASEAN nations provide such formulations and strategic planning towards the AEC. Such studies point out that the rational study of economics must also be understood from a non-rational perspective from the sociological point of view. As Granovetter (1985) suggested, the importance of understanding the embedded nature of social behavior is imperative, in conjunction with a rational economic perspective. Hence, this study attempts to investigate current obstacles through scrutinizing the three levels of institutional analysis faced by one ASEAN country that hinders readiness to adopt AEC.

An institutional understanding of a society is, thus, imperative to undergo this study. Institutional logics, as proposed by Thornton, Ocasio, and Lounsbury (2012) is a comprehensive framework to elaborate the micro-, meso-, and macro-levels of a society in which institutions are comprehended in a structural manner. By allowing a reconstruction of identities of institutions based on the logic and practices in Indonesia, this study will scrutinize fundamental setbacks, both internally and externally. With a population of over 250 million and more than 17,000 islands spread across the archipelago, Indonesia has great potential in a successful AEC. In addition, following Rüländ (2016) argument that the majority of Indonesian businesses have less participation in regional decision-making in the AEC implementation, this study starts with the question, ‘What is the role of each institution in the context of the AEC?’ The following sections are an institutional logics framework, followed by research method, findings, and conclusion.

### ***Institutional Logics as a Tool To Understand The Socio-Cultural Environment***

Institutional logics offers multiple levels of analysis that enables researchers to observe individual behaviors and consciousness based on the level at which the individual is ‘nested’ (Friedland & Alford, 1991). These levels can be organizations, markets, industries, inter-organizational networks, geographic communities, and organizational fields (Thornton & Ocasio, 2008). In general, the multiple levels can be classified as three types: macro-, meso-, and micro-levels. The macro-societal level consists of the community logic that contributes to the inter-institutional system; the meso- represents the organizational level; and the micro level emphasizes individual logic. As mentioned earlier the three levels do not stand on their own, but rather as an inter-institutional system that correlates closely and generates differing

logics within the same organization. Based on Thornton (2004) inter-institutional system ideal types, this study attempts to construct the institutional orders and the categorical manifestation of individuals and organizations in the Indonesian business context. Provided as a Western-type of institutional, the logics posit a socio-structural composition that consist of family, community, religion, state, market, profession, and corporation.

In a country with multiple ethnicities, religions, and islands, analyzing Indonesian society may require thorough investigation from multiple perspectives. Studies on contemporary institutions confirm that in order to understand a particular society, one must acknowledge the importance of social construction; the relationship of an actor and his/her surroundings (Jepperson, 1991). Multiple societies can be conceptualized as ‘inter-institutional systems’ that cater to cultural subsystems and cohere across institutional orders (Thornton, 2015). Individuals, as the smallest institution, are enabled to perform self-activation in the social environment, and produce a social pattern in accordance with the values, norms, and cultural symbols embedded in that society (Thornton et al., 2012). By definition, institutional logic is “a socially constructed, historical pattern of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality” (Lok, 2010; Thornton & Ocasio, 1999).

This study attempts to overarch holistic understanding of inter-institutional orders that are impacted by the formation of the AEC. By employing the institutional logics perspective, one must consider the importance of the cultural sub-systems under each institution. Nonetheless, this framework does not intend to overlook the power struggles and material inequality amongst institutions (Thornton, 2015). Unlike previous attempts to define isomorphism of institutional theory by DiMaggio and Powell (1983), this framework maps the interpolation to elaborate socio-cultural interaction in a specific environment. Hence, this paper seeks to understand the relationship between institutional orders of academics, business practitioners, associations, and government. Table 1 defines the complete institutions of an ideal society, which represents categories on how individuals and organizations are likely to understand their sense of self and identity: who they are, their logics of action, how

Categories	Academics	Business Practitioners/ Corporation	Association	Government
Root Metaphor	Teacher as nurturer	Hierarchy	Communicator	Redistribution Mechanism
Sources of Legitimacy	Academic Qualification Research freedom	Market position of Firm	Community Trustworthy	Democratic participation
Sources of Authority	University stakeholders	Top Management	Commitment to Association Values	Bureaucratic domination
Sources of Identity	Educator to be educated	Bureaucratic roles	Reputation of Association	Social & Economic class
Basis of Norms	Developing People	Self-Driven and financial return motivation	Group Membership	Citizenship Membership

**Table 1.**  
Inter-institutional orders on  
AEC

they act, their vocabularies of motive, and what language is salient (Thornton et al., 2012). The category on the Y-axis consists of root metaphors, sources of legitimacy, identity, norms, and authority.

Table 1 starts with Academics as a salient institution. There have been various studies discussing the differing logics of academics and practitioners. Fini and Lacetera (2010) described academia as a community that possesses a set of missions, rules, and incentive systems, with openness, peer recognition and evaluation, freedom of inquiry, and incentives based on a 'winner-takes-all' journal publication system. It is imperative to distinguish such characters embedded within academia that provide unique cultural subsystems in the inter-institutional order. Merton (1973) argued that an institution of science must have a fundamental basis of knowledge, freedom towards research, peer recognition and acknowledgement, and open disclosure of research results. Moreover, Sauermann and Stephan (2013) study of a multi-dimensional view of industrialists and academics confirms that there are subtle conflicting logics between them. They investigate the nature of work, characteristics of the workplace, and attributes of workers that constitute its organizational behavior. A similar study confirmed by Lounsbury (2007) and Thornton and Ocasio (2008) contrast between the trustee versus performance logic in the mutual funds industry, aesthetic logic versus efficiency logic in architecture, and editorial logic versus market logic in higher-education publishing.

