



**THE ENVIRONMENTAL CHANGES AND THE ADOPTION OF  
NEW STRATEGIES IN THE INTERNATIONAL ORGANIZATIONS:  
A STUDY ON THE ISLAMIC DEVELOPMENT BANK**

**BASELA MAJED M. ADWAN**

**RESEARCH REPORT IN PARTIAL FULFILMENT OF THE REQUIREMENTS  
OF THE DEGREE OF MBA (IB)**

**2009**

## **Acknowledgement**

I would like to gratefully acknowledge the supervision of Assoc. Prof. Dr. Yuserrie Zainuddin for many insightful conversations during the development of the ideas in this thesis, for helpful comments, for his dedication, guidance, and for having presented me with the numerous opportunities to broaden my academic and social horizons.

I am extremely grateful to my parents: Majed Mohamed Adwan and Nawal Adwan, for their love, care, nurturing, their perseverance and determination for encouraging me always to accept challenges and to pursue a post-graduate degree. I thank my brother and sisters for their love and moral support. My special thanks to my father Majed Adwan for his encouragement, supporting me to continue my postgraduate study, his lovely nature, for pushing me to complete my thesis and for always being there for me. Finally, I am thankful to Allah for his blessings and love as the eternal guardian for me through all my life. All powers and glory goes to Him, now and forever.

## **Penghargaan**

Saya ingin merakamkan setinggi penghargaan kepada Profesor Madya Yuserrie Zainuddin atas penjelasan yang diberikan sepanjang penghasilan thesis ini, atas komen yang membantu, atas dedikasi, panduan, dan pelbagai peluang yang diberikan bagi meluaskan pandangan akademik dan sosial saya.

Saya juga ingin merakamkan jutaan terima kasih buat ibu bapa saya: Majed Mohamed Adwan dan Nawal Adwan atas kasih sayang, asuhan, didikan, kegigihan dan kesungguhan dalam menggalakan saya supaya sentiasa menyahut cabaran yang mendatang dan menyambung pengajian ijazah pasca graduan. Saya ingin berterima kasih kepada abang dan adik-beradik perempuan saya atas kasih sayang dan sokongan moral yang dicurahkan. Penghargaan yang khusus buat bapa saya Majed Adwan atas galakan dan sokongan agar saya melanjutkan pengajian pasca graduan, sifatnya yang penyayang, atas dorongan yang diberikan supaya saya menyiapkan tesis saya dan kerana sentiasa memberi sokongan bila saya memerlukannya. Akhir sekali, saya bersyukur pada Allah atas kurnia dan kasih sayangNya dan sebagai penjaga abadi sepanjang hayat saya. Segala kekuasaan dan kemuliaan bagiNya, kini dan selamanya.

# Table of Contents

Acknowledgement	II
Penghargaan	III
Table of Contents	IV
Abstract	VII
Abstrak	VIII
<b>Chapter 1: Introduction</b>	<b>1</b>
1.1 Background and Overview	1
1.2 Problem Statement	3
1.3 Research Questions	5
1.4 Objective of the Study	6
1.5 Importance of the Study	6
<b>Chapter 2: Literature Review and Theoretical Framework</b>	<b>9</b>
2.1 Introduction	9
2.2 An Institutional Theory View of the Family Business	12
2.3 Institutional Theory and MNC Subsidiary HRM Practices: Evidence from a Three-Country Study	14
2.4 An Institutional Perspective on Performance Measurement and Management in the 'New public Sector	15
2.5 Contextualising the IT Artefact: Towards a Wider Research Agenda for IS Using Institutional Theory	17
2.6 The Global Financial Crisis: an Institutional Theory Analysis	19
<b>Chapter 3: The Islamic Development Bank</b>	<b>21</b>
3.1 Introduction	21
3.2 Islamic Development Bank Scholarship Programs Overview	24
3.2.1 Scholarship Program for Muslim Communities in Non-Member Countries	24
3.2.2 M.Sc Scholarship Program in Science and Technology for IDB Least Developed Member Countries	26
3.2.3 Merit Scholarship Program for High Technology	27
<b>CHAPTER 4: Research Methodology and Data Analysis</b>	<b>29</b>
4.1 Introduction	29
4.2 Study's Scope	31
4.3 Data Collection	33
4.3.1 In-depth Interview	33
4.4 Data Analysis	35

