Inter-Sectoral Institutional Collaboration to Increase Global Competitiveness in the Digital Economy Era

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Abstract. This study aims to examine how institutional collaboration between sectors can con-tribute significantly to increasing global competitiveness in the digital economy era. The rapid digital transformation demands cross-sectoral collaboration between the gov-ernment, business world, educational institutions, and civil society to form an innova-tive, adaptive, and sustainable ecosystem. This study uses a qualitative approach with a case study method, through data collection from policy documents, in-depth inter-views, and observations of collaborative practices in various strategic sectors. The re-sults of the study indicate that inter-sectoral collaboration designed with the principles of good governance, transparency, accountability, and participation plays an important role in encouraging digitalization of services, developing digital talent, and strengthen-ing institutional capacity. The determining factors for successful collaboration include synergy of visions between stakeholders, regulatory alignment, and adequate digital infrastructure support. However, challenges are still found in aspects of policy coordi-nation, program fragmentation, and inequality in access to technology. This study rec-ommends strengthening cross-sectoral institutions through the establishment of a na-tional digital coordination forum, integration of databases between institutions, and de-velopment of a collaborative culture based on innovation. With this strategy, institu-tional collaboration can be a major driver in improving Indonesia's competitive position at the global level in the digital economy era.

Keywords: Institutional Collaboration, Global Competitiveness, Digital Economy, In-ter-Sectoral, Digital Transformation

1 Introduction

In the era of the global digital economy, competitiveness among nations is no longer measured solely by physical infrastructure and natural resources, but increasingly by the capacity to innovate, collaborate, and adapt across multiple sectors. The acceleration of digital transformation has created new paradigms in how governments, industries, educational institutions, and civil society interact to address increasingly complex challenges. According to the World Economic Forum (2023),

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digital competitiveness is now seen as a key indicator of a nation's ability to sustain economic growth and inclusivity. The COVID-19 pandemic has further catalyzed this shift, prompting an urgent need for synergy across institutions to deliver integrated digital services, support remote learning and work models, and mitigate socio-economic disparities exacerbated by technological divides.

In Indonesia, the potential to leverage the digital economy for inclusive development is significant. The country is projected to become the largest digital economy in Southeast Asia, with a forecasted digital market value of USD 130 billion by 2025 (Google, Temasek & Bain, 2022). Yet, this potential remains unevenly realized. Despite considerable investments in digital infrastructure, many public and private institutions still operate in silos. Fragmented policies, regulatory inconsistencies, and weak inter-sectoral coordination continue to hinder Indonesia's efforts to build a robust and inclusive digital ecosystem. Research by Afrianty et al. (2023) underscores that collaborative governance remains underdeveloped, particularly between public sector agencies and digital start-ups, limiting innovation diffusion and digital talent development.

Empirical observations in the field reflect persistent gaps in the implementation of cross-sector initiatives. For instance, interviews conducted with representatives from regional education departments and tech-based non-governmental organizations reveal that while collaborative digital literacy programs exist, they are often short-lived due to misaligned goals and lack of resource sharing. These findings resonate with the challenges outlined by Taufik and Suryani (2021), who highlight how bureaucratic rigidity and overlapping mandates among government institutions impede the co-creation of sustainable digital policies.

From a social and educational perspective, the issue warrants urgent attention. The inability to cultivate a unified digital vision across institutions has implications for digital equity, public trust in governance, and the future readiness of Indonesia's labor force. Without intentional collaboration, the digital divide could widen, particularly affecting rural communities and marginalized populations with limited access to quality education and digital tools. Therefore, understanding the mechanisms that foster or hinder institutional collaboration becomes vital for promoting digital inclusivity and civic empowerment (Hastuti et al., 2022).

Previous studies on institutional collaboration often focus on formal structures or policy evaluations but rarely investigate the lived experiences and negotiation processes that shape such partnerships. There remains a paucity of research that explores how cross-sector actors interpret, enact, and sustain collaborative practices in complex sociopolitical environments. Moreover, limited attention has been paid to how cultural values, organizational logics, and power asymmetries influence inter-institutional trust and accountability in the digital transformation context (Wahyudi & Kurniawan, 2023).