On the other hand, a business practitioner, embedded within a commercial logic, has a different perspective compared to an academic. Employing Friedland and Alford (1991) symbolic concept of capitalism, the nature of commercial logic attempts to convert all actions into the buying and selling of commodities that have a monetary price. Moreover, commercial logic possesses practices and norms that appreciate bureaucratic control, restrictions on disclosure, and the private appropriation of financial returns (Sauermann & Stephan, 2013). Yen, Chen, Lee, and Koh (2003) found a gap between the perceptions of academics and practitioners in the information systems industry in Taiwan. Practitioners had interests in areas such as organizational behavior, strategic management, oral and written communication, team and leadership, and personal traits, compared with academics' perspectives of technical skills. In this study, the business practitioner's institution represents a pool of entrepreneurs who are closely related to the 'commercial logic' perspective. The construction logic is developed based on the findings and literature on corporate and commercial behaviors. Such practices relate to bureaucratic control, restrictions on disclosure, private appropriation of financial returns, and orientation towards managerial capitalism (Sauermann & Stephan, 2013; Thornton et al., 2012). As an entrepreneur, the fundamental concept of business relates closely to the metaphor of 'core survival', which is inherent in almost all profit-oriented business practitioners.

'Association' refers to a non-profit organization (NPO), which has a separate function when explicating institutional logics in the AEC. DiMaggio and Anheier (1990) stated that an association, as an NPO, tends to evoke ideology, even as an



instrument of capital. Nonetheless, an NPO possesses salient values of voluntarism, pluralism, altruism, and participation. Anheier (2006) stated that the non-profit sector has been a major economic and social force from the local and national to international levels. The spirit of this institution is to accommodate issues of human service, welfare and policies, issues on democracy, and advances in information and communication technology. Nowadays, NPOs have greater roles in major policy initiatives within nations. The form of its organization has also expanded into more professional models and styles, which touch on governance, accountability, and impact. The 'association' is included in this research due to the fact the institution contributes closely to successful ASEAN integration. It may seem that the association is a medium of institution for direct access to the government, in terms of communicating a set of group propositions towards the AEC. In this case, an association is converted from the function of 'community' in the ideal institutional orders. Moreover, this paper offers a set of institutions that are highly involved in the discussion of the AEC.

Lastly, the government (or state) is one institution that offers political stability while maintaining bureaucratic domination (Thornton et al., 2012). Positioned as the regulator to govern policies, the government as an institution plays an important role within the social and economic milieu, supporting people's welfare and ensuring good governance and equal distribution. Friedland and Alford (1991) argued that the mechanism of distribution lies on the fact that the government allows us to "transform diverse individual situations into the basis for routine official decisions". The root metaphor for such a mechanism is interpreted as fair and rational decisions amongst the people, so that the reputation becomes favorable and popular.

There is a strong indication that regional integration results in institutional changes; studies have been scrutinizing the development by constructivism (Risse, 2004) and of political and economic approaches (Duina, 2006). Other studies in institutional regionalism (Rattanaseeve, 2014) and institutional changes in ASEAN (Sukma, 2014) suggest an institutional constructivism in order to strengthen the role of ASEAN to its members. Scholars have been employing the logics in various disciplines on institutional behaviors, such as sociology, psychology, and management sciences (Thornton et al., 2012), which eventually enriches the holistic view of the Indonesian institution subsequent to the AEC. Hence, this study offers factors influencing business practitioners as 'actors' in meso- and macro institutions (Thornton & Ocasio, 1999), but also other perspectives offered by associations, academics and government officials.

In defining institutional legitimacy, Rüländ (2016) conducted a study that observed the regional interest representation of the ASEAN regional decision-making, namely non-participatory regional organization, state-corporatist arrangements, liberal-corporatist institutions, and liberal pluralism. These categories are based on a degree of participatory settings that either state-controlled or functional cooperation. This study, on the other hand, offers an exploration of context, where the Indonesian behaviors, cultural symbols, and organizational field practices, fall under the level

of institutional logics. Although one suggests that institutions such as government agencies, sectorial bodies, business associations and civil society will emerge in the related 'institutional orders' in AEC (Soesastro, 2008), the study allows institutional contradiction and contestation in logics (Thornton, 2015) and transitions reconstructed from the data findings. This ensures the current logics experienced by the Indonesian business practitioners, as well as regulators and academics.

## METHODOLOGY

This study complements the use of content analysis and interview analysis in order to construct meanings and sense-making from two different methods. The construction of meaning involves interpreting and understanding a set of document and interview transcription, until establishing a concept of thoughts, ideas, and phenomena (Weick, 1995). Following Meyer and Höllerer (2010) the analyses are constructed to explore a 'topographic map' of meaning and assisted in making sense of the structured configurations observed.