4.4.1 Qualitative Content Analysis	35
4.4.2 Environmental Analysis-PEST	38
<b>Chapter 5: Findings</b>	<b>44</b>
5.1 Introduction	44
5.2 Changing Strategies	44
5.2.1 Choosing of the Candidates	44
5.2.2 Number of the Scholarships	50
5.2.3 Distribution Strategy	52
5.2.3.1 Distribution Strategy of the Undergraduate Studies	53
5.2.3.2 Distribution Strategy of the Postgraduate Grants	54
5.2.4 The Amount of the Grants	56
5.3 Environmental Changes Affecting IDB Strategies	59
5.3.1 Funding Resources	61
5.3.2 Muslim's Communities	63
5.4 IDB's Management Evaluation of the Scholarships Strategies	65
5.5 Conclusion	67
<b>6 References</b>	<b>72</b>
<b>List of Figures</b>	
Figure 3.1: The structure of the IDB	23
Figure 4.1: PEST Factors	39
<b>List of Tables</b>	
Table 4.1: <i>Old, new, and the Evaluation of the Scholarships' Strategies</i>	37
Table 4.2: <i>Measurement for the Old &amp; the New Strategies of the IDB's Scholarships Program</i>	40
Table 4.3 <i>Environmental Changes Affecting IDB's Strategies</i>	41
Table 4.4 <i>IDB's Management Evaluation for the Scholarships Strategies</i>	42
Table 4.5: <i>The Effective of the Surrounded Environment on the IDB's Strategies</i>	43
Table 5.1: <i>IDB's Sc. Program verses World Bank's Sc. Program</i>	70

## **Abstract**

In 1975 the Islamic Development Bank was established in Jeddah-Kingdom of Saudi Arabia in order to foster economic development and social progress of the member countries and the Muslim communities in non-member countries in accordance with the principles of the Islamic Shariah. In 1983, the Bank established the Scholarships Program in order to provide the Muslim's communities with a qualified academic member. This study focuses on the IDB's management decisions and changes that affect strategies taken by the Bank. An in-depth interview has been adopted as the methodology of this work. Using qualitative content analysis and environmental analysis with the institutional theory as theoretical framework, the study examined the environmental changes that affected on the adoption of new strategies and making the decision in the IDB, and the effect of them in particular on the Department of the Scholarships of the Bank, between the years 2000-2009. The study found that the IDB have adopted several strategies in terms choosing of the candidates, the number of the scholarships, the distribution strategy, and the amount of the grants, in order to similar the organization with the environmental changes that surrounded it, which appeared in development of various funding resources for the bank instead of its dependency on the member countries' contribution only, which reflected positively on the Department of the Scholarships Program of the Bank, and on the extending of the Muslim's communities around the world.

## **Abstrak**

Pada tahun 1975, Bank Pembangunan Islam (IDB) telah ditubuhkan di Jeddah – Kerajaan Arab Saudi untuk pembangunan ekonomi dan perkembangan sosial bagi negara-negara anggota dan komuniti Muslim di negara-negara bukan anggota selaras dengan prinsip-prinsip Shari'ah Islam. Pada tahun 1983, Bank tersebut telah menubuhkan Program Biasiswa bagi menghasilkan ahli akademik yang berkelayakan dalam komuniti Muslim. Penyelidikan ini tertumpu kepada keputusan dan perubahan yang akan memberi kesan terhadap strategi yang diambil oleh Bank tersebut. Kaedah temubual secara terperinci telah dipilih sebagai metodologi bagi kajian ini. Dengan menggunakan analisa kandungan dan analisa persekitaran dan teori institusi sebagai rangka kerja teori, kajian ini telah menyelidik perubahan persekitaran yang memberi kesan terhadap strategi baru dan keputusan yang diambil di dalam BPI, dan kesannya secara khusus terhadap Jabatan Biasiswa Bank tersebut, di antara tahun 2000-2009. Kajian ini mendapati bahawa BPI telah melaksanakan pelbagai strategi dari segi pemilihan calon, bilangan biasiswa, strategi pengagihan, dan jumlah geran, bagi menyesuaikan pertubuhan tersebut dengan perubahan persekitaran di sekelilingnya, yang muncul dalam pembangunan pelbagai sumber pendanaan bagi Bank tersebut supaya tidak bergantung semata-mata kepada sumbangan negara-negara anggota, yang mana menggambarkan secara positif perluasan komuniti Muslim di serata dunia.

# **Chapter 1: Introduction**

## **1.1 Background and Overview**

International business as some scholars defined it is the “business whose activities are carried out across national borders” (Ball et. al, 2008. p. 9). In other words, the foreign business indicates the process of a company outside its home or domestic market (Ball et. al, 2008). However, it has been argued that the internationalization of business is occupied by companies in wide-ranging industries: auto, oil, food, tobacco, electronics, finance etc. The environment in each country has unique and common characteristics, providing multidimensional challenge (Donveiler, 2008).

Therefore, there are several reasons that motivate the company to pursue international business such as: the increases of the profits and sales, the protection of the markets, profits, and sales (Ball et. al, 2008). Richard and Devinney (2005) have argued that the study of international business is concerned with the challenges, chances and troubles that business face in the circumstance of a global economy, and the company may obtain the goal of its internationalization by the usage of the suitable strategies.

