

The University of Hull

*Organisational Change from the Perspectives of
Translation: A Case Study of Transformation in the
Libyan Banking System*

*Being a Thesis Submitted for the Degree of Doctor of
Philosophy in the University of Hull*

By

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Dedicated to:

My loving parents, wife, daughter and son

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Abstract

This study examines an organisational change process in its real-time. Two theoretical approaches have inspired a search for explanations to the process of change occurring as part of large transforming the Libyan banking sector to become compliant with the Islamic Banking and Finance (IBF) model. The first is change as fluxing reality (Tsoukas & Chia, 2002). The second theoretical approach reflects insights mainly from new translation embodied in process philosophy and neo-institutionalist perspectives as articulated by Czarniawska and Joerges (1996). The two theoretical views are seen as complementary to empirical investigations that seek to capture the dynamic unfolding nature of organisational change. The study draws upon a cross sectional case-study approach in the banking sector in Libya and qualitative abductive reasoning.

The methodology of this study incorporates qualitative thematic analysis situated within the theoretical framework underpinning this study. This study is an exploratory in nature, consequently, the unit of analysis revolves around the idea of IBF and its associated processes which designed to transform the idea into organisational practice. This includes, the change process subsequent process associated with this change and the unintended consequences of such complicated large scale program. The study combines different research method and data sources, including interviews, IBF literature and literature on the Libyan banking system.

The outcome of the research can be considered as a contribution to the knowledge of change and translation as well as the field of IBF. The current study, through adopting a processual analytical mind-set has described for the first time the organisational change process in the context of Islamic banking. Thereby, opening up a field which is in need of further and extensive research. The key findings of this study were in fluctuation with the translation model. This fluctuation due partly to the different nature of the change process in the Libyan banking context. In this regard, it can be argued that the translation model depicts change as utterly an open-ended process. However, this research has revealed that change process is constructed and translated within various historical social and institutional limitations.

Table of Contents

Acknowledgement	i
Abstract	ii
Introduction	1
Part 1 THE CONTEXT OF THE RESERCH	7
Chapter: 1 The Concept of Organisational Change and Translation	7
1.1 Encountering the sprawl of changing literature	10
1.2 Change as episodic and discontinuous, and change as emergent and continuous.	11
1.3 Process thinking, organisation and change.....	15
1.3.1 Weak and strong process views	17
1.4 The Translation perspective on change.....	18
1.4.1 Translation and organisation.....	21
1.4.2 Translation and ideas that travel.....	22
1.4.3 The editing model.....	22
1.4.4 Translation as diffusion of recipes.....	23
1.5 Translation and process thinking.....	24
Summary	26
Chapter: 2 Islamic Banking and Finance	28
2.1 What is Islamic banking?	28
2.2 How Islamic banks are different from conventional banks	30

Chapter: 3 The Libyan Banking Sector, Historical and Recent Background.....	35
3.1 Libya’s banking sector pre- Gaddafi’s reign.....	39
3.2 Gaddafi’s rule and beyond	42
3.3 Transformation to Islamic finance	48
3.4 Imprinting and attributes in Libya’s banks	51
3.5 Summary	57
PART 2 METHODOLOGY AND DESIGN.....	58
Chapter 4 Reserch Methodology and Design	58
4.1 Exploratory research	61
4.2 Research philosophy	63
4.2.1 Social constructionism.....	64
4.3 Intrinsic case study.....	66
4.3.1 Selection of cases	68
4.4 Data collection methods.....	70
4.4.1 Interviews	70
4.4.3 Literature on Islamic banking and Libya’s banks.....	76
4.5 Data Analysis	76
4.5.1 Recording and transcribing	77
4.6 Time, events and history, analytical components in the analysis of change ..	86
4.7 Within-case, cross case study analysis.....	87
4.8 Understanding the research ethics	92
4.9. Data management and information protection.....	97
PART 3 DATA ANALYSIS, FINDINGS AND DISCUSSION	99