In a qualitative approach, with an interpretivistic methodology, the first step is to perform document analysis, where the researchers analyzed documents originating from online newspapers, magazines, and articles related to AEC and its preparation in Indonesia. There is a growing trend in this method, which enables researchers to capture information generated from people's behavior and interests through newspaper text mining (Cheney, 2013). Hence, this method is considered appropriate, given the fact that text mining enables us to reveal sense through meaning that is contested and negotiated amongst sources, which consequently constructs a 'social space with specific logics and characteristics' (Lok, 2010; Meyer & Höllerer, 2010). In order to present a holistic view of the current issues, the observed documents were taken from three different articles that originated from different languages and domiciles. They are 'liputan6.com' (an Indonesian-based news website in *Bahasa Indonesia*), 'The Jakarta Globe' (an Indonesia-based news website in English), and 'Channel News Asia' (an international news website) from 2013 – 2016. This method is considered important to the study, in order to elicit meaning, gain understanding, and develop empirical knowledge of a particular environment (Corbin & Strauss, 2008). There are reasons for employing document analysis in this study. Firstly, the extent to which the AEC phenomenon in Indonesia is relatively new and hence, there is a need to explore further the new changes of economic integrity. This approach is used by Vaismoradi, Turunen, and Bondas (2013) to identify sensitive phenomena, and to explore unknown phenomenon in a specific setting. Secondly, document analysis is also used to describe missing context, and "possibly finding theme based on frequency of occurrence, division of manifest and latent contents, and non-linear analysis process" (Vaismoradi et al., 2013, p. 399). There is a necessity to explore an in-depth understanding of changes in business processes, which will be affected after the implementation of AEC in Indonesia. Thus, document analysis is suitable for this study.

The analysis was based on two framings of interpretation: positive and a negative orientation. Consequently, the documents were analyzed sentence by sentence to



discover a phenomenon. A similar method of article analysis was performed by Lok (2010) and Meyer and Höllerer (2010) in order to reveal such connotations from the newspaper coverage.

The second step was to conduct interview sessions, which involved people who were expected to be impacted upon by the AEC. Based on the document analysis from the newspaper coverage, there were four main institutions that actively commented on the readiness of the AEC, namely business practitioners, government officials, associations, and academics. A semi-structured interview was conducted in order to retrieve a flexible, but related theme to each of the interviewees. The two steps of data collection were then analyzed in order to produce coding and to identify the pattern of understanding. It was imperative that these understandings enabled the researchers to construct prevalent meaning in a particular social field, as well as to capture the socio-political environment within the system (Meyer & Höllerer, 2010). An iterative process was needed to gain more understanding. This involved data collection, data reduction, display, and conclusion drawing, which are considered cyclical processes (Miles & Huberman, 1994). The findings were expected to produce coding and appropriate themes from the transcription and document analysis.

## RESULT AND FINDINGS

The first step of document analysis was conducted from January until May 2016, which involved 174 online news website articles. This consisted of 103 Indonesian articles in *Bahasa Indonesia*, 64 from an Indonesia-based news website in English, and 7 from a non-Indonesia-based news website in English. The reason to have three different types of news websites was in order to obtain fair and balanced information from national and international perspectives, while gaining fruitful information regarding the AEC and its preparation within the nation. The articles were analyzed based on the type sources interviewed by the reporter, and the content orientation towards AEC. The first reflects four institutions (shown on table 2), whereas the latter indicates the positive or negative comments from the sources (Table 3). The type of sources were counted based on the persons who were interviewed by the news.

Based on table 2, the findings showed that the majority of coverage involved government officials, with 106 comments, followed by 49 comments from the association, and 40 comments from the practitioners. Only 6 comments were produced by academics. This analysis shows that the government is imposing the AEC program intensively to the public, while the associations support such promotion. The analysis also showed business practitioners, with 40 sentences derived from the business perspective. The regulators and academics seemed to make fewer contributions to the AEC perspective.

Government/regulator	Association	Practitioner	Academic
106	49	40	6

**Table 2.**  
Source of Newspaper  
coverage

Table 3 shows the orientation towards AEC program, which divided into three categories of positive and negative comments: comment towards advised/planned activities, implemented action & strategic program, and casual comment or review. These categories represented all five sources in Table 2. The first category; comment towards advised/planned, means phrases or sentences that supported advisory and suggested content of AEC. The second category reflects phrases of ‘real’ implementation, executions, and strategic decisions for AEC program, while casual comment was for those sentences that did carry any profound connotation towards the AEC.

The findings suggest that the majority of comments favor positive orientation toward the AEC program, which consisted of 136 sentences of planned activities, 109 casual comments, and 53 on strategic program and actions. On the other hand, only 82 casual comments reflected a negative connotation towards the AEC, and none from either planned nor action activities. This also suggested that more than 35% of the content were subject to planned activities, while only 13.95% represented program implementation. Hence, the descriptive statistics, as a preliminary finding, showed that the implementation of the AEC in Indonesia had not shown a significant implementation towards execution and strategic decision-making. Interestingly, only 82 sentences or 21.58% of the overall findings showed negative phrases, such as apathetic, pessimistic, or skepticism regarding the AEC’s impact on Indonesia. In addition, Table 4 provides the six most frequent expressions or understandings, both on positive and negative orientations toward the AEC.

