



Contextualizing Procurement Maturity: Lessons from Government Procurement for Enhancing Regional-Owned Enterprise (BUMD) Performance

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Abstract

Procurement governance represents a strategic function critical to the success of public organizations, particularly Regional-Owned Enterprises (BUMDs), which operate under hybrid mandates combining public service delivery and market competitiveness. This study critically examines the applicability of the Indonesia Procurement Maturity Model (IPM2) to BUMDs and proposes an adapted conceptual framework better suited to their unique governance complexities. Through analytical deconstruction, the study finds that while elements such as transparency, accountability, and technology utilization in IPM2 are directly adoptable, significant adjustments are necessary in organizational structures, competency frameworks, and risk management approaches. Rigid elements tied to governmental budget cycles and inspectorate-driven oversight are deemed incompatible with BUMD operational realities. An adapted maturity model is proposed, positioning procurement as a strategic enabler supported by five interconnected adaptive dimensions: Strategic Human Capital Development, Agile Institutional Structures, Performance-Driven Management Systems, Strategic Technological Integration, and Proactive Risk and Opportunity Management. Grounded in contingency theory and contemporary hybrid governance literature, the model reframes procurement maturity as a dynamic, value-driven system rather than a linear, compliance-oriented progression. This research offers both a practical roadmap for BUMDs and a conceptual contribution to the evolving field of procurement governance in hybrid public organizations.

Keywords: Procurement Maturity Model, Public Procurement, Hybrid Governance, Regional-Owned Enterprises (BUMDs), Strategic Procurement

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Introduction

Procurement constitutes a critical strategic function within the governance architecture of public organizations, exerting a direct influence on the efficiency, transparency, and accountability of public resource management (Staples, 2010). Beyond merely fulfilling operational necessities, procurement operates as a pivotal instrument for fostering regional economic development, enhancing the quality of public services, and reinforcing public trust in governmental institutions (Potage, 2017). In an era marked by increasing demands for bureaucratic reform and stringent fiscal accountability, strengthening procurement systems has become an essential prerequisite for achieving effective and sustainable organizational performance in the public sector. One particular organizational form that illustrates the complexity of procurement governance is the Regional-Owned Enterprise (Badan Usaha Milik Daerah, or BUMD), which uniquely straddles the realms of public service provision and commercial enterprise through the strategic management of local resources.

As hybrid entities, BUMDs operate at the intersection of public and private sector logics, necessitating a delicate balance between accountability, transparency, legal compliance, and corporate management practices' operational efficiency and agility (Maran & Lowe, 2022). This dual governance character distinguishes BUMDs from conventional public agencies, engendering heightened complexity in procurement management and demanding more adaptive and responsive approaches to dynamic market conditions. Moreover, the efficacy of procurement practices within BUMDs extends beyond organizational performance, serving as a critical determinant of regional development outcomes and the overall competitiveness of local economies. Therefore, strengthening procurement governance in BUMDs is not solely an internal organizational imperative but an integral component of broader regional development strategies.

Nonetheless, in practice, BUMDs continue to confront a range of structural and operational challenges in procurement management, including ambiguities in policy formulation, weaknesses in institutional frameworks, limited human resource capacities, and insufficient integration of information technology to support process efficiency (Suardi, 2024). In particular, the inadequate implementation of digital procurement systems further hampers transparency and efficiency, despite evidence showing that e-procurement systems significantly enhance governance standards across procurement sectors (Shakya, 2015). A fundamental issue underpinning these challenges is the absence of a procurement maturity assessment model that is specifically tailored to the governance complexities and dual mandates characteristic of BUMDs. Existing frameworks, such as the Indonesia Procurement Maturity Model (IPM2) developed by the National Public Procurement Agency (LKPP), are primarily designed for procurement units within ministries, governmental agencies, and local government bodies, thereby failing to fully address the operational exigencies and strategic imperatives of hybrid entities such as BUMDs (Hua, 2022).