However, the use of the chances behind internationalizing the business in many Islamic Countries is undeniable because of the poverty of these countries, which is the natural result of the lack of knowledge, education, and the use of the modern technology in the daily life. Thus, the need to bridge the gab between the under develop-developing Islamic countries and the developed one prompts the wealthy Islamic Nations to establish the Islamic Development



Bank (IDB) to foster the economic development and social progress of member countries and Muslim communities individually as well as jointly in accordance with the principles of Islamic Shari'ah.

The Islamic Development Bank adopted various economic projects in addition to the governors of the member countries financial support to finance its developing projects in the Islamic World. The Bank is participating in equity capital and grant loans for productive projects and enterprises besides providing financial assistance to member countries in other forms for economic and social development.

In May 2006 The Board of Governors of the Islamic Development Bank had earlier announced plans to launch the International Islamic Trade Finance Corporation (ITFC) at its 31st Annual Meeting, which held in Kuwait. The ITFC has an initial capital of US\$300 million and will be headquartered in Jeddah, Saudi Arabia, as an attempt to alleviate economic burdens and combating poverty in the least developed Member Countries. ITFC will provide more resources to the Islamic Development Bank to finance exports and investments and secure necessary guarantees that will facilitate greater trade exchange regionally, and also an attempt to expand the scope of Islamic transactions as a start point for the internationalism.

Moreover, it was clear that there will be a difficulty in studying all the strategies that have been adopted for the entire departments and projects of the IDB because of the widely

expanding of the Bank's operations, thus, this study will concentrate on one of the important departments of the organizations, the IDB's Scholarships Program Department.

The IDB believes in the importance of the education and knowledge to obtain its goal in decreasing poverty in Muslim's Countries and expanding the Islamic Transactions in not only the Islamic World; but also in the Non-Muslim countries. This strategy will help in providing the member and the non-member countries the needed stabilization of the individuals and the jointly businesses. Therefore, the IDB encouraged the Scholarships Program as one of its basic strategies to accomplish the internationalization.

## **1.2 Problem Statement**

The year 1975 witnessed the establishment of the Islamic Development Bank (IDB) with only 22 founding member countries. Now the IDB has 56 member countries. In the beginning it was a Bank, now it is a Group with several entities operating with specific missions and objectives. In addition, the IDB must operate in accordance with the principles of Shari'ah – Islamic law – which prevents it from charging or paying interest. To abide by this tenet, the bank has traditionally relied on its shareholders for capital as well as its ability to create innovative products and services, such as sukuk, Shari'ah-compliant bonds that can be bought and sold on the market.

To finance its business, the bank has developed a number of financial instruments that reflect the brainpower and innovation of its founders and the institution as a whole. But while

these accomplishments define the bank's characteristic, some of this work has been documented or recorded. As more young people joined the organization and more of the founders and founding staff retired, the organization increasingly faced the question of how best to address this transfer of knowledge (Abdelaziz, 2006).

Furthermore, during these thirty years of operation, the IDB faced several challenges, such as the funding sources, the continuity of the development projects, and other issues which may affect negatively on the process of the Bank's growth. However, to face such challenges the IDB had to change its strategies several times. Some of these strategies have been dropped after reevaluating of them, and some of them improved.

In addition, by reviewing the IDB's annual reports from 2000 to 2008, I found that the IDB's decisions and strategies for a certain department reflects not only in that department but also reflects on the entire departments of the Bank. Moreover, I noted that the Department of the Scholarships Program of the IDB is the least funded department in the Bank because of the dependency on the member countries' contributions (i.e. the Bank divided the contributions to shares, and these shares distributed on the departments regarding the priorities).

In this sense, while the IDB restricting on the importance of the Scholarships Department; I found that the Bank under any crises may drop the entire program in order to save another one. To avoid such incidents, the bank in 2006 decided to fund the program by

the Waqf Project beside the department's share from the contributions, which made it possible for the Department to provide the beneficiaries with more grants, but still the department receives the least fund.

The problem of this study came from the notion that, the environmental changes that led to the adoption of new strategies and making a certain decisions may affect not only on the specified department but also it will affect negatively or positively on the whole structure of the organization. Thus, the necessary of recognizing the nature of these environmental changes that may affect on the decision making and the adoption of new strategies particularly in terms of the IDB's Scholarships Program Department is realized.

### **1.3 Research Questions**

Several questions have been set for the purpose of this study, but the most important questions were the following:

- 1- What are the environmental changes that surrounded the IDB and led to the changes in the Bank's strategies, in particular the Scholarships Program Department strategies?
- 2- How effective these changes are in the continuation of the Scholarships Department to perform its tasks and services?

## **1.4 Objective of the Study**

The main objectives of this study is explore the environmental changes that affected the management decisions and the strategies of the Islamic Development Bank, particularly the decisions and the strategies that implemented in the IDB's Department of the Scholarships Program, and how effective are these decisions and strategies in the maintenance of the status of the company to survive for longer in the business.