The second step involved in-depth interviews to executives from business practitioners and academics. Each group discussion was given an introductory short animation film about the AEC in order to provide the atmosphere of the content. The next session was to give the above orientation statements to the group, in which they have to comment based on their understanding of each of the statements. Expressions of feelings and thoughts in each group were important for this study, in order to grasp the area of interests and ambiance that underpinned the groups. The ideal types of institutions varied across settings and thus it reflected different mate-

**Table 3.**  
Orientation of comments  
from Newspapers

	Comment towards Advised/Planned activities	%	Implemented Action & Strategic Program	%	Casual Comment or Review	%
Positive orientation	136	35.79%	53	13.95%	109	28.68%
Negative orientation					82	21.58%

**Table 4.**  
Summary of Orientation  
Statements

Positive orientation	Negative orientation
AEC is an integrated economy in Southeast Asia	Indonesian economic is not ready
The Indonesian market has the greatest potential in Southeast Asia	The stability of economy and socio-politics is questionable
There is an optimistic spirit towards the AEC	Local production will undergo competition
10% of SMEs would fully harness and utilize digital methods in the next 5 years	Incompetent human and natural resource management
Indonesia would likely serve as a ‘market’ in the AEC	Certification is only a discourse
The AEC should serve as an opportunity for Indonesia to improve firms’ performance and expand beyond Indonesia	Import exceeds exports

rial symbols and practices within a society (Friedland & Alford, 1991). Therefore, the study proposed four institutional logics that were derived from the findings, shown in Table 5.

*Academics as an institution*

The findings of the academics started with a general knowledge of Indonesia, where they expressed the demographic advantage of the country. In the AEC, generally Indonesia is one of the largest developing countries that is still growing, as it has a population of about 250 million people in a country with rich oil and natural resources. One academic shows his perspective.

“So, we are considered as the biggest market... not the biggest probably, one of the biggest market in the world, and knowing that our market is also very consumptive, therefore it forces other countries to have good partnerships with Indonesia” (Academic, male)

The academic expressed that Indonesia was one of the largest consumption communities and it was attractive to other neighboring countries like Singapore and Malaysia wanting to be Indonesian business partners in providing products and services. Thus, many SMEs are leveraging the population “consumers” as their main business opportunity through online businesses.

“SMEs really harness and utilize digital methods, and this will become the main economic driver. However, one other priority is actually integration from the economy to the global economy. Now the only platform business that can easily connect to globally is basically online business”. (Academic, male)

Despite the convenience of global connectivity, Indonesian business growth seems to be flourishing with opportunities, unfortunately, it is yet to be equipped with the know-how to be a self-sustaining economic community as they are still dependent on some imports such as rice from Thailand.

“Yes, we do have more imports from other countries than exports but that’s the consequence of developing countries like Indonesia, we are still developing, and we have hundred or millions of people who also need lot of products and services, meanwhile we don’t have yet the capability to be self-sufficient. We have to import, that is the consequence. But we are going in the direction that our president mentioned that in the next 10 years, we are going to be self-sufficient in terms of commodities, [such as] rice, sugar and eve-

Categories	<i>Academics</i>	<i>Business Practitioners/ Corporation</i>	<i>Association</i>	<i>Government</i>
Root Metaphor	Teacher as nurturer	Hierarchy	Communicator	Redistribution Mechanism
Sources of Legitimacy	Academic Qualification Research freedom	Market position of Firm	Community Trustworthy	Democratic participation
Sources of Authority	University stakeholders	Top Management	Commitment to Association Values	Bureaucratic domination
Sources of Identity	Educator to be educated	Bureaucratic roles	Reputation of Association	Social & Economic class
Basis of Norms	Developing People	Self-Driven and financial return motivation	Group Membership	Citizenship membership

**Table 5.**  
Interinstitutional orders on  
AEC

rything. Yes, basic needs, something like that.” (Academic, male)

In summary, most academics expressed the general AEC implication/perspective in Indonesia rather than its implementation itself as there is no clear academic perspective and positioning. Many of the comment were mainly focusing on economy and its sustainability. The academics seemed to enjoy discussing the general issues of AEC at a more general macro-level.

The second issue discussed was the implementation of the AEC. According to this institution, this was not easily demonstrated in a heated discussion amongst fellow academics since the big question was ‘who is taking charge of AEC implementation?’

“Don’t talk about the vision, we *kenyang lah* [an expression of ‘fed up’], focus on implementation. What is the gap and how are we going to solve that? [I mean the] real gap. There is a gap, and the gap will always be the rule game: procedures, detailed procedures. Who is taking charge of that?” (Academic, male)

The academics realized that Indonesia was losing out due to the ‘unknown’ rule and the know-how of this project. There was a level of frustration to witness that other neighboring countries such as Malaysia were harvesting market share by acquiring Indonesian’s plantation companies.

“Exactly. So okay, there is a pizza, go grab yourself. And people would be like okay, they never tasted the pizza before, AEC has never been here before. Those smart people from other countries like Malaysia for example they incorporate you see. If you do this, then you can go here. That’s why for example like the last ten years, they have been buying Indonesia’s plantation company. Why are they expecting this? So they already move strategically.” (Academic, male)

The academic expressed their opinion of the AEC as having no leadership and priorities, a simple metaphor to compare where Indonesia stands comparatively with developed neighboring countries such as Malaysia.