Despite the growing awareness of the importance of procurement reform within the public sector, scholarly inquiry into procurement maturity in hybrid organizations such as BUMDs remains markedly underdeveloped (Ruiters & Matji, 2016). The extant literature

predominantly addresses procurement practices either in the general public sector or within private enterprises, with scant attention paid to semi-autonomous entities that must simultaneously fulfill public accountability mandates and achieve commercial performance targets. This theoretical lacuna constrains the development of institutional procurement capacities, hampers data-informed decision-making, and limits the ability of local governments to monitor and enhance the performance of their BUMDs systematically. Consequently, there is an urgent need for a contextually adaptive approach to procurement maturity that effectively bridges the normative requirements of public sector governance with the strategic and market-driven imperatives of corporate operations.

In response to this gap, the present article seeks to develop a procurement maturity model that is specifically adapted to the unique needs of BUMDs in Indonesia, utilizing an adaptive conceptual approach. Specifically, this study aims to: (1) analyze which elements of the IPM2 framework can be directly adopted, require adaptation, or should be disregarded within the context of BUMDs; and (2) propose a conceptual framework for a procurement maturity model that embodies the principles of hybrid governance, operational efficiency, and public accountability. It is anticipated that the findings of this study will contribute substantively to the advancement of procurement practices within BUMDs, strengthen institutional capacities, and enhance the effective management of public resources at the regional level.

Literature Review

Procurement Governance in the Public Sector

Procurement governance in the public sector is founded upon four fundamental principles: transparency, accountability, efficiency, and fairness (Surijadi & Tamaela, 2018). Transparency ensures that procurement processes are open and accessible, enabling public scrutiny and fostering trust in government institutions. Accountability requires that all procurement decisions are traceable and subject to oversight, ensuring that public officials remain answerable for the stewardship of public resources. Efficiency demands the optimal use of public funds, balancing cost-effectiveness with the timely delivery of goods and services. Fairness mandates that procurement procedures provide equal opportunity to all qualified suppliers, promoting competition and preventing discrimination.

Despite the normative clarity of these principles, public sector procurement often faces significant operational challenges. Traditional public organizations are commonly burdened by procedural rigidity, excessive bureaucratic structures, and cultures of risk aversion that inhibit innovation and agility. Furthermore, stringent regulatory frameworks, although critical for safeguarding integrity, sometimes induce an overly compliance-driven mindset at the expense of strategic value creation (Komakech, 2016). Capacity deficits—particularly in procurement expertise and technological capabilities—exacerbate inefficiencies and expose procurement activities to risks such as corruption, favoritism, and performance failures. Consequently, achieving effective procurement governance requires balancing rigorous ethical standards with

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strategic flexibility to navigate the increasingly complex operational landscape of the public sector. Procurement in Hybrid Organizations.

Hybrid Governance in Regional-Owned Enterprises (BUMDs)

Regional-Owned Enterprises (BUMDs) exemplify hybrid organizations that integrate public service mandates with private-sector operational logics. As entities established and owned by local governments, BUMDs are simultaneously tasked with fulfilling public interest objectives and achieving financial sustainability through market-oriented activities. Hybrid governance within BUMDs reflects this dual orientation, requiring the harmonization of principles such as public accountability, transparency, and regulatory compliance with the efficiency, flexibility, and performance-driven ethos characteristic of private enterprises (Grossi & Thomasson, 2015; Maran & Lowe, 2022).

The hybrid nature of BUMDs introduces a set of unique governance challenges. Chief among these is the inherent tension between adhering to strict public procurement regulations—designed to ensure fairness, integrity, and stewardship of public resources—and the need to act swiftly, innovatively, and competitively in dynamic market environments (Skelcher & Smith, 2015). Regulatory frameworks often impose rigid procedural requirements that, while safeguarding against corruption, can inhibit operational agility and responsiveness. Moreover, ambiguity in institutional mandates and overlapping governance expectations frequently lead to blurred accountability lines, complicating decision-making processes and diluting organizational focus (Ruiters & Matji, 2016).

Given these complexities, there is a pressing need for procurement models that are specifically responsive to the hybrid governance context of BUMDs. Conventional public sector procurement frameworks prioritising procedural compliance and hierarchical accountability often fall short in accommodating the market responsiveness, risk-taking, and innovation necessary for BUMD success. Consequently, procurement governance within BUMDs must evolve towards a more adaptive, strategic, and outcome-focused model—one that can effectively balance regulatory integrity with the imperatives of business efficiency and competitiveness (Silveira, 2018).