## **1.5 Importance of the Study**

Since the announcement of the establishment of the Islamic Development Bank in the 1970s of the past century, and this institution carrying on the responsibility of raising the level of progress and development in technical, technological and economical status of the member/non-member countries and the Muslim's Communities everywhere.

Accordingly, in recognition of the essential role that Science & Technology plays in socio-economic development, the IDB has, over the years, diversified and increased its assistance to its member countries in this area. However, according to the annual reports of the IDB, the mechanisms and initiatives that the IDB undertook in providing this assistance to relevant organs and institutions in member countries included the following:

- Formalizing and enacting cooperation with Science & Technology partners, including the OIC Standing Committee on Science & Technology (COMSTECH); the Islamic Academy of Sciences (IAS); the Islamic University of Technology (IUT); the Islamic

Educational, Scientific and Cultural Organization (ISESCO); and an increasing number of UN, regional and national institutions and non-governmental organizations.

- Increasing financial assistance to member countries in S&T projects and programs, including institutional capacity building, procurement of advanced equipment to laboratories, hospitals and universities; establishment of S&T education and applied research institutions (such as the Ghulam Ishaq Khan Institute of Engineering Sciences and Technology in Pakistan, the International Biosaline Agriculture Center in Dubai, the Marmara Research Center in Turkey, the Sharif University of Technology in Iran, the Institute of Health Sciences in Maldives, the Polytechnic Institute in Yemen, the BINA Biofertilizer Center in Bangladesh, the Leather Technology Center in Sudan, the Paduke Seri Bagawan Sultan Science College in Brunei Darussalam, and the Institute of Physics and Technology in Kazakhstan, among others).
- Enhancing cooperation between member countries in S&T through experts recruitments, on-the-job training, scientific seminars and conferences under IDB's Science and Technology Office's Programs.
- Offering science education support under the IDB scholarship programs.

Furthermore, it became well known that one of the programs that the IDB established for the seek of the communities progress the Scholarships Program which covers at the recent

time more than 1000 beneficiaries studying under three types of programs: the Undergraduate – Master – and Merit programs. Thus, the importance of this study came from the notion which suggested that the IDB's strategies which implemented in order to provide the Bank with various funds sources of the banks could affect negatively or positively on the Sc. Program.

This notion supported by previous studies on the Sc. Programs which studies that have been reviewed during the preparation of this study. The argument of this issue was based on the idea that the presence of the scholarships programs in Muslim's Communities motivates the Muslim Students to continue their education despite the economic crises that occurs all around the world. Such programs may also give those Muslim students the motivation to improve their lives and their communities too.

Therefore, the importance of this study came from the importance of getting a better understanding of the methods, strategies, and decisions from the IDB to protect its Sc. Program even under any incidental crises, instead of dropdown the program.

## **Chapter 2: Literature Review and Theoretical Framework**

### **2.1 Introduction**

The aim of this section is to explore the implications of institutional theory, and to analyze the theory were applied for different categories through organization. Different articles and case studies were viewed to analyze and explore institutional theory and the results of its implication.

Institutional theory concentrates on the deeper and more flexible aspects of social structure. It considers the processes by which structures, including plans; rules, norms, and routines, become recognized as authoritative guidelines for social behavior. Powell and DiMaggio (1991) argued that the theory seeks cognitive and cultural explanations of social and organizational phenomena by bearing in mind the properties of supra-individual units of analysis that cannot be reduced to aggregations or direct consequences of individuals' attributes or motives.

However, O'Connell, Jr. and Schwarzbach (2005) explained that "Institutional theory posits that numerous aspects of formal organizational structure, policies, and procedures result from prevailing societal attitudes of what comprises acceptable practice and the views of important constituents" (O'Connell, Jr. and Schwarzbach, 2005). Hence, the organizations create these rules and requirements, not only on efficiency grounds, but also to improve their legitimacy, incomes, and survival ability.



In addition, Scott (1995) mentioned that in its attempt to survive, organizations must conform to the rules and belief systems existing in the environment, because institutional isomorphism, both structural and procedural, will make the organization legitimacy. Scott's argument was based on the notion that the multinational corporations (MNCs) operating in different countries with varying institutional environments will face varied pressures. Scott (1995) clarified that some of those pressures in host and home institutional environments are witnessed to use basic influences on competitive strategy and human resource management (HRM) practices.

However, Dacin (1997) expressed that institutional pressures operate in conjunction with other forces such as competition to affect ecological dynamics. The organizational behavior is inextricably ingrained in a vibrant system of interrelated economic, institutional, and ecological influences (Dacin, 1997). Thus, organizations that conform to institutional standards become most favorable, if not efficient, in the sense that they increase their survival capabilities by conforming to those standards, by this means minimizing the risk of organizational death (Baum and Oliver 1991).