“This presidency or this leader of the country, they have limited time, like four years or five years turn. So they will focus only for four years or five on the administration and the ASEAN Economic Community. They never become the first priority of this activity, always like number four or number five, not that prioritized. If those leaders don’t prioritize that also, how can we believe that this will become reality?” (Academic, male)

It does not help that the presidential tenure within this region is only for four years. The presidential focus is usually within his/her administrative role and little energy is given to developing any AEC projects. Academics felt that implementation steps were taken lightly. In terms of the micro-perspective, the academics highlighted that the Indonesia government was protecting its businesses, yet they were unclear with their regulations and that created reluctance from foreign investors.

“Why bother discussing product competitiveness, when Indonesia [only] invites foreign investors with the tight entry requirement. That will deter away the possibilities of investment and development of the country itself.” (Academic, male)

Hence, the academic questions the politicians’ priorities in the growth of AEC. This

will not create confidence in the nation to follow through.

“Confidence needs to be emphasized if Indonesia wants to develop its human resources. And then yes, it is also needs the human resources and needs to have support from the government in terms of the certification. So, the competencies need to be standardized. In what area you are good in, it has to be certified. And the certification has to comply with global or international standards by acknowledgement means that we are there, we are equal, we have equal standard of competencies, we have equal standard of ability with other human resources from other countries” (Academic, female)

In summary to these quotations, academics briefly mentioned that there are some micro-details that the Indonesia government needs to consider such as product qualification/certification standards certification in order to stimulate ‘trust’ in exporting. However, in hindsight, Indonesia has not been open to foreign business trade easily either as there are many barriers to entry. Thus, very few SMEs play a role in contributing to the AEC. Much of the content discussed the macro-level perspective and few discussions on the educational part, as well as the implementation towards people’s development. Although some academics addressed the pillars of AEC and certification importance, the other fellow academics had little interest in developing such discussion into these areas.

### ***Business Practitioners as Institution***

The other institution findings were within the business practitioner group. The findings suggested two major themes found in the discussion: culture and adaptation. The former represented the notion that the Indonesian business practitioners were aware of the resistance to change within the society, whereas the latter constituted the nature of adaptation towards change due to the AEC.

In terms of cultural context, the business practitioners argued that cultural mind-set is a fundamental perspective towards change, as many of the entrepreneurs had difficulties in changing their mind. One comment expressed this matter:

“I think ... the culture is not ready yet, basically, [and] it is not about the economy or the quality or the productivity or production. My point of view is the culture because we are so used to being lazy and we are more collective people. That’s why one small restaurant can have ten staff, if we see at a Chinese restaurant in Indonesia, they can have people standing around near the tables and basically it is actually not comfortable.” (Entrepreneur, male)

The notion of being ‘lazy’ may also be interpreted as the way in which the Indonesians often have many staff working on the same task in a company. They prefer to have many people working around him/her, which may also be inefficient from the company’s point of view. On the other hand, the ability to reduce the number of staff was considered ‘unnecessary’ or taboo. Moreover, the tendency to not to change the situation is also supported by another entrepreneur:

“I feel that we won’t be able to be ready because we are afraid to change; maybe all of us are scared to change. But overall, we must make our move first, or let’s say, we just try.” (Entrepreneur, male)

There is a strong tendency that the entrepreneurs had difficulties understanding the situation of change, which results in a behavior of trial and error to meet the new demands of the AEC opportunities. His expression of ‘we just try’ is perceived as a ‘passive’ movement of how he has to run the business. Unclear guidance from the authorities may make a contribution to such behavior. Another similar expression supports this notion of uncertainty.

“We are all taking about the same thing: mind-set. The second is the mentality [of readiness]. The Indonesian middle-class group is growing in terms of numbers and capital. Many young entrepreneurs are establishing; they were sent overseas to study and have come back with different mind-sets. Overall, there no way except to jump in, otherwise we will be left behind. People will adapt.” (Entrepreneur, male)

The word ‘adapt’ appeared as soon as the entrepreneur had no option except to change. Adaptation to change required a great deal of effort, not only for his ability to run the business, but also throughout the entire company and staff.

Overall, the discussion from the business practitioner’s perspective, in this case the entrepreneurs, showed a common ground of discussion, in which the micro-level perspective is dominant. Nevertheless, the notion of ‘unclear’ and ‘unsure’ connotations remained strong within the topic, which also provided an idea of what business practitioners expect might happen post-AEC implementation.

#### *‘Associations’ as institutions*

In general, an association can be inferred as a group of society which has similar thoughts, goals, and interests. An association is considered to be socially constructed based on people’s interaction that underlie the formation of social institutions. In this case, the ‘association’ is similar to a community, as one institution, to scrutinize the interrelation between institutions which also represent as an interest representation. Moreover, Thornton et al. (2012) argued that the role of community sets out an understanding of local norms and rules that serve as a legitimate model of an organizational-field. There is a high degree of association involvement in terms of communicating messages regarding the AEC project.

Within the association there are few perspectives simultaneously. In view of the economic perspective, there should be a ministry or ministries that can replicate how the European Union was established and founded in Netherlands in 1993, working on incorporating laws in trades and migration from seven different countries.

“So they would probably give you a better economic perspective. So we are going to be talking with lots of businesses. Actually as we speak, I think Alex and Vina are finishing their meeting with our donors on this project. So, they will be talking to businesses; they will be talking to different ministries as well as different permanent representatives that are in here Jakarta to talk about, you know how Europeans would be able to navigate this because this is something that we also try to navigate for our purpose as well, for our knowledge.” (Association, female)

Apart from depending on ministries in providing the AEC information, the NGOs



are feeling some ‘push’ efforts campaigning for the AEC from the government, and even more when the ASEAN Secretariat is located in the central of Jakarta itself.