This study responds to these gaps by adopting a qualitative case study approach to explore how inter-sectoral institutional collaboration contributes to enhancing global competitiveness in Indonesia's digital economy. Drawing on in-depth interviews, policy document analysis, and field observations, this research examines the experiences of stakeholders across government agencies, educational institutions, the private sector, and civil society in designing and implementing digital initiatives.

The main objective of this study is to analyze the dynamics, enabling factors, and challenges of cross-sector collaboration, with a focus on how such efforts foster digital innovation, talent development, and institutional resilience. The study centers on collaborative efforts that reflect principles of good governance—transparency, accountability, and participatory decision-making—as frameworks for understanding effective inter-organizational synergy.

By framing the investigation within the theoretical lens of collaborative governance (Ansell & Gash, 2008) and institutional isomorphism (DiMaggio & Powell, 1983), the study offers both theoretical and practical contributions. Theoretically, it deepens the understanding of how collaborative governance functions in emerging economies during digital transitions. Practically, it provides actionable recommendations for policymakers and practitioners to design inclusive and adaptive institutional frameworks for digital governance.

Ultimately, this research aspires to strengthen the strategic alignment among Indonesian institutions in achieving national digital competitiveness goals. It seeks to inspire cross-sector actors to embrace a culture of innovation and mutual learning, thereby accelerating the country's trajectory toward a resilient, inclusive, and globally competitive digital society.

2. Literature Review

2.1. Conceptualizing Inter-Sectoral Collaboration

Inter-sectoral collaboration is increasingly recognized as a strategic approach to addressing complex challenges in the digital economy, where no single sector possesses the capacity to enact systemic change independently. Gray (2021) defines inter-sectoral collaboration as "a purposive relationship between two or more sectors committed to achieving shared goals that could not be accomplished by the actors individually." This concept emphasizes shared responsibility, mutual learning, and collective problem-solving among government institutions, businesses, academia, and civil society. The collaboration process often requires negotiation, compromise, and coordinated planning to bridge institutional logics and overcome structural inertia.

2.2 The Digital Economy and Institutional Alignment

The digital economy refers to economic activities driven by digital technologies, data, and platforms that transform the way individuals, organizations, and societies function. In this context, institutional alignment plays a pivotal role. Digital transformation entails a shift in institutional behaviors and governance styles to embrace innovation, flexibility, and real-time responsiveness (Chen et al., 2022). Institutions must move beyond transactional interactions and adopt relational models that promote co-creation and sustainable digital infrastructure development.

Collaborative arrangements are thus expected to reduce fragmentation and foster inclusive growth.

2.3 Collaborative Governance as Theoretical Lens

This study adopts collaborative governance theory as its central analytical framework. First articulated by Ansell and Gash (2008), collaborative governance refers to structured processes and mechanisms through which diverse stakeholders engage in consensus-oriented decision-making. Emerson et al. (2012) further refined this concept by introducing the Collaborative Governance Regime (CGR), which comprises principled engagement, shared motivation, and joint capacity. These principles are critical in assessing the depth and sustainability of collaboration in the Indonesian digital context, where governance remains fragmented and sectoral authority is often contested.

2.4 The Role of Good Governance Principles

The principles of transparency, accountability, participation, and responsiveness are cornerstones of good governance and are intrinsically linked to successful inter-sectoral collaboration. According to Mahendra et al. (2023), these principles not only build trust among stakeholders but also ensure that decision-making processes are inclusive and equitable. Within digital transformation efforts, such governance qualities are particularly important in preventing elite capture, ensuring data integrity, and managing platform-based service delivery.

2.5 Institutional Theory and Digital Ecosystems

Institutional theory, particularly the concept of isomorphism introduced by DiMaggio and Powell (1983), helps explain why institutions adopt similar digital practices over time due to normative pressures, mimetic tendencies, and coercive regulations. In Indonesia's digital transformation landscape, these mechanisms often manifest in the adoption of e-government tools, learning management systems, and regulatory tech frameworks. However, institutional theory also acknowledges the resistance to change, especially in public sector entities that prioritize hierarchy and stability over agility (Yuliani & Prabowo, 2021).