Procurement Maturity Models: Concepts and Applications

Procurement maturity models are evaluative frameworks designed to assess and guide the development of an organization's procurement capabilities over time. These models provide structured pathways for organizations to evolve from basic, reactive procurement functions toward more strategic, integrated, and value-driven procurement practices (Potage, 2017). Maturity models typically delineate a series of progressive stages, each characterized by increasingly sophisticated levels of process standardization, performance measurement, strategic alignment, and governance quality.

Several procurement and capability maturity models have been developed in both public and private sectors to facilitate institutional growth. The Capability Maturity Model Integration (CMMI), originally conceived for software engineering, has been widely adapted to evaluate organizational process improvement across various domains, including

procurement. The Portfolio, Programme, and Project Management Maturity Model (P3M3) offers another comprehensive framework for assessing the maturity of organizational management capabilities, including procurement functions (Putri et al., 2019). Within the public sector, the Indonesia Procurement Maturity Model (IPM2), developed by LKPP, specifically addresses the maturity of public procurement units by evaluating key dimensions such as human resource management, institutional governance, performance management, technology utilization, and risk coordination (Aulia & Isvara, 2021).

Recent empirical studies further highlight the significance of assessing procurement maturity levels, particularly in the context of large-scale public projects. For instance, an evaluation of procurement units managing public construction projects in Indonesia demonstrated that low maturity levels, especially in procurement planning and supplier management, directly correlate with project inefficiencies and delays (Abduh et al., 2023).

The application of procurement maturity models plays a pivotal role in enhancing both the performance and accountability of procurement activities. By providing a clear diagnostic tool, these models enable organizations to identify weaknesses, set improvement targets, and implement structured reform initiatives. Furthermore, maturity models help institutionalize best practices, promote continuous learning, and align procurement processes with broader organizational strategies. In the public sector, where procurement is tightly intertwined with issues of transparency, fiduciary responsibility, and service delivery effectiveness, maturity models offer a vital mechanism for ensuring that procurement practices comply with regulatory requirements and contribute substantively to organizational value creation and public trust.

The Indonesia Procurement Maturity Model (IPM2)

The Indonesia Procurement Maturity Model (IPM2) was developed by the National Public Procurement Agency (LKPP) to evaluate and enhance procurement governance across public sector organizations systematically (Darmapramita et al., 2015). Rooted in organizational change management principles, IPM2 offers a staged maturity framework that enables institutions to diagnose their current procurement practices, identify gaps, and implement progressive improvements aligned with good governance standards (Akbar, 2022).

Structurally, IPM2 assesses procurement maturity across five progressive levels:

- a. **Reactive:** Organizations operate reactively without formal procurement staff planning, competency development, or structured workflows. Procurement processes are ad hoc, fragmented, and largely dependent on personal initiatives rather than systemized governance.
- b. **Compliance:** Institutions begin to formalize procurement structures by establishing SOPs, job analyses, competency development programs, and regulated procurement practices aimed primarily at regulatory compliance.
- c. **Proactive:** Organizations actively pursue procurement efficiency and optimization, institutionalizing recruitment standards, expanding competency frameworks, implementing structured risk management, and strategically managing supplier performance.

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- d. Performed: Procurement governance becomes highly integrated into organizational strategy. Performance management systems are implemented, procurement information systems are leveraged for analytics, and procurement becomes a driver of organizational competitiveness.
- e. Sustained: Institutions fully embed procurement governance into organizational culture, conducting regular reviews, applying predictive analytics, strengthening risk management at all levels, and ensuring that procurement ethics are institutionalized and externally recognized.

Each maturity stage is evaluated across five dimensions:

- a. Human Resource Planning and Management,
- b. Institutional Framework and Strategic Role of Procurement Units (UKPBJ),
- c. Procurement Performance Management,
- d. Utilization of Information Technology in Procurement,
- e. Risk Management and Coordination among Stakeholders.

The model emphasizes a diagnostic and progressive improvement approach, allowing organizations to move from basic procedural compliance toward strategic, innovative, and value-creating procurement systems (Efridha et al., 2023; Ilahiyyah et al., 2017). IPM2's focus on transparency, efficiency, risk control, and performance measurement aligns it closely with international best practices while ensuring conformance to Indonesia's specific regulatory environment (Fadlila, 2024).