“But from our standpoint as a non-government organization, as well as think tank, we saw that there are so many pushes by the government but it was a bit, too little too late, meaning, in terms of preparedness and people hyping it up as jargon saying ‘oh, AEC, AEC!’, but then not really putting it out there as to what it entails.” (Association, female)

In trying to gather information from the relevant government/ministries, the researcher found that stakeholders in society were left feeling ‘lost’ as they were not provided with any information on the AEC. How would the AEC assist the future economy in these 10 ASEAN countries? Has the government prepared our future students with the readiness to enable them to work in a different environment, society/community? Is our future generation ready to take up the challenge?

“So, there is very little information as to how AEC affects them. Questions came to us as a center, whereby we distribute information on ASEAN as basically as a messenger. We were often asked by small medium enterprises by even businesses, how this will affect us. That continues to be the question and even until now, how would this affect us?” (Association, male)

During the researcher interview with the business practitioners, many SMEs/ entrepreneurs expressed similar concerns in trying to grasp the understanding of the how the AEC can and should work collaboratively with 10 different Asian countries. However, there is no right or wrong answer to this discussion as there was no information and confirmation from any regulated association entailing details of ‘the how’.

“To be honest, we also don’t know how this is affecting any businesses - whether there is anything positive, whether there is negative. But, we know that a lot of people are still asking that question. There is no clear guideline for example as you know it is still businesses as usual.” (Business practitioner, male)

With this study the researchers concluded that as a society and economically we are ready for the challenge, yet there were no direction, information and collaborative efforts from the government working at the macro-level to link us with businesses from other Asian countries. Many SMEs are working with businesses from other Asian or non-Asian countries which covers the micro-level of trade and business. As it is there are many foreigners coming into Indonesia just for business purposes and hence that has demonstrated that we are aware of the resources and expertise that Asian countries are already providing.

## DISCUSSION

The purpose of this study was to extend further understanding of the ideal type of institution derived from academics, business practitioners, and associations regarding AEC changes. The framework designed by Thornton et al. (2012) described the Western ideal types of institutional logics, whereas the notion of transforming into a specific locus in the Indonesian content was imperative to be discovered. The

role of two institutions was expected to provide insights of institutional logics that emerged from the findings and provide a new perspective of analysis. As previous studies illustrated on the horizontal comparison between ASEAN members (Benny et al., 2015), and the institutional representation by Rüländ (2016), this study analyzed the impact on the macro and micro-level institutional perspective in Indonesia.

The findings suggest there is a definite gap of orientation between business practitioners and the academics. On one hand, the academics, who are assigned to cater to knowledge of the AEC, have less involvement to the notion as to what is the ideal type of institution. Their contributions to the macro-discussion on politics and the economic situation post-AEC often suggests a holistic view of the Indonesian perspective. The expectation to incline toward a micro-level conversation and implication are somewhat underdetermined. Specifically, business academics play an important role in designing a framework that bridges the gap between business practitioner and the expected outcome of the AEC. However, due to unclear vision from the officials in each of the ASEAN members (Ravenhill, 2008), and uncommitted engagement between government agency members (Jones, 2015), the implementation on the micro-level is far from reality. This is in-line with Indonesian business practitioners facing fear of the implications of the AEC (Rüländ, 2016) due to unrepresentative and asymmetric interest representation. There is a strong indication that the level of participation of the four institutions may have difficulties in taking on board the ramifications of the AEC project. The 'passive' participation from the business practitioners also suggests that this institution fails to comprehend what is essential for them as a 'core survival' mode, and rather to become the 'victims' of such a project in this situation (Rüländ, 2016). This argument is in line with Ravenhill (2008), in that the business sector has little participation in the AEC project and that institutional process is highly involved with government-to-government agreement. Nonetheless, the implementation at the micro-level seems to have been 'neglected' in a way that both institutions require a great deal of assistance in this matter. Moreover, as seen in the newspaper coverage analysis in table 2, the participation of practitioner and academics on this project were far less than those who commented from the government and associations. Compared with the EU development described by Perkmann (2002), there is little contribution given from both parties, which consequently explains the narrow vision of this project within the institutional fields. Only associations conducted their role in communicating messages derived from the government. This promotes the idea that the two institutions are being 'excluded' from the grand purview of the AEC project. As such, the expression of an 'ambitious' project is also confirmed by Petri et al. (2012), in that further cooperation and role-strengthening between these institutions is heavily needed.

### **THEORETICAL IMPLICATION**

The study also provides two theoretical implications. First, institutional logics perspective serves as a comprehensive lens to scrutinize social and cultural construction that not only discovers a societal culture of individuals and organizations, but

also identifies and integrates multiple levels of analysis. Second, by un-entangling each of the institutions and their institutional nature, this study aids to align the function of each role in the successful implementation of AEC. Institutional logics help to determine the cause of misalignment roles of relevant institutions and their capacity to promote the success of the project. This study also portrays the four designated institutions in which some categories within inter-institutional order cannot be implemented as it should be. The asymmetric system representation initiated by Rüländ (2016) and the importance of having solid, sufficient and efficient forms of institutions (Rattanasevee, 2014) may well be suited within the typology of institutional logics offered in this study.