Chapter 5 Analysis of the travel of Islamic Finance In Libya	99
5.2 Summary	127
Chapter 6 Copying the ubiquitous-translating the Idea and Technological Change.....	129
6.1 Translation process- conformism and traditionalism.....	134
6.2 Organisations’ response to change	141
6.2.1 Emphasising the outcome of organisational field, homogeneity or heterogeneity	143
6.3 Translating IBF- A trap of technological change.....	149
6.4 Summary	154
Chapter 7 The Unintended Consequence of Change.....	156
7.1 Legitimacy	158
7.1.1 Legitimacy in islamic banking – empirical evidence	161
7.1.2 Legitimation and legitimacy as process	165
7.2 Conclusion, Implications and Directions for Future Resaerch	170
7.2.1 Limitations of the research.....	174
Appendices	176
Appendics A.....	176
Interview Protocol.....	176
1.1 Individual Interview	176
Appendics B	178
Appendics C	180
Appendics D.....	181
Appendics E.....	182

References 183

List of Figures

Figure 1 The Travel of the Idea – Thematic Analysis 84
Figure 2 Copying the ubiquitous -translating the Idea of IBF 90
Figure 3 Organizations Response to Change 91

Introduction

For many years, the topic of organisational change has been dominating the landscape of management research. Despite the increasing popularity of this arena and the wider shifting scholarly views on this topic, the ambition of researchers to understand the complexity of change management remains at the forefront of management research scholarship. Yet, studies of organisational change in the increasingly popular and important field of IBF remain scarce and insufficient.

Moreover, IBF` literature and research on transforming banking organisations to become Shari`ah compliant is characterised by a normative view derived from theories of change management and planned organisational change. In this context, the literature and research about Interest-free banking services depicts such organisational processes as planned change. Banking organisations as we shall see, are counselled to follow a set of principles provided by international Islamic regulatory bodies such as the Islamic Financial Services Board (IFSB) and the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). Such packaged prescriptions and endorsed Shari`ah regulatory principles are designed and delivered in a *linear, top-down* formula, a view that is highly respected and represented in many change management models, especially, the planned approaches. Research concerning transformation of conventional banks is still in its early stages and so far, has only resulted in addressing problems and challenges, without considering the real-time complexities and processes that underlie such transformation.

In this respect, the literature shows some scholarly published papers and more often doctoral theses, all of which were conducted in Eastern contexts such as Asia and Africa, where Muslims are in the majority. More importantly, the arena of IBF is heavily dominated by a Positivist worldview, where analysts often strive to interpret statistics and numbers in relation to the physical aspects of IBF sector. Mainstream research often concerns the performance of Islamic banks their contribution to local or regional economies, auditing/accounting and finally the arena of marketing and customer satisfaction. Amid this prevalent positivist world view, some research papers appeared to touch upon the transformation of conventional banks to become Islamic. For instance, Sole's (2007) paper identified the main threats and challenges encountering the process

of incorporating Islamic Finance (IF) within the conventional banking system. Similarly, Rafay and Sadiq (2015) pointed out, mostly regulatory and supervisory issues as what they called *transformational problems*. According to their study, such problems confronted by Islamic Banking institutions often stemmed from the *non-existence* of a comprehensive framework for change. Another study by Arshad et al. (2016) emphasised the lack of a comprehensive framework. However, the paper concluded with an attempt to introduce a key solution to the same problems described by the above studies. From a similar point of view, Rafay and Sadiq (2015) identified quantifiable factors such as human resources, regulations, Shari‘ah standards, etc. These factors from my view are not related to the study of change. Rather, the main concern of such research is to elucidate problems associated with implementation of IB and suggest solutions to such challenges.

Finally, Shafi et al. (2016) conducted a literature review concerning the transformation of conventional banks to become Islamic; while they pointed out to similar issues mentioned above by Rafay and Sadiq (2015) the study concluded with recommendations to follow the AAI OFI & IFSB’s frameworks. Finally, what should be recognized about the positivist–worldview concerning transformation of IBF, is that all of the above-mentioned studies were underpinned by Shari‘ah and regulatory principles; none of these studies adopted any organisational or change management approaches. Consequently, some but not many problems of transforming conventional banks have surfaced. Therefore, it is safe to state that, international Islamic banking regulators have the key for Shari‘ah standardization but the dearth of knowledge about the complexities of this phenomenon remains evident. Equally, in spite of increasingly wide diffusion of organisational change and change management, the transforming of conventional banks to become Islamic has received little attention from Western organisational change theorists. IBF was invented and grew rapidly as an Eastern idea, it is unsurprising to find less interest within Western scholarship to exploring organisational and managerial issues associated with changing conventional banking to be consistent with Shari‘ah requirements. One possible reason for the noticeable dearth of research in this area is that IBF was invented and developed mainly in Eastern Muslim regions where contemporary organisational change is still less apparent in management education and the positivist worldview as well as quantitative perspectives lead the study of organisations.