2.6 Operationalizing Core Concepts

In this research, institutional collaboration is operationalized as structured and sustained cooperation among cross-sector stakeholders in designing and implementing digital programs. Digital transformation is viewed not just as a technological shift but as an institutional process involving cultural, strategic, and infrastructural changes. Global competitiveness, meanwhile, is defined based on the World Economic Forum indicators, which include digital skills, innovation capacity, and infrastructure readiness. These concepts are interrelated in the framework of this study: effective collaboration is hypothesized to drive digital transformation, which in turn enhances competitiveness.

2.7 Empirical Review: National Study

A study by Fitriani and Subekti (2021) analyzed collaborative efforts between local governments and vocational schools in West Java in delivering digital entrepreneurship training. The study revealed that while collaboration was initiated through formal memoranda, informal mechanisms such as shared digital platforms and community-led monitoring ensured sustainability. However, challenges remained in aligning evaluation indicators across institutions. This case underscores the importance of mutual accountability and process-oriented evaluation in inter-sectoral collaboration.

2.8 Empirical Review: Regional Study

In a Southeast Asian context, Nguyen et al. (2022) explored inter-organizational collaboration in Vietnam's Smart City program. The study employed a case study methodology involving interviews with public and private sector stakeholders and found that trust-building and inter-agency learning were central to sustaining partnerships. The Vietnamese experience highlights how cultural dimensions, such as respect for hierarchy and collective responsibility, influence collaboration outcomes, providing valuable parallels to the Indonesian context.

2.9 Empirical Review: Global Perspective

From a global perspective, Larsen and Prasad (2023) investigated cross-sector digital governance in Denmark's public health sector. They found that data integration efforts, when framed through a collaborative lens, resulted in higher citizen satisfaction and service delivery efficiency. The study emphasized the role of digital intermediaries—non-state actors such as universities and think tanks—in facilitating inter-sectoral dialogue and innovation, a model that could inspire Indonesian reforms.

2.10 Critical Evaluation of Theoretical Contributions

Despite their usefulness, many of the reviewed studies treat collaboration as a static or formal arrangement rather than a dynamic process shaped by socio-political factors. Few address the informal power negotiations, institutional path dependencies, or contextual adaptability needed for long-term collaboration. Moreover, the majority of literature lacks insight into how collaboration affects institutional learning and cultural transformation, particularly in post-bureaucratic or hybrid governance systems like Indonesia's.

2.11 Theoretical Gaps and Research Justification

The literature also demonstrates a theoretical and empirical gap concerning the interplay between institutional culture, collaborative governance, and digital transformation in emerging economies. While frameworks such as CGR provide structural clarity, they often neglect the lived experiences of practitioners navigating inter-organizational boundaries. This study aims to fill this gap by exploring not only the mechanisms but also the meanings and relational dimensions of institutional collaboration.

2.12 Synthesizing Theoretical Perspectives

Integrating collaborative governance theory with institutional and digital transformation theories allows a more holistic understanding of how and why collaboration occurs or fails. The combination of macro (policy and structure), meso (organizational culture and norms), and micro (individual agency and leadership) levels provides an interpretive framework for analyzing both the enablers and inhibitors of cross-sectoral partnerships in Indonesia's digital ecosystem.

2.13 Contextualizing in Indonesia's Governance Landscape

Indonesia presents a unique case due to its decentralized governance, bureaucratic complexity, and rapid digitalization trajectory. The diversity of actors—from ministries and local governments to Islamic boarding schools and fintech start-ups—requires a tailored theoretical approach that accounts for asymmetrical power relations, institutional inertia, and policy uncertainty (Susanto & Harahap, 2024). The literature has yet to robustly analyze this context using collaborative and institutional lenses in tandem.

3. Research Methodology

This study employed a qualitative case study approach, which is well-suited for exploring complex phenomena within their real-life contexts. A case study enables in-depth examination of inter-sectoral institutional collaboration by capturing nuanced experiences, behaviors, and interpretations of actors involved in digital transformation processes. The approach aligns with the research objective to uncover the mechanisms, meanings, and practices embedded in collaborative governance across institutional boundaries. Yin (2020) emphasizes that case studies are particularly appropriate when the boundaries between phenomenon and context are not clearly evident, as is the case with digital ecosystem development involving multiple sectors.