Because IPM2 is primarily designed for pure public institutions, direct application to hybrid entities such as BUMDs may require adaptive adjustments. Hybrid organizations must balance regulatory compliance demands with the agility and competitiveness required in market-driven contexts. Therefore, while IPM2 provides a foundational framework, contextual refinement is crucial to maximize its relevance and impact within semi-autonomous public enterprises.

Research Gap and Justification for Adaptation

Although the Indonesia Procurement Maturity Model (IPM2) offers a comprehensive framework for assessing and developing procurement capabilities within traditional public sector organizations, it is not fully compatible with the operational realities of Regional-Owned Enterprises (BUMDs). BUMDs, as hybrid entities straddling both public accountability mandates and private market imperatives, require a procurement governance approach that balances strict regulatory compliance with operational agility and strategic responsiveness. IPM2's strong orientation towards bureaucratic conformity, procedural standardization, and regulatory adherence, while essential for ministries and local government units, often imposes rigidities that are ill-suited to the competitive, dynamic environments in which BUMDs operate.

The current literature on procurement maturity overwhelmingly focuses on either public sector agencies or private sector corporations, with scant attention paid to semi-

autonomous or hybrid entities such as BUMDs. Existing studies primarily address procurement reform in government institutions, or supply chain optimization in private firms, leaving a critical gap regarding how procurement governance frameworks can be tailored to the unique governance dualities faced by hybrid organizations (Grossi & Thomasson, 2015; Skelcher & Smith, 2015). As a result, conceptual models are absent specifically designed to capture the complexities of procurement within entities that must simultaneously uphold public service values and compete under market-driven conditions.

Addressing this gap necessitates the adaptation of procurement maturity models to the hybrid nature of BUMDs. A customized framework must retain core public procurement principles—such as transparency, fairness, accountability, and efficiency—and incorporate flexibility, innovation, strategic risk management, and performance optimization reflective of private sector dynamics. Without such adaptation, BUMDs risk falling into what scholars term the “compliance trap,” wherein adherence to procedural norms is achieved at the expense of organizational effectiveness, responsiveness, and long-term value creation (Vakkuri et al., 2021).

Therefore, this study proposes the development of an adapted procurement maturity model that better aligns with the hybrid governance logic of BUMDs, offering a more contextually sensitive tool to enhance procurement performance, strategic capacity, and institutional sustainability in these unique entities.

Research Method

The selection of a conceptual methodology is further justified by the evolving nature of procurement governance, particularly in hybrid organizations such as BUMDs that operate at the intersection of public mandates and market-driven imperatives. Conceptual frameworks are particularly valuable in these contexts where empirical generalizations are limited or premature. This study utilizes a problem-driven design logic in the formulation of a hybrid procurement maturity model, grounded in analytical generalization rather than statistical inference.

The methodological structure draws from recent conceptual advancements in procurement framework development, particularly within sectors exhibiting similar complexity and hybridity. For example, Alhusban et al. (2024) developed a hybrid conceptual procurement model in the Jordanian public construction sector to support BIM integration and improve sustainability outcomes, leveraging stakeholder interviews and literature synthesis to formulate a context-sensitive framework (Alhusban et al., 2025).

Moreover, the theoretical underpinnings of this conceptual research are informed by structural contingency theory, which posits that organizational effectiveness results from the alignment between internal configurations and external contingencies. This paradigm is critical for procurement functions in hybrid entities that must adapt to fluctuating political, economic, and institutional environments. By applying a conceptual contingency model, the research

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identifies structural dimensions that must be modulated according to the unique governance demands faced by BUMDs (Bals et al., 2015).

Additionally, the utility of conceptual frameworks in mapping collaborative procurement dynamics, particularly through a four-pillar model that addresses organizational form, performance, and strategic intent—illustrating how structured conceptualization can generate holistic insights into public procurement reform.

This approach enables the flexible design of an evaluative framework that can serve as an initial conceptual guide, to be empirically validated in future research. It supports normative theorization and prescriptive modeling, particularly in cases where institutional diversity and governance hybridity render universal models insufficient.

Result

This study systematically examined the applicability of the Indonesia Procurement Maturity Model (IPM2) to Regional-Owned Enterprises (BUMDs) and identified the need for an adapted maturity model tailored to hybrid governance contexts. Several key findings emerged.