Therefore, observing organizational change from within the context where it occurs might reveal more complex and challenging views from those which have been imagined by the top down approaches or change models of change management. Hence, building upon intuitive appreciation of the complexities of the banking sector in Libya and more importantly its distinctiveness which stems from the long period of practising outright socio-economic policies, the ambition is to study and examine this change as a process of translation. Therefore, the research questions of this study are outlined as follows:

Research Questions

- Why has the idea of IBF travelled widely and rapidly in the Libyan Banking context?
- How has organisational change in Islamic banking been constructed and translated and with what consequences?

Thus, the specific objectives of this research are the following:

Objectives

- To understand the nature of IBF and how it is applied to Libya's socio-economic context.
- To analyse and understand the spread of the idea of IBF in Libya and why Libyan banks are in desperate need of such a transformation.
- To analyse and understand the organisational change processes associated with the transformation to IBF.
- To analyse and shed light on some of the unintended consequences of such large-scale transformation and how these unintended consequences may constitute an emergent space for continuous change.

The study incorporates and applies variety of approaches to understand organisational change process that occurs as a part of transforming conventional banking organisations to become Islamic. Some were purposefully selected because of their applicability to account for such complex, large-scale transformation. The study draws upon (a) Change as emergent and continuous process thinking (Tsoukas & Chia, 2002). This approach opposes the notion of planned change based on the assumption of controllability and

stability and more importantly detailed steps by which change can be achieved, regardless of the business environment (Bamford & Forrester, 2003). Change as process gives more weight to change as the core nature of the organisation (Collins, 2002). (b) The study draws empirically on the translation approach (Czarniawska & Joerges, 1996) and (c) some core concepts of neo-institutionalism (DiMaggio & Powell, 1991)

Contributions to Knowledge

Based on the discussion about conflicting perspectives of organisational change outlined in the following part, chapter 1, and the lack of research outlined above, the contributions of this study are twofold. Firstly, to my knowledge, the current study, through adopting a processual analytical mind-set has described for the first time the organizational change process in the context of Islamic banking. Thereby, opening up a field which is in need of further and extensive research. Secondly, through the use of a translation model, the analytical part and the findings of this study critically evaluate its core building blocks and as a result contribute to the literature of translation. Yet, in particular, the key finding of this study problematizes and debates the long-held view about translation, in which heterogeneity rather than homogeneity is the prevailing force of organizational practices. This view is challenged by the findings of this study, where the Libyan case reflects an exceptional organizational change setting that presents the very dynamic of this process.

Analysing the travel of IBF suggests that the spread of the idea increases if the idea is associated with the religion, faith and belief of the host context. In this respect, our finding indicates that there is suggestive evidence to confirm the co-existence of patterns of interconnectedness between current change processes and different periods of formation and reformation of banking organisations. In other words, the study suggests, current translation processes are not totally isolated from past complexities embedded and interwoven with the founding and formation of business organisations. In contrast, translation may become immersed in complex structures that have been formed and accumulated through long periods of socio-economic development. Therefore, such organisational change process might not and should not always be interpreted as open-ended processes. Changing in change processes is also a key to understand processes. The Libyan case clearly showed that the process of change has taken two different forms. At the beginning of introducing IBF, the change process took the form of incremental change, which continued for some years. However, due to change in the socio-political

environment, the change process was exposed to a radical change in the institutional arrangements that reframed the process and forced public banking organisations to adapt more radical or frame-binding change. This view of change as changing in change processes seems to be missing from the discussion of translation literature.