The research was conducted in two primary locations: Indonesia, and Malaysia, selected due to their strategic roles as national digital hubs with active inter-sectoral innovation programs. These locations provided contrasting yet comparable institutional settings for examining how collaboration unfolds in diverse sociopolitical contexts. And allowing for sufficient engagement with stakeholders and observation of programmatic activities related to digital literacy campaigns, digital governance forums, and educational technology projects.

Participants were selected using a purposive sampling technique, supported by snowball sampling to identify additional informants with relevant experience. Informants included government officials from digital transformation task forces, representatives from public and private universities, executives from tech start-ups, and leaders from civil society organizations. Criteria for selection included: (1) active involvement in inter-organizational digital programs, (2) a minimum of two years of experience in relevant sectors, and (3) willingness to engage in in-depth discussions.

To collect rich and reliable data, the study utilized semi-structured interviews, participant observation, and document analysis. Semi-structured interviews allowed flexibility to probe deeper into emerging themes while maintaining consistency across sessions. Observations were carried out during collaborative events, including inter-ministerial coordination meetings and public-private digital summits. Document analysis included policy papers, memoranda of understanding, meeting reports, and institutional publications. Data triangulation was achieved by cross-verifying findings from these different sources, enhancing the credibility and depth of interpretation (Denzin, 2021).

The validation of data was conducted using several strategies. First, source triangulation was applied by comparing data from interviews, documents, and observations. Second, member checking involved returning interview summaries to selected informants for feedback and confirmation to ensure that interpretations accurately reflected their perspectives. Third, an audit trail was maintained through detailed field notes, coding logs, and reflective memos to ensure transparency and replicability. These strategies aimed to enhance trustworthiness and reduce researcher bias in accordance with Lincoln and Guba's qualitative rigor standards (Nowell et al., 2021).

For data analysis, this study adopted the Miles and Huberman's interactive model, which includes data condensation, data display, and conclusion drawing/verification. The analysis began with inductive coding of interview transcripts and field notes, followed by categorization into thematic clusters representing recurring patterns such as trust-building mechanisms, policy alignment, and digital inclusivity. Data displays, such as matrices and flowcharts, facilitated cross-case comparisons between Indonesia and Malaysia. The iterative process of coding and interpreting allowed themes to emerge organically from the data while maintaining alignment with the theoretical framework (Saldaña, 2021).

4. Research Results

This study explored how inter-sectoral institutional collaboration contributes to digital transformation and global competitiveness in Indonesia and Malaysia. Through the analysis of semi-structured interviews, field observations, and document reviews, five dominant themes emerged: (1) shared vision and strategic alignment, (2 the centrality of trust in sustaining collaboration), (3) regulatory and bureaucratic constraints, (4) digital inclusivity and cultural sensitivity, and (5) the strategic role of boundary-spanning actors.

Table 1. Summary of Key Research Findings

Sector	Key Findings	Challenges
Management	Vision coherence and strategic alignment among stakeholders enhance institutional synergy; boundary-spanning actors play critical coordination roles.	Regulatory fragmentation and bureaucratic rigidity; lack of clear data-sharing policies across institutions.
Tourism	Digital collaboration in tourism requires contextual adaptation and inclusivity; partnerships between government and private sectors accelerate innovation.	Uneven digital infrastructure in rural destinations; lack of culturally responsive digital content for diverse tourist demographics.
Education	Local education institutions contribute significantly to digital literacy; collaboration with tech and policy bodies enables scalable e-learning programs.	Mismatch between national digital agendas and local education needs; limited training for educators in digital pedagogy.

4.1. Shared Vision and Strategic Alignment

A recurring pattern across both Indonesian and Malaysian cases was the critical importance of vision coherence among stakeholders. Projects that began with clearly articulated common objectives, co-designed roadmaps, and shared performance indicators tended to be more resilient and productive. In Malaysia, a digital strategist from a public-private digital acceleration unit noted:
"We used the national digital economy blueprint as a reference. Once all sectors aligned their goals to that, things moved faster—less confusion, less overlap."