Structure and Characteristics of IPM2

The Indonesia Procurement Maturity Model (IPM2) provides a structured and systematic approach to evaluating and enhancing procurement capabilities within public sector organizations. Its architecture is based on a progressive maturity framework, consisting of five sequential levels: Reactive, Compliance, Proactive, Performed, and Sustained. Each level represents a distinct stage in the institutional evolution of procurement governance, from fragmented and ad hoc practices to a fully integrated, performance-driven, and continuously improving procurement system.

The model assesses organizational maturity across five core dimensions, which are considered fundamental pillars for professional, transparent, and efficient procurement management:

- a. Human Resource Planning and Management: Evaluation of staffing strategies, competency development, career pathways, and incentive systems to ensure procurement units are equipped with capable personnel.
- b. Institutional Framework and Strategic Role of Procurement Units: Analysis of procurement units' formalization and strategic positioning (ULP/UKPBJ) within the organizational structure.
- c. Procurement Performance Management: Assessment of performance measurement systems, key performance indicators (KPIs), and the integration of procurement outcomes with broader organizational objectives.

- d. Utilization of Information Technology: Evaluation of the use of technology platforms (e.g., SPSE, e-procurement systems) to automate, optimize, and enhance transparency in procurement processes.
- e. Risk Management and Stakeholder Coordination: Examination of risk identification, mitigation practices, and the quality of internal and external stakeholder collaboration in procurement activities.

The primary strengths of IPM2 lie in several critical areas. First, it offers a robust diagnostic capability, enabling organizations to comprehensively map their current procurement maturity levels, identify existing gaps, and prioritize targeted improvements to strengthen procurement governance [(Darmapramita et al., 2015)]. Second, IPM2 provides a progressive development pathway, allowing institutions to advance incrementally through structured stages, thereby fostering capacity-building efforts that are both manageable and measurable [(Ilahiyyah et al., 2018)]. Third, the model demonstrates a notable adaptability, making it applicable across a wide range of public sector organizations, from central ministries to regional governments, irrespective of organizational size, structure, or procurement complexity [(Tutoroong et al., 2021)]. Finally, IPM2 strongly emphasizes continuous improvement, embedding the philosophy of iterative reform, feedback-driven organizational adjustments, and the long-term professionalization of procurement functions as fundamental tenets of sustainable procurement governance.

Through this structured yet flexible architecture, IPM2 aims to ensure compliance with regulatory frameworks and progressively enhance procurement's strategic contribution to institutional performance, public value creation, and governance integrity.

Element Classification for BUMD Context

Through analytical deconstruction, the Indonesia Procurement Maturity Model (IPM2) elements were systematically classified based on their compatibility with the governance realities of Regional-Owned Enterprises (BUMDs). Several elements are deemed directly adoptable without modification, particularly fundamental principles such as transparency, accountability, performance orientation, and the utilization of information technology in procurement operations. These aspects align well with both public sector values and the performance-driven imperatives of hybrid organizations.

Conversely, certain elements were identified as requiring adaptation to fit the unique operational characteristics of BUMDs better. These include the design of organizational structures, which must shift from rigid bureaucratic models to more agile forms; the competency standards for procurement personnel, which should expand beyond regulatory compliance to incorporate commercial and strategic skills; and the approach to risk management, which must balance administrative caution with entrepreneurial risk-taking.

Finally, several components of IPM2 were assessed as not applicable in the BUMD context, particularly those heavily reliant on annual governmental budgeting cycles (APBD/APBN) and mechanisms of inspectorate-driven oversight. Such elements, rooted in

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formalistic and hierarchical public governance traditions, are inconsistent with the financial flexibility and corporate accountability frameworks under which BUMDs operate.