According to Knetter (1989) there is strong evidence proof that institutions in different types of economies respond in a different ways to parallel challenges, the social, economic, and political aspects form an institutional structure of a specific environment which provides the institutions with advantages for engaging in particular types of activities there (Knetter, 1989). Thus, businesses tend to carry out more competently if they receive the institutional support.

Furthermore, these factors/pressures help in initiating the isomorphism. DiMaggio and Powell (1983) explained the isomorphism based on the assumption that organizations become increasingly similar through institutional forces. In other words, the main focus of the organizations was on the movement towards, and the protection of, institutional standards through coercive, mimetic, and normative processes (Kondra & Hinings, 1998). For instance, in a case like the IDB, the main objective of this organization is to continue its work efficiently in supporting Muslim's Communities, and in order to do so, the Bank must put in its account the surrounded environment which will help the IDB to determine the proper decisions to insure its continuance.

Meyer and Rowan (1977) argued that institutional isomorphism promotes the success and survival of organizations (cited in O'Connell et. al 2005). Consequently, institutions compete not only for funds and clients, but also for "political influence and institutional legitimacy, for social as well as economic correctness" (DiMaggio & Powell, 1991, p.148). Moreover, if organizations are isomorphic, then functioning in a mode comparable to competitors may lessen the risk that the firm will perform poorly when compared to others within that field (Kondra & Hinings, 1998).

In addition, according to O'Connell et. al. (2005), there is two major types of isomorphism: competitive and institutional, the competitive isomorphism assumes a system of competitive markets and robustness measures and is often used to explain how organizations develop bureaucracies and respond to new innovations. The institutional suggests that institutional standards deal with suitable areas of operation, standards of organizing, and principles of assessment (O'Connell et. al., 2005). Hence, the structures and processes are institutionally

derived and may be idiosyncratic to the organizational field (Kondra & Hinings, 1998). Overall, the following are some implementation of the institutional theory:

## **2.2 An Institutional Theory View of the Family Business**

In his article, Leaptrott (2005) discussed the organizational forces common to the family business from the perspective of institutional theory. Furthermore, Leaptrott (2005) expressed that both “old” and “new” institutionalism adds useful perspectives for the analysis of family businesses. “Old” institutionalism encourages the study of structural change as a result of environmental pressures. “New” institutionalism focuses on the symbolic nature of organizations.

The argument of Leaptrott (2005) based on the notion that "Studying the organizational forces affecting the family business from the perspective of institutional theory is distinct from the perspectives using frameworks that commonly emphasize the duality of the roles of family business actors as members of both family and business organizations and the resultant role conflicts in the two distinct hierarchies of the business and the family" (p. 215). In other words, studying the factors that affects on the family business from the perspectives of institutional theory may gave us a better understanding to the factors of the structural changes of the organization that have been done, and the symbolic nature of the organization.

According to Leaptrott (2005), institutional theory is very helpful in providing "a theoretic framework for descriptive models that attempt to explain certain organizational

phenomena" (p. 215), and this includes "the emergence of distinctive forms, processes, strategies, outlooks and competencies as they emerge from patterns of social interaction and adaptation" (Selznick, 1996, p. 271, cited in Leaptrott, 2005, p. 215). Moreover, scholars described institutionalization as a transformational process for an organization, stating "as an organization is 'institutionalized' it tends to take on a special character and to achieve a distinctive competence or, perhaps, a trained or built-in incapacity" (pp. 216-217).

Institutional change involves a reduce in institutional forces or a substitution of one set of behaviors or structures for another, this change can result due to pressures resulting from functional, political, or social sources (Leaptrott, 2005). What Leaptrott meant is; that the surrounded environment of the organization reflects on the organization. Thus, the family business in this case, affected by several factors whether it was political, functional, social, or competitive factors, which created a type of pressure on the organization, hence, this pressure can result a new institutional practices.

In conclusion of this study, Leaptrott (2005) concluded that institution theory provides insights for "understanding phenomenon in two institutions, the family and the business that exist in a single organization, the family business" (p. 226). Leaptrott argued that the use of the 'old' and the 'new' institutional theory was helpful in identifying the factors beyond the institutional change.

### **2.3 Institutional Theory and MNC Subsidiary HRM Practices: Evidence from a Three-Country Study**

The aim of this study is to explore human resource management (HRM) practices in multinational corporation (MNC) subsidiaries within an institutional theory framework. Based on a sample of 158 subsidiaries of MNCs operating in the United States, Russia and Finland, the paper examines factors hypothesized to influence the HRM practices adapted in US, Japanese and European MNC subsidiaries located in Russia, Finland and the US.

Björkman, Fey and Park (2007) discussed that because of the "continued globalization of large corporations, and an increased awareness of the importance of employees for company competitiveness, the question of how to manage people in foreign affiliates has become increasingly important" (p. 430). However, according to Björkman et. al. a variety of empirical studies in different countries approved a positive relationship between the wide use of 'high-performance' HRM practices and organizational performance outcomes.