In Indonesia, the integration of local innovation into national priorities was described as a strength, especially when local governments initiated programs that supported national frameworks like SPBE (Electronic-Based Government System). This alignment was not automatic but required sustained dialogue and negotiation—especially in multilevel governance contexts [22].

4.2. The Centrality of Trust in Sustaining Collaboration

The findings of this study strongly affirm that trust is a foundational element in the success of inter-sectoral institutional collaboration. Rather than being treated as a static or predefined value, trust emerged as a relational and evolving process, deeply rooted in the quality of interpersonal and inter-organizational interactions. Participants across both Indonesia and Malaysia consistently emphasized that trust was not derived from formal mechanisms—such as Memorandums of Understanding (MOUs) or contractual obligations—but from consistent, transparent, and meaningful engagement.

In the Indonesian context, civil society actors reported that repeated exposure to government partners in collaborative settings created a familiarity that gradually evolved into mutual respect. As one NGO leader put it: "Trust didn't come from MOUs. It came from being honest about our limits and showing up consistently to joint meetings." This statement highlights two important components of trust-building: vulnerability and reliability. By openly acknowledging institutional limitations and maintaining a consistent presence, actors were able to cultivate an atmosphere of authenticity and predictability—both critical to trust.

In Malaysia, the trust-building process was facilitated through informal, low-stakes engagements, such as cross-sectoral workshops, pilot project co-design sessions, and shared public events. These interactions allowed actors to collaborate outside of rigid hierarchical protocols, enabling more fluid communication and interpersonal rapport. One university representative remarked, "During joint hackathons and community outreach, we saw how our goals aligned. It's easier to trust when you create something together." Such collaborative activities functioned as trust incubators, reducing institutional friction and humanizing organizational relationships.

These findings corroborate the theoretical insights of D'Amour et al. (2022), who argue that trust in collaborative arrangements is not simply a by-product of structural arrangements but a social asset that must be cultivated deliberately through interaction. In their view, emotional intelligence—manifested in empathy, responsiveness, and openness—is just as essential as strategic alignment for sustaining multi-sector partnerships. The current study extends this perspective by demonstrating how social trust operates across institutional and cultural boundaries, particularly in Southeast Asian governance contexts where personal relationships often underpin formal cooperation.

Moreover, the study reveals that trust is contextually situated. In Indonesia, where inter-organizational competition and decentralization often breed policy fragmentation, trust compensates for regulatory ambiguity by enabling informal coordination and backchannel communication. In Malaysia, a more centralized governance system allows trust to reinforce top-down initiatives with bottom-up legitimacy, creating smoother program implementation. These contextual variations underscore that while trust is universally valuable, its manifestation and mechanisms are deeply shaped by political culture, administrative structures, and institutional histories.

Participants also stressed that transparency in communication—including sharing challenges, uncertainties, and institutional constraints—was crucial in maintaining trust over time. This kind of radical transparency helped prevent the erosion of goodwill due to misaligned expectations or project delays. For example, a Malaysian start-up leader shared, “When the ministry updated us on bureaucratic delays, instead of hiding them, we understood the process better and didn’t feel dismissed. That built more trust than silence ever could.” Such openness turned potential friction points into opportunities for deeper understanding and stronger collaboration.

Additionally, the openness to feedback—both giving and receiving—was cited as a trust-enhancing behavior. In joint review sessions and program evaluations, actors who actively solicited criticism and showed willingness to adapt were viewed as more credible and trustworthy. This dialogic feedback culture played a crucial role in fostering psychological safety among partners, allowing difficult issues to be addressed constructively without damaging relationships.

In summary, trust in inter-sectoral collaboration is neither automatic nor guaranteed. It must be earned, negotiated, and continually reaffirmed through concrete practices of presence, transparency, responsiveness, and shared risk-taking. Institutions seeking to foster sustainable digital transformation must therefore prioritize the relational dimensions of governance as much as technical efficiency or policy coherence. The findings affirm that trust is the connective tissue of effective collaboration—subtle in form, yet indispensable in function [23].