Table 1. IPM2 Maturity Level Descriptions Across Five Dimensions

No	Reactive	Compliance	Proactive	Performed	Sustained
1	No formal UKPBJ staff planning, placement based on staff availability.	Staff planning through job analysis, workload and job mapping completed.	Standard procedures for recruitment and placement of UKPBJ staff exist.	Staff succession planning (promotion and rotation) implemented in UKPBJ.	Annual review of staff planning, recruitment, and succession implemented.
2	UKPBJ HR competencies do not meet basic needs, no competency development.	UKPBJ HR competencies meet standards, training programs implemented.	Procurement HR competencies adequate, coaching programs implemented.	Competency includes strategic aspects, mentoring provided.	Annual review for competency map and development strategy.
3	No career path for UKPBJ staff (ad hoc), unclear or no incentives.	Clear career paths with functional positions, incentives established.	Functional positions serve as role models, additional incentives provided.	Structural positions accessible to UKPBJ staff, performance-based incentives available.	Strategic positions require UKPBJ experience, remuneration system integrated.
4	Procurement strategy and planning are weak, UKPBJ reacts to PPK requests.	Procurement planning and execution are tactical, roles and SOPs defined.	SOPs established for all key roles: PA/KPA, PPK, and UKPBJ.	Procurement strategy intensified to meet performance targets, UKPBJ acts as facilitator.	Procurement and contracts support organizational strategic goals.
5	Supplier selection is handled by a committee, organizational structure incomplete.	UKPBJ established by regulation, documentation practices in place.	UKPBJ permanently established by decree, functions operate well.	UKPBJ has procurement service standards, actively maintains performance.	UKPBJ acts as procurement advisor to the organization.
6	No performance-based procurement work model.	Performance indicators based on regulations, focus remains on compliance.	Performance framework applied, all parties including suppliers have standards.	Active performance control program aligned with individual performance.	Organization applies performance management for strategic decisions.
7	IT is only used for procurement documentation.	IT used to automate processes with standardized data (e.g., SPSE, eMoney).	IT adds value through efficiency or improved service quality.	IT used strategically to support procurement performance evaluation.	IT used for forecasting and early prediction in strategic procurement.
8	Limited understanding of risk management, reacts negatively to issues.	Risks identified but not managed with standard procedures, cautious decision-making.	Risk SOPs implemented, appeals reduced, internal risk mitigated.	Risk management includes all stakeholders, external risks mitigated.	Risk SOPs run throughout the organization, support strategic decisions.
9	Stakeholders act in silos, leadership commitment is low, integrity pact limited to UKPBJ.	Stakeholder relationships based on correspondence, integrity pact extended to all parties.	Coordination based on work programs, decision-makers consider organizational goals.	Strong collaboration among actors, decisions made effectively, ethical culture embedded.	Leaders excel in change management, procurement ethics externally recognized.

Source: LKPP (2015)

Proposition of an Adapted Procurement Maturity Model

Based on the findings from the analytical deconstruction of IPM2 elements, this study proposes a conceptual framework for an adapted procurement maturity model specifically tailored to the unique hybrid governance conditions of Regional-Owned Enterprises (BUMDs). The adapted model emphasizes several critical pillars, namely strategic procurement, whereby

procurement is positioned as a key driver of organizational value creation rather than a purely compliance-oriented function; organizational agility, enabling procurement units to respond flexibly to dynamic market conditions; expanded competency frameworks, which incorporate commercial acumen, strategic negotiation, and supplier relationship management alongside regulatory knowledge; dynamic risk management, balancing regulatory compliance with proactive opportunity identification and entrepreneurial risk-taking; and stakeholder co-creation, fostering active collaboration with both internal and external partners to enhance procurement outcomes.

Furthermore, the adapted framework restructures the five foundational dimensions of IPM2—human resources, institutional frameworks, performance management, technology utilization, and risk management—to reflect hybrid organizations' operational realities better. This restructuring is grounded in contingency theory principles, which posit that organizational effectiveness is contingent upon the alignment between internal configurations and external environmental demands, thus making flexibility, responsiveness, and contextual sensitivity the cornerstones of procurement governance within BUMDs.