### **MANAGERIAL IMPLICATIONS IN THE SOUTH EAST ASIAN CONTEXT**

This study offers managerial implication to institutions involved in the AEC promotion. The four institutions represent a subset of salient role, which enable to construct partnerships within the AEC context. All must maintain good 'working colleague' that can boost the awareness, as well as to actively participate in the AEC promotional activities. The government of ASEAN members are obliged to provide clear guidelines on AEC implications to businesses, academics, associations and communities affected by this program. The government should work closely to cooperate, not only for the above-mentioned institutions, but also unifying perceptions and linearity of objectives with other ASEAN governments. This allow a coordination across institutions and members. On the other hand, businesses, as well as academics and association, must actively participate in this project and ensure smooth transition towards one economic community. Much higher roles, in particular, the academics and business practitioners, is needed to ensure clear information of AEC programs. Institutional logics enable all institutions to map their function and order, in which

### **CONCLUSION**

In conclusion, the construction of ideal types of institutional logics provides a comprehensive analysis of building an understanding of existing institutional change, and an attempt to construct a topographic map of Indonesian business society. The framework shows a detailed category that represents symbolic materials and practices that can identify each of the institutions represented by academics, business practitioners, associations, and the government. Communication is another reason why the AEC project is less implemented in each institution. The inter-institutional ideal systems mentioned in Table 5 are not fully manifested within these institutional orders. Thus, further calibration of roles and responsibility are required. Overall, the cultural context in Indonesia can also be accommodated with this framework, in that specific norms and behaviors represents the characteristics embedded within the institutions, which are often omitted from Western perspectives. Hence, institutional logics enable studies from the Eastern view to emerge and contribute positively to the literature.

There are limitations of this study that need to be described. Firstly, most studies

concerning ASEAN integration and regionalization are within the area of international relations, economics, and policy studies, thus making this study a challenging approach from the sociological perspective. However, this study provides an introduction to the use of the qualitative approach for future studies of institutional mapping in Indonesia.

Secondly, due to limitations and difficulty of access to other institutions such as government officials, this study has been cross-sectional in the nature of collecting data. Thirdly, only one researcher was involved in this project and some interviews were conducted and transcribed in Indonesian. As such, there may be a lost-in-translation process that may lose the essence of logics. However, back translation was provided to counter such problems. Lastly, a generalization issue, as part of further qualitative studies this study cannot be compared between academics and/or business practitioners in other settings.

This study suggests an avenue of research. First, the application of institutional logics in Indonesia can be extended to the use of ethnic norms and values, which also provide a more Eastern ‘flavor’ towards understanding in a cultural manner. Indonesia has been acknowledged as one of the most diverse nations of ethnicity, religion, and race, which holds more than three hundred dialects and languages. The utilization of this framework can enrich the formation and category of ideal types, dedicated to understanding more comprehensive materials and practices. Second, the additional institutions from the government and association perspectives may enrich the holistic overview of the AEC program within the Indonesia business context. Also, scrutinizing other members in ASEAN will acknowledge the variety of issues concerning the changes within each nation.

## REFERENCES

- Anheier, H. K. (2006). *Nonprofit organizations: an introduction*. Abingdon: Routledge.
- ASEAN. (2007). *ASEAN Economic Community Blueprint*. Jakarta: ASEAN Secretariat.
- Benny, G., Yean, T. S., & Ramli, R. (2015). Public Opinion on the Formation of the ASEAN Economic Community: An Exploratory Study in Three ASEAN Countries. *International Journal of Asia Pacific Studies*, 11(1), 85-114.
- Cheney, D. (2013). *Text mining newspapers and news content: new trends and research methodologies*. Paper presented at the the 79th IFLA World Library and Information Congress, Singapore. <http://library.ifla.org/233/1/153-cheney-en.pdf>
- Corbin, J., & Strauss, A. (2008). *Basics of qualitative research: Techniques and procedures for developing grounded theory*. Thousand Oaks, CA: Sage.
- DiMaggio, P., & Anheier, H. K. (1990). The sociology of nonprofit organizations and sectors. *Annual review of sociology*, 16(1), 137-159.
- DiMaggio, P., & Powell, W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American sociological review*, 48(2), 147-160.