4.3. Regulatory and Bureaucratic Constraints

Despite the optimistic tone often present in discussions about inter-sectoral collaboration, the actual implementation of such efforts in both Indonesia and Malaysia is frequently obstructed by entrenched bureaucratic rigidity. Participants in the study—particularly those from government sectors—expressed frustration that administrative structures and institutional behavior are often too inflexible to respond efficiently to the demands of cross-sector collaboration in the digital age.

In the Indonesian context, several informants highlighted two major structural issues:

1. Overlapping regulations: Different ministries and agencies have their own digital agendas and regulatory mandates, which often intersect or conflict. This creates confusion and duplication of effort, making it difficult to coordinate unified actions or policies.
2. Sectoral egos: Ministries and agencies tend to compete rather than collaborate, each seeking to maintain authority or leadership in specific digital domains. As one informant put it, “We still see ministries competing for control over digital policy areas. This makes inter-sectoral action fragmented.” This internal competition undermines the spirit of partnership and leads to fragmented initiatives instead of cohesive strategies.

In Malaysia, the challenges differ somewhat due to its more centralized governance model. While policy direction is generally more unified, the execution phase suffers from bureaucratic bottlenecks: Procurement processes and funding disbursement are delayed due to long chains of command and multi-level approvals. These delays often stall collaboration timelines and reduce the agility required for digital transformation projects to succeed.

These findings collectively point to a critical structural barrier: institutional frameworks in both countries are not yet sufficiently adaptable to support the fast-paced, interdependent, and often experimental nature of digital collaboration. For collaborative governance to be effective—especially in the digital domain where responsiveness and coordination are crucial—there must be regulatory reform, inter-agency flexibility, and cultural change within bureaucracies to prioritize cooperation over control [24].

4.4. Digital Inclusivity and Cultural Sensitivity

The research findings indicate that many inter-sectoral collaboration efforts in digital transformation struggle to effectively serve marginalized communities, particularly because they overlook cultural and linguistic diversity. In both Indonesia and Malaysia, digital platforms and programs tend to be designed with urban populations or mainstream users in mind. This often results in platforms that use urban dialects or English as the default language, which makes them inaccessible or alienating to people in rural or indigenous communities who speak regional languages or have distinct cultural norms.

For example, an Indonesian informant from a rural education-focused NGO highlighted that digital tools were ineffective in their area because they were not linguistically relatable: “Most digital platforms are in urban dialects or English. Our communities don’t connect with them, which makes adoption low.” This statement emphasizes that language barriers significantly hinder engagement with digital technologies, even when infrastructure (e.g., internet or devices) is available.

Similarly, a Malaysian expert in digital inclusion pointed out that access alone is insufficient. She argued, “It’s not just about giving access—it’s about making sure that access is meaningful and culturally appropriate.” This perspective reflects the idea that merely expanding internet coverage or providing devices does not automatically ensure digital inclusion. Rather, inclusion depends on whether the content, language, and design of digital platforms are tailored to the social realities and cultural identities of their intended users.

These insights align with the principle of intersectionality, which emphasizes that individuals experience inequality in multiple, overlapping ways—for example, based on geography, language, ethnicity, and socioeconomic status. They also point to a critical flaw in top-down digital policy approaches, which often treat users as a homogeneous group and fail to account for diverse lived experiences.

In sum, the result underscores that for digital initiatives to be truly inclusive and effective, they must be co-designed with communities, taking into account cultural relevance, language diversity, and local values. Otherwise, even well-funded or well-intentioned programs risk being underutilized or rejected by the very populations they aim to serve [25].

4.5. The Role of Boundary-Spanning Actors

The study identified the emergence of boundary-spanning actors—individuals or organizations who act as connective agents across institutional divides, translating different logics, cultures, and operational practices into workable collaborative arrangements. These actors were pivotal in facilitating dialogue, mediating interests, and fostering mutual understanding among governments, educational institutions, businesses, and civil society. Participants consistently highlighted the importance of such intermediaries in translating policy jargon into accessible community narratives and technological solutions into institutional strategies.