According to Björkman et. al. (2007), institutional theory as a theoretical framework suggested that organizations are "under social influence and pressures" that might force the company to adopt a new practices. Furthermore, Björkman et. al (2007) found that institutional factors continued to be a play significant roles in determining the kind of HRM practices found in the foreign subsidiaries of MNCs. Thus institutional theory is "likely to be instrumental in explaining some of the differences found across MNC subsidiaries" (p. 432).

Regarding Bjořrkman et. al (2007), institutional theory assumed that any organization under pressures need to adapt and be consistent with their institutional environment. The reason beyond this is that organizations attempting to acquire legitimacy and recognition by adopting structures and practices viewed as appropriate in their environment. Therefore they may have to adopt a certain institutional practices to become consistent with the organization's environment.

Finally, Bjořrkman, Fey and Park (2007) study; supported the argument which suggests that institutional theory can help in understanding the determinants the new practices that have been adopted by the organizations regarding the surrounded environment of the organization.

## **2.4 An Institutional Perspective on Performance Measurement and Management in the 'New public Sector**

The purpose of this study is to explore the implications of institutional theory for the successful implementation of multidimensional performance measurement and management in the public sector. The main objective for this purpose is to "advance a framework grounded in institutional theory addressing the impact of the dynamic interplay between funders, professional groups within the focal provider organization and the purchasers of its services on the design and implementation of multidimensional PMSs in the public sector" (p. 284).

While some of the theories suggested that the notion of legitimacy-seeking rather than efficiency maximization, Brignall and Modell (2000) argued that institutional theorists recognized that efficiency in a more objective sense may actually suffer as a result of the organization's need to legitimate itself to dominant constituencies. In other meaning, seeking the legitimacy on the expense of the efficiency which came as a result of the new institutionalization that isomorphic with the surrounded environment; will festinate the death of the company instead of strengthen it.

Overall, Brignall and Modell (2000) concluded that institutional theory tended to emphasize the adaptive nature of organizational behavior; however, the study showed that there is a need to complement this with a view of management as an intentional and pro-active agent.

However, the chosen of this theory as the theoretical framework of this study came from the notion that this theory will help in explaining the changes that have been adopted by the Islamic Development Bank strategy, particularly the changes on the strategies that approved in the department of the scholarships programs and the factors that pressured this organization to develop its strategies, because "institutional theory highlights cultural influences on decision making and formal structures. It holds that organizations, and the individuals who populate them, are suspended in a web of values, norms, rules, beliefs, and taken-for-granted assumptions that are at least partially of their own making" (Barley and Tolbert, 1997).

## **2.5 Contextualising the IT Artefact: Towards a Wider Research Agenda for IS Using Institutional Theory**

Currie (2009) has set this paper in order to examine the use of institutional theory in information systems research. It also seeks to consider recent debates within information systems, that the field should expand its own social theories. The purpose of this paper is to show that IS researchers need to connect more fully with the institutional theory literature as the body of work is conceptually rich and is more suitably used to analyze and understand multifaceted social phenomena.

The basic argument of Currie in this paper is that "information systems researchers need to become more aware of the wider debates within the institutional theory literature, particularly as the theory is conceptually ambiguous, yet not amenable to over-simplification as a means to achieve methodological rigour" (p. 63). In addition, the use of institutional theory may offer the practitioners conceptual tools and techniques for understanding multifaceted change management circumstances relating to IS works (Currie, 2009).

According to Currie, challenging exercises is the primary motivation to consider use of social theory in information systems. Therefore, the goal of engaging IS with the social theories is to show how the information system researchers could extent their works by using these social theories in their researches. However, this may involve the use of a multi-disciplinary list of social theories from economics, sociology, political science and anthropology. Thus, such a list might include transaction cost economics, actor-network theory, structuration theory, institutional theory, among others (Currie, 2009).



However, in order to examine the usage of the social theories in the field of the IS, a limited observation about the use of institutional theory in information systems research have been applied. Currie (2009) expressed that the usage of such a theory (i.e. institutional theory) that the theory "offers rich and insightful ideas for analysing and understanding empirical data" (p. 64).

Based on *The New Institutionalism in Organizational Analysis* of Powell and DiMaggio (1991) and Scott's (2001) *Institutions and Organizations*, Currie (2009) found that "institutionalism is a highly complex theory with contributions delineated across disciplines and time spans" (p.64). Thus, theoretical and empirical problems in using institutional theory are considerable as much as they are in the social science studies. However, considering external and internal environmental changes that surrounded the organization are needed in the field of information system research in order to develop its own theories.