Tabel 2. Comparison IPM2 vs Adaptive BUMD Model

Aspect	IPM2 (Standard Model)	Adaptive BUMD Model
Procurement Philosophy	Compliance and procedural optimization	Strategic value creation and organizational competitiveness
Governance Structure	Hierarchical, bureaucratic structure	Agile, flexible structure aligned to hybrid governance
Focus of Human Resource Development	Basic certification and regulatory compliance	Competency expansion including commercial and strategic skills
Risk Management Approach	Risk avoidance and regulatory caution	Dynamic risk management balancing caution and opportunity
Role of Technology	Support for documentation and process automation	Strategic integration for analytics and value optimization
Performance Measurement	Regulatory compliance and procedural correctness	Outcome-driven, focusing on strategic procurement impact
Stakeholder Engagement	Formal communication and correspondence-based	Collaborative, partnership-based stakeholder engagement
Progression Model	Sequential staged maturity progression	Networked and dynamic maturity evolution
Organizational Flexibility	Low, rigid to structure and regulation	High, responsive to market and regulatory demands
Strategic Orientation	Limited to fulfilling administrative and regulatory requirements	Positioned as a strategic enabler of organizational success

Structural Adaptation of Procurement Maturity Dimensions for BUMDs

To respond effectively to the distinctive hybrid governance challenges faced by Regional-Owned Enterprises (BUMDs), a structural adaptation of the Indonesia Procurement Maturity Model (IPM2) has been developed. In this adapted framework, the procurement function is repositioned as the strategic core of organizational operations, rather than a mere administrative support unit. Surrounding this core are five interconnected adaptive dimensions: Strategic Human Capital Development, Agile Institutional Structures, Performance-Driven Management Systems, Strategic Technological Integration, and Proactive Risk and Opportunity Management. These dimensions are not discrete or sequential but are designed to

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function in a dynamic, mutually reinforcing network that enhances organizational agility, fosters innovation, and strengthens governance resilience. By restructuring the traditional linear maturity progression into an integrated networked model, this adaptation recognizes the necessity for procurement functions within BUMDs to simultaneously meet regulatory demands and pursue market-driven operational excellence. The model ensures that procurement maturity development is no longer a rigid, bureaucratic process but a flexible, strategic, and continuously evolving system aligned with the dual mandates of public accountability and commercial competitiveness.



Figure 1. Procurement Maturity Dimensions for BUMDs

Discussion

The results of this study reveal that while the Indonesia Procurement Maturity Model (IPM2) provides a structured and progressive framework for strengthening procurement governance in the public sector, its direct application to BUMDs presents significant limitations. BUMDs, operating under hybrid governance structures, face a dual imperative: maintaining public accountability and simultaneously achieving market competitiveness. This duality necessitates procurement governance models that are more dynamic, flexible, and strategically oriented than those typically envisioned for purely public sector entities.

The adapted procurement maturity model proposed in this study restructures the original IPM2 framework by positioning procurement as an administrative compliance function and a strategic enabler of organizational success. In contrast to IPM2's sequential progression from reactive to sustained maturity, the adapted model favors a networked, dynamic interaction across five adaptive dimensions: Strategic Human Capital Development, Agile Institutional Structures, Performance-Driven Management Systems, Strategic Technological Integration, and Proactive Risk and Opportunity Management. In this model,

procurement maturity is conceived not as a linear journey but as the development of an integrated system where each capability reinforces the others in real time.

Compared to IPM2's design, where progression is heavily anchored in regulatory compliance and procedural formalization, the BUMD-specific model places strategic value creation at its core. Human resource strategies, for example, are not limited to ensuring basic certification compliance but focus on building commercial negotiation skills, entrepreneurial agility, and market foresight. Risk management shifts from a defensive posture focused on procedural errors to a dynamic tool for identifying strategic opportunities, supporting the BUMD's need to innovate and adapt in fluctuating market conditions. These shifts align with the broader theoretical foundation of contingency theory, which posits that effective organizational performance depends on the fit between internal structures and external environmental demands (Bals, Laine, & Mugurusi, 2015).

Furthermore, empirical studies on hybrid procurement models in other sectors, such as the work by (Alhusban et al., 2024), underscore the importance of designing procurement frameworks that are context-sensitive, stakeholder-driven, and strategically flexible. The BUMD context requires exactly such an approach: procurement systems must be able to interface seamlessly between public service objectives and market dynamics, aligning regulatory compliance with the pursuit of organizational competitiveness and innovation.

One important strengthening element introduced by this study is the reframing of procurement performance indicators. Instead of measuring success primarily by procedural conformity (e.g., audit scores, compliance rates), the adapted model emphasizes strategic outcomes such as contribution to organizational profitability, stakeholder satisfaction, supplier innovation, and risk mitigation effectiveness. This reframing repositions procurement from a "back-office" compliance activity into a strategic leadership function, essential for driving institutional resilience and value creation in hybrid organizations.