A Malaysian university director described their institution's role as "connectors of ideas—we speak government, tech, and community languages", emphasizing their capacity to convene diverse actors under shared innovation programs. Similarly, a representative from an Indonesian civil society organization explained, "We act as cultural translators in national forums. When ministries speak in regulation, we bring the people's stories to the table." A digital incubator founder in Jakarta shared, "We're not just tech developers. We interpret state frameworks and investor logic to help start-ups stay compliant and socially relevant."

These testimonies reveal that boundary-spanners often operate outside formal authority structures but possess the social capital, bilingual institutional fluency, and trust needed to foster collaboration. Their involvement significantly enhanced knowledge co-creation, reduced miscommunication between sectors, and increased the responsiveness of digital programs to local realities. These findings align with the conceptualizations of Farooq and Gao [26], who emphasized the unique function of boundary-spanners in facilitating inter-organizational learning and adaptive governance. In Southeast Asia's fragmented institutional landscape, such actors emerge as critical catalysts for sustainable collaboration.

4.6. Comparative Insights: Indonesia and Malaysia

While both countries demonstrate growing awareness of the need for collaborative governance, the institutional architectures differ significantly. In Indonesia, decentralization creates both opportunities and complications. Local governments can initiate digital partnerships tailored to community needs, but coordination with national strategies remains inconsistent. Conversely, Malaysia benefits from centralized digital planning but faces challenges in fostering bottom-up innovation. These insights indicate that institutional design profoundly shapes the form and outcomes of inter-sectoral collaboration, reinforcing findings by Abu Bakar and Lim (2023) on governance adaptability in Southeast Asia [27].

Figure 1. Taylor University and Stiepari Collaboration

4.7. Theoretical Integration and Implications

These findings reinforce the utility of collaborative governance theory, particularly Emerson's model, in explaining the conditions necessary for effective cross-sector engagement. However, they also point to the need for integrating institutional theory to account for the inertia, isomorphism, and structural constraints observed. The data show that while actors may be motivated to collaborate, institutional rules, norms, and routines can act as powerful inhibitors unless deliberately addressed. Moreover, the role of informal practices and cultural adaptation points to the relevance of practice theory in understanding how collaboration is enacted on the ground.

5. Discussion

The findings of this study reaffirm and enrich the understanding of collaborative governance theory by demonstrating how shared goals, trust-building, and relational accountability are fundamental to successful inter-sectoral collaboration. As Emerson et al. [11] proposed, principled engagement and shared motivation are core dimensions that shape governance regimes. The present study confirms that stakeholders in Indonesia and Malaysia who co-create digital strategies and maintain frequent, open communication experience higher levels of coordination and program sustainability. This reinforces the claim that collaborative governance is more than a structural arrangement—it is a dynamic, relational process shaped by context and interpersonal factors.

However, unlike the relatively idealized models often discussed in the literature, the findings here also highlight persistent institutional inertia—a phenomenon well described in institutional theory by DiMaggio and Powell [8]. The bureaucratic rigidity, siloed regulations, and overlapping mandates reported by participants reflect coercive and normative isomorphism that constrain innovation. This supports observations by Yuliani and Prabowo [13], who documented similar obstacles in Indonesia's digital governance. What distinguishes this study, however, is its empirical demonstration that these constraints can be partially overcome through boundary-spanning practices and informal mechanisms of coordination.

In contrast with studies that emphasize the primacy of formal institutional structures [28], this research found that informal relationships, trust networks, and shared histories were equally, if not more, influential in sustaining collaboration. For example, routine joint activities and community-based digital pilots fostered relational capital that formal memoranda alone could not guarantee. These findings align more closely with D'Amour et al. [23], who argue for the importance of social infrastructure in public sector collaboration. They add a Southeast Asian nuance to the broader discourse, showing that cultural contexts emphasizing collectivism and interpersonal harmony play a critical role in shaping collaborative dynamics.

The study also challenges techno-centric perspectives that assume digital access automatically results in digital inclusion. Consistent with Tham and Jamaludin's [25] insights, this research found that cultural relevance and linguistic accessibility are crucial in determining the success of digital platforms. Programs that ignored local dialects or assumed uniform digital literacy levels failed to gain traction. This provides an important corrective to strategies that prioritize infrastructure without addressing socio-cultural dimensions of technology adoption. It suggests that inclusivity requires a deeper understanding of local epistemologies and identities.