In conclusion, Currie (2009) argued that while institution theory has been "influential in identifying the limitations of rationalisation, it is criticised for not adequately explaining how "the pool of social ideas, instrumental orientations and schemes (e.g. the rationalized environment) is translated into the specific administrative patterns encountered in particular organizations or populations of organizations" (Hasselblad and Kallinikos, 2000, p. 699, in Currie, 2009, p.74), information system researchers need to be aware of these issues and debates, particularly as rational-actor perspectives dominate the field.

Overall, this essay shows that using social theories, in particular the use of institutional theory is useful not in the field of social science but also could be really useful in other fields of study and research which may help greatly in developing various theories in a particular field.

## **2.6 The Global Financial Crisis: an Institutional Theory Analysis**

The current economic crisis, rapidly gaining ground across the world everyday, has been appropriately labeled as a “global financial crisis”. News stories focus on the collapse of banks and financial services organizations that until recently were deemed to be very successful and highly legitimate businesses. The question here is: How could such successful businesses suddenly collapse and lose all legitimacy? How could the entire industry of investment banking lose legitimacy to the point where popular financial media report on the embarrassment of investment bankers at dinner parties?

In order to answer these questions and other related questions, this paper seeks to provide insights into the current global financial crisis from an institutional theory perspective. Riaz (2009) presented in this work the development of the key concepts using institutional theory, grounded in a discussion of the context of the current global financial crisis. Findings – The interplay of financial industry organizations and formal and informal institutions is the key to understanding the creation of the crisis.

However, while the current crisis has several aspects that can be understood using various disciplines and theoretical lenses, Riaz (2009) suggested that new institutional theory can

provide a unique perspective for understanding key aspects of the organizational-institutional interplay in the unfolding of the present crisis. According to Riaz (2009) the ideas that have been presented in this paper are "useful to explain the present financial crisis by focusing on the major players in the financial industry and major formal and informal institutions relevant to these players" (p. 33).

Moreover, this paper assumed that new theoretical insights could be developed through grounding future research in such contexts and extending the conceptual ideas presented in this paper. While the analysis of this paper suggested that "...working for resolutions should attempt to understand the complex interplay of financial industry organizations and broader institutions, particularly with an emphasis on how this interplay provides perceptions of legitimacy to both parties. Simplistic notions of institutions pressurizing organizations in the organizational field to conform in order to seek legitimacy do not always apply, and could prove futile yet again in the future" (p.33).

In conclusion, this paper discussed the needs to examine the current financial crisis as an institutional crisis resulted from the interaction of the involved financial industry organizations and broader formal and informal institutions. Hence, this work gave theoretical insights in order to get a better understanding for these interactions and possibly form a future policy relevant to this crisis and to similar possible crises in the future.

## **Chapter 3: The Islamic Development Bank**

### **3.1 Introduction**

The Islamic Development Bank is an international financing institution that was established by the Organization of the Islamic Conference. The idea for the establishment of this institution was first proposed in the second Islamic Ministers Conference, held in, Karachi in 1970 and a recommendation to undertake an in depth study of the project was made.

Declaration of intent was issued by the first conference of Finance Ministers of Islamic Countries, held in Jeddah in Zul Qaddah, 1393AH (December 1973) to endorse the idea. Formal inauguration of the Bank was on the 15<sup>th</sup> of Shawwal 1395AH (20<sup>th</sup> of October 1975). The purpose of the Bank is to foster economic development and social progress of the member countries and the Muslim communities in non-member countries in accordance with the principles of the Islamic Shariah.

The Bank support the productive projects in equity capital providing financial aid to member countries through grants or loans and other forms of economic and social development. In other words, the bank supplying the underdevelopment or developing member countries with the basic funds, through loans or grants to ensure the continuance of the country's developing projects.

It also institute and set up special funds for other purposes including a fund for assistance to Muslim society in non-member countries, in addition to setting up trust funds. The Bank is approved to accept deposits and to mobilize financial resources through Shariah compatible modes. It is also responsible of assisting the promotion of foreign trade especially in capital goods, among member countries; providing technical assistance to member countries; and extending training facilities for personnel engaged in development activities in Muslim countries to conform to the Shariah.

Membership of the Islamic Development Bank consists of 56 countries. To become a member a county should be a member of the organization for the Islamic Conference and to contribute to the share capital as decided by the board of governors. The authorized capital of the Islamic development Bank is thirty billion Islamic Dinars. The Islamic Dinar is the Unit of account of IDB, which is equivalent to one international Monetary Fund's Special Drawing Right.

However, since the Islamic Development Bank is a very wide area to be discussed in the project we will only deal with the Scholarship Organizations' strategy development.