In addition, the structural adaptation proposed in this study encourages adaptive institutional learning. BUMDs must recognize procurement maturity as an evolving capability, subject to ongoing recalibration in response to environmental shifts—be it regulatory changes, market pressures, or technological advancements. This vision of procurement as an adaptive system reflects the broader trajectory of public sector reforms worldwide, which increasingly favor agile, outcome-oriented governance models over static, rule-based structures.

Ultimately, the discussion confirms that simply transplanting IPM2 into BUMDs without modification would risk entrenching bureaucratic inertia and stifling strategic potential. The adapted model, grounded in hybrid governance logic and contemporary procurement theory, offers a more realistic, effective, and future-ready framework for guiding BUMDs toward procurement excellence. This transformation is not merely optional but essential for enabling BUMDs to fulfill their hybrid mission of delivering public value while competing successfully in dynamic economic environments.

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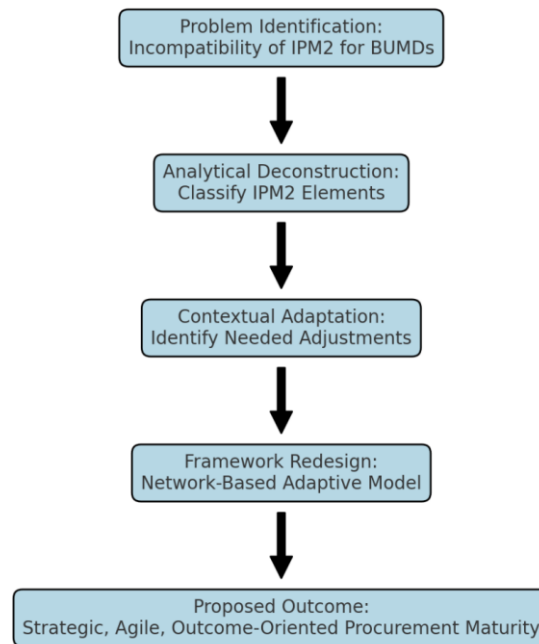


Figure 2. Flowchart of Adaptive Procurement Maturity Model Development for BUMDs

Conclusion

This study set out to address the significant gap in procurement governance frameworks for hybrid public entities by examining the applicability of the Indonesia Procurement Maturity Model (IPM2) within the context of Regional-Owned Enterprises (BUMDs). The findings clearly demonstrate that while IPM2 provides a robust foundation for evaluating and improving procurement systems in traditional public organizations, its direct transplantation into BUMDs without adaptation would be insufficient and potentially counterproductive.

Through analytical deconstruction, it was found that certain elements of IPM2—such as principles of transparency, accountability, and technological integration—can be adopted directly. However, core areas including organizational structures, competency frameworks, and risk management approaches require substantive adaptation to align with the dynamic, market-facing realities of BUMDs. Furthermore, several aspects deeply tied to rigid bureaucratic cycles and inspectorate-driven oversight were incompatible with hybrid governance's flexible operational demands.

In response, this study proposed an adapted procurement maturity model, grounded in contingency theory and informed by hybrid governance literature. The model reconceptualizes procurement maturity as a dynamic, networked system centered on strategic procurement functions and supported by five adaptive dimensions: Strategic Human Capital Development, Agile Institutional Structures, Performance-Driven Management Systems, Strategic Technological Integration, and Proactive Risk and Opportunity Management. By framing procurement as a strategic, value-creating function rather than a compliance-oriented administrative process, the adapted model offers a more realistic and effective pathway for

BUMDs to strengthen institutional resilience, enhance service delivery, and sustain competitive advantage.

The implications of this research are twofold. It provides BUMDs with a context-sensitive roadmap for systematically advancing procurement maturity. Conceptually, it contributes to the growing literature on hybrid governance and procurement reform by articulating a flexible, adaptive approach suited to semi-autonomous public entities. Future empirical studies are encouraged to validate and refine the proposed model across diverse BUMD settings, thereby strengthening its applicability and impact.

Ultimately, procurement reform in hybrid organizations is not solely about achieving regulatory compliance; it is about strategically leveraging procurement as a catalyst for public value creation and sustainable organizational success in an increasingly complex and competitive environment.

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