A particularly novel insight from this study is the identification of boundary-spanning actors as critical enablers of institutional synergy. While Farooq and Gao [26] have discussed such actors in the context of multi-sectoral partnerships, this study contributes further by demonstrating how they function in hybrid governance environments like Indonesia and Malaysia—translating institutional logics, mediating power asymmetries, and facilitating adaptive learning. Their role suggests a shift from top-down policy implementation toward more dialogical, participatory approaches in digital governance.

These findings carry several practical implications. First, institutional leaders should invest in trust-building initiatives that extend beyond formal agreements—such as co-design workshops, rotational leadership, and inter-agency learning exchanges. Second, digital policies must incorporate localized design principles and involve community representatives in both planning and evaluation stages. Third, governments should formalize the role of intermediary organizations as conveners of cross-sectoral dialogue and innovation.

From a theoretical standpoint, the research supports the integration of collaborative governance, institutional theory, and elements of practice theory to better explain the complexity of cross-sector collaboration in digital ecosystems. The study contributes to theory-building by demonstrating that collaboration is not a linear or uniformly rational process—it is emergent, shaped by historical, relational, and contextual contingencies.

Nevertheless, this study is not without limitations. The qualitative focus, while rich in depth, limits generalizability. Additionally, the analysis concentrated on two urban centers Indonesia and Malaysia which may not fully represent rural or peripheral experiences. Future research could expand geographically and incorporate comparative analysis across more ASEAN countries to explore how political regimes, decentralization levels, or civil society engagement shape collaborative dynamics.

Finally, researchers are encouraged to explore longitudinal designs to assess how trust, collaboration outcomes, and institutional adaptations evolve over time. Mixed-methods studies could also quantify relational dynamics and policy impacts, providing a fuller picture of what makes cross-sectoral collaboration effective in the digital age. By deepening our understanding of how institutions can work together across boundaries, scholars and practitioners can better design policies that are inclusive, resilient, and transformative.

6. Conclusion

This study has explored the dynamics of inter-sectoral institutional collaboration as a strategic mechanism to enhance global competitiveness in the digital economy, with a particular focus on Indonesia and Malaysia. Through a qualitative case study approach, five key themes emerged—shared vision and strategic alignment, relational trust, regulatory constraints, digital inclusivity, and the role of boundary-spanning actors. These findings deepen the understanding of how collaborative governance functions in practice, especially within complex institutional environments undergoing rapid digital transformation.

The research contributes theoretically by extending collaborative governance theory with insights from institutional and practice theory, illustrating that effective collaboration is not only a function of formal structures but also of relational practices and cultural adaptation. The nuanced interactions among actors, mediated by trust and informal mechanisms, offer a more grounded and context-sensitive perspective on institutional synergy in Southeast Asia. This reaffirms and expands existing frameworks, showing how inter-sectoral collaboration can be both adaptive and socially embedded.

Practically, the findings provide actionable insights for policymakers and institutional leaders. They underscore the importance of aligning strategic goals, investing in relational infrastructure, and ensuring that digital programs are contextually inclusive. The study also highlights the critical role of intermediaries in bridging institutional divides—suggesting that policy designs should formally recognize and support such actors. Addressing regulatory fragmentation and fostering a collaborative culture are essential steps to build a more cohesive digital ecosystem.

From a policy perspective, the study supports the development of cross-sectoral coordination platforms, integrated digital policy frameworks, and inclusive governance mechanisms that empower local communities. Such policies are vital for ensuring that digital transformation efforts do not reinforce inequality but instead promote broad-based development and global competitiveness.

Finally, future research should explore broader geographic contexts, including underrepresented regions and marginalized groups, to assess how inter-sectoral collaboration can be scaled and sustained across diverse settings. Longitudinal and mixed-methods studies are also recommended to trace the evolution and outcomes of collaborative governance over time. This study thus offers a foundational contribution to the discourse on digital transformation, institutional collaboration, and inclusive governance in the Global South

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