Organization Flow Chart:

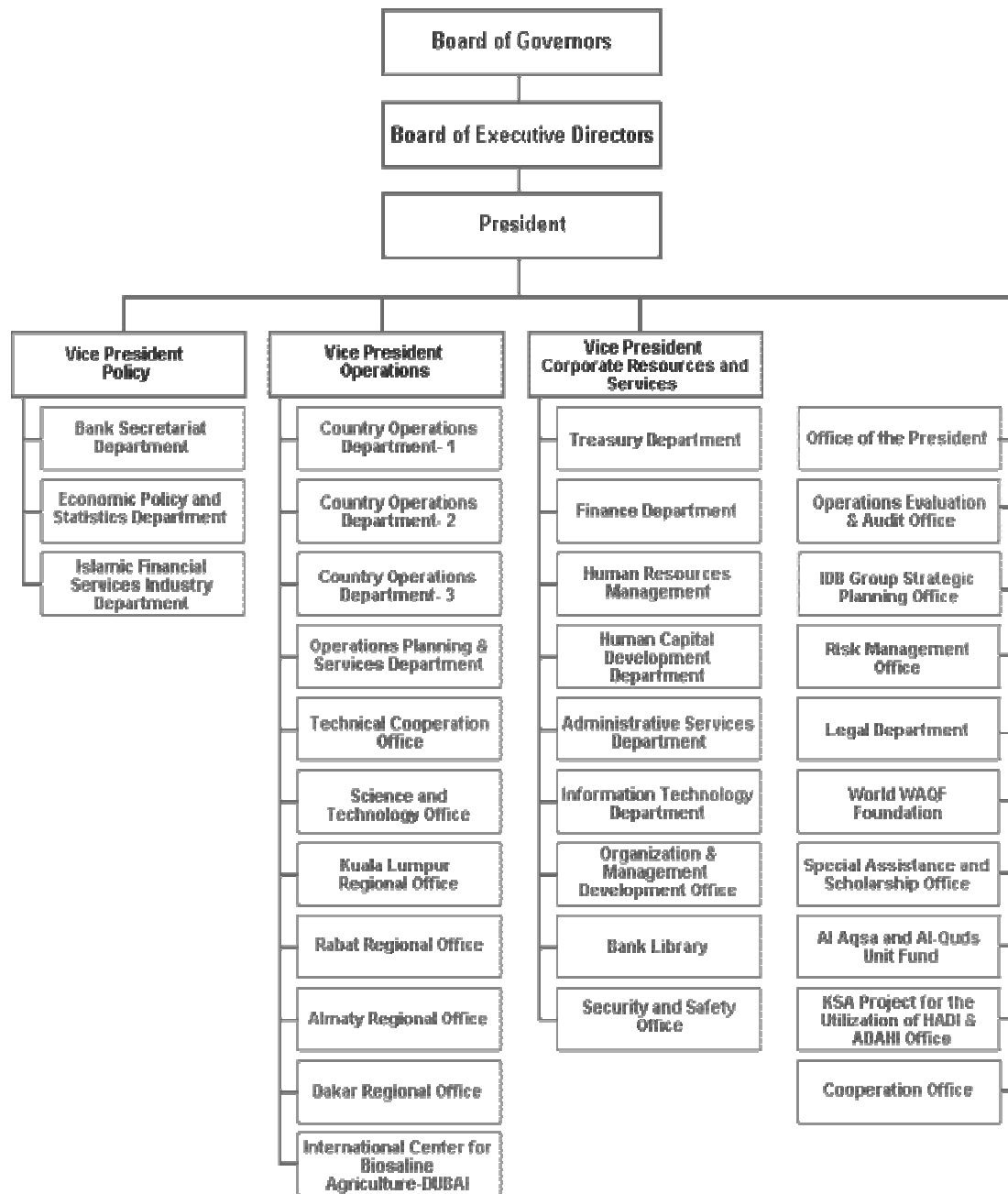


Figure 3.1: The structure of the IDB

### **3.2 Islamic Development Bank Scholarship Programs Overview**

The Bank's fund and implement its scholarship programs as part of its overall effort in the development of human resources of its member countries and those of the Muslim communities in non-member countries. In addition, there are three scholarship programs offered by IDB:

#### ***3.2.1 Scholarship Program for Muslim Communities in Non-Member Countries***

Muslim communities in many developing countries, which are not members of the Islamic Development Bank generally, lag behind others in education, especially in technical education and professional specialization. This situation is the result of poor education inherited from the long years of colonization and neglect. This is a handicap and an obstacle which must be overcome if the communities are to improve their socioeconomic conditions, preserve their cultural and religious identities, and make a meaningful contribution to the development of their countries.

To respond to their development need, the Islamic Development Bank established the Scholarship program for Muslim Communities in Non-Member Countries which was launched in 1404AH (1983) with 53 students from India, Sri Lanka and Kenya. The objective of the program is to provide opportunities for the academically meritorious and financially needy young Muslim students to pursue under graduate or first-degree study in the fields of Medicine, Engineering, Agriculture and other fields related to them, and to train them as professionals with dedication and commitment to develop their communities and countries.