- Duina, F. G. (2006). *The social construction of free trade: The European Union, NAFTA, and Mercosur*. Princeton: Princeton University Press.
- Fini, R., & Lacetera, N. (2010). Different yokes for different folks: Individual preferences, institutional logics, and the commercialization of academic research. In G. D. Libecap, M. Thursby, & S. Hoskinson (Eds.), *Spanning boundaries and disciplines: University technology commercialization in the idea age* (pp. 1-25). Binley: Emerald Group Publishing Limited.
- Friedland, R., & Alford, R. R. (1991). Bringing society back in: Symbols, practices and institutional contradictions. In W. Powell & P. DiMaggio (Eds.), *The new institutionalism in organizational analysis*. Chicago: The University of Chicago Press.
- Granovetter, M. (1985). Economic action and social structure: the problem of embeddedness. *American Journal of Sociology*, 91(3), 481-510.
- Hew, D., & Soesastro, H. (2003). Realizing the ASEAN economic community by 2020: ISEAS and ASEAN-ISIS approaches. *ASEAN Economic Bulletin*, 20(3), 292-296.
- Jepperson, R. L. (1991). Institutions, institutional effects, and institutionalism. In W. Powell & P. DiMaggio (Eds.), *The new institutionalism in organizational analysis* (Vol. 6, pp. 143-163). Chicago: The University of Chicago Press.
- Jones, L. (2015). Explaining the failure of the ASEAN economic community: The primacy of domestic political economy. *The Pacific Review*, 29(5), 647-670.
- Lok, J. (2010). Institutional logics as identity projects. *Academy of management Journal*, 53(6), 1305-1335.
- Lounsbury, M. (2007). A tale of two cities: Competing logics and practice variation in the professionalizing of mutual funds. *Academy of management Journal*, 50(2), 289-307.
- McKinsey, & Company. (2003). *ASEAN Competitiveness Study*. Jakarta: ASEAN Secretariat.
- Merton, R. K. (1973). *The sociology of science: Theoretical and empirical investigations*. Chicago: University of Chicago press.
- Meyer, R. E., & Höllerer, M. A. (2010). Meaning structures in a contested issue field: A topographic map of shareholder value in Austria. *Academy of Management Journal*, 53(6), 1241-1262.
- Miles, M. B., & Huberman, A. M. (1994). *Qualitative data analysis: An expanded sourcebook* (2nd ed.). London: Sage Publication.
- Perkmann, M. (2002). Euroregions: institutional entrepreneurship in the European Union. In M. Perkmann & N. Sum (Eds.), *Globalization, regionalization and cross-border regions* (pp. 103-124). Basingstoke: Springer.
- Perwita, A. A. B. (2015, 19 August 2015). Kurang Sosialisasi, Indonesia Belum Siap Hadapi MEA. *www.beritasatu.com*. Retrieved from <http://www.beritasatu.com/dunia/300123-kurang-sosialisasi-indonesia-belum-siap-hadapi-mea.html>
- Petri, P. A., Plummer, M. G., & Zhai, F. (2012). ASEAN Economic Community: A General Equilibrium Analysis. *Asian Economic Journal*, 26(2), 93-118.
- Plummer, M. G. (2006). *The ASEAN economic community and the European experience*. Working Paper Series on Regional Economic Integration No. 1. Asian



Development Bank.

- Rattanasevee, P. (2014). Towards institutionalised regionalism: the role of institutions and prospects for institutionalisation in ASEAN. *SpringerPlus*, 3(1), 1-10.
- Ravenhill, J. (2008). Fighting irrelevance: an economic community 'with ASEAN characteristics'. *The Pacific Review*, 21(4), 469-488.
- Risse, T. (2004). Social constructivism and European integration. In A. Wiener & T. Diez (Eds.), *European Integration Theory* (pp. 159-176). Oxford: Oxford University Press.
- Rüland, J. (2016). Why (most) Indonesian businesses fear the ASEAN Economic Community: struggling with Southeast Asia's regional corporatism. *Third World Quarterly*, 37(6), 1130-1145.
- Sauermann, H., & Stephan, P. (2013). Conflicting logics? A multidimensional view of industrial and academic science. *Organization science*, 24(3), 889-909.
- Soesastro, H. (2003). *An ASEAN Economic Community and ASEAN+ 3: How do they fit together?* Pacific Economic Paper 338. Australia-Japan Research Centre, Australian National University.
- Soesastro, H. (2008). Implementing the ASEAN economic community (AEC) blueprint. In H. Soesastro (Ed.), *Deepening Economic Integration - The ASEAN Economic Community and Beyond* (pp. 47-59). Chiba: ERIA Research Project 2007.
- Sukma, R. (2014). ASEAN beyond 2015: The imperatives for further institutional changes. *ERIA Discussion Paper*. Jakarta: Economic Research Institute for ASEAN and East Asia.
- Thornton, P. (2004). *Markets from culture: Institutional logics and organizational decisions in higher education publishing*. Stanford: Stanford University Press.
- Thornton, P. (2015). Culture and Institutional Logics. *International Encyclopedia of the Social & Behavioral Sciences*, 5(2), 550-556.
- Thornton, P., & Ocasio, W. (1999). Institutional logics and the historical contingency of power in organizations: Executive succession in the higher education publishing industry, 1958-1990 1. *American Journal of Sociology*, 105(3), 801-843.
- Thornton, P., & Ocasio, W. (2008). Institutional logics. In R. Greenwood, C. Oliver, R. Suddaby, & K. Sahlin-Anderson (Eds.), *The Sage handbook of organizational institutionalism* (Vol. 840). London: Sage Publication.
- Thornton, P., Ocasio, W., & Lounsbury, M. (2012). *The institutional logics perspective: A new approach to culture, structure, and process*. London: Oxford: Oxford University Press.
- Vaismoradi, M., Turunen, H., & Bondas, T. (2013). Content analysis and thematic analysis: Implications for conducting a qualitative descriptive study. *Nursing & health sciences*, 15(3), 398-405.
- Weick, K. E. (1995). *Sensemaking in organizations* (Vol. 3). Thousand Oaks: Sage.
- Yen, D. C., Chen, H.-G., Lee, S., & Koh, S. (2003). Differences in perception of IS knowledge and skills between academia and industry: findings from Taiwan. *International Journal of Information Management*, 23(6), 507-522.