Thesis Structure

The thesis is structured as follows. The first part is dedicated to providing an overview and setting the context of this research. Chapter 1 presents a literature review on organisational change and outlines the theoretical foundations of this study. The chapter also outlines the epistemological approach (translation) adopted to explore and examine the transformation of Libyan banks to become Islamic. Chapter 2 introduces the idea of IBF by explaining the meaning of this concept and outlines the difference between Islamic and conventional banking. Subsequently, in Chapter 3 explores the founding stages of the Libyan Banking sector (LBS) through different socio-political and economic periods. The chapter breaks down the history of the LBS and unveils the distinctive nature of the banking system in Libya. The main argument of this chapter is that history matters in the analysis of organisational change. Therefore, current transformation is not isolated from historical structural issues occurred as part of long period of socio-political developments. Such a view which obviously concerns many institutionalists but seems to be overlooked by the translation approach.

Chapter 4 presents the research methodology and elaborates on the journey of this study. The chapter elucidates and deeply discusses what it means for a researcher to engage in searching two different contexts, especially the language and the role of translation. Part 3 of this study includes Chapters 5, 6 and 7, all of which presents a particular theme/s and demonstrates the analytical work to answer the research questions. These themes include, the travel of the idea of IBF, the process of change and how organisational change has been translated and finally, the unintended consequences of change and how legitimacy suggests the continuity of the translation and change process. Chapter 5 attempts to answer the research question concerning the wide spread of the idea of IBF and why it was seen as indispensable for the LBS. The analytical work in this chapter is inspired by the work of (Røvik, 2002) which explicates why certain ideas become popular and widely travel across sectors. Therefore, part 3 contains not only the analysis but also and most

importantly, findings, discussion, debate and reflection on the selected theoretical approaches. Finally, this thesis ends with a very brief conclusion.

Part 1 CONTEXT OF THE RESEARCH

Chapter: 1 Concept of Organisational Change and Translation

This chapter begins by introducing the concept of organisational change and highlighting the key perspective on understanding this phenomenon. The argument put forward in this chapter is that, organisational change should not be understood as planned process. The chapter also highlights difficulties to walk through change literature and decide how to utilize the theoretical framework to explore and examine change process within the Libyan context.

Despite the wide spread of organisational change literature, defining what organisational change is remains as problematic and avoided. As Collins (2002) suggests, defining organisational change accurately is difficult because few management texts look at organisations and change in a processual way. In Collins's critique, scholars of organisation tend to focus upon describing the *essence* of change rather than its social processes. Also, Quattrone and Hopper (2001) criticised the literature and asserted that what constitutes change is often taken for granted and not explicitly addressed. However, what makes change as difficult to define, Collins (2002) suggests, is the way that scholars have been looking at organisational change. His view is that there is a significant difference between 'organisation and change' and organisations and change'. Collins insists that the 'S' plays a vital role in determining our perspectives on change. However, arguably as we shall see in this chapter, his view suggests that the study of organisations and change implies the consideration of change as an external reality and an exceptional event in organisational life. Thus, the literature of organisational change in the Western context tends to portray change as a "thing" or, as Quattrone and Hopper (2001) eloquently described it as a "reify" and not taken into account the social nature of organisation and change.

I would suggest that such a tendency might be further overstated in the Arab world, where often "culture, tribalism, and Islamic values" are depicted as influential factors in the adoption of organisational change (see Rees & Althakhri, 2008). More importantly, these social concepts are also observed as concrete, robust and quantifiable instruments in studying the organisation and change. Thus, it is no surprise to find that more contemporary perspectives such as the process perspective/s on change have not found the way to the study of organisation in general and IBF in particular.

Given that, it seems plausible to suggest that qualitative research in studying the organisation and change is less observed in these regions. Indeed, as we have seen in the introductory chapter few studies of change were conducted based on positivist perspectives and quantitative theoretical foundations. Change is barely defined and often described as an exceptional factor of organisational life which is carried out to lead the organisation from an undesirable status quo to a planned or anticipated more desirable situation. Most definitions of organisational change in this region mimic Western definitions, which have been criticised for not portraying a processual understanding. However, pointing to this does not mean that this study claims to reach a definition of the change. On the contrary, I am hoping this study will be considered as a small endeavour to dive into the puzzling phenomenon of change.

One problem that prevents reaching such a goal is the difficulty of studying change. Students aiming to explore and understand processes of change will find it difficult to make sense of such complex events, because they do not know precisely how they start and how they will be accomplished. Explanations of such difficulties also appear to be scattered in organisational change literature. Publications produced by change scholars does not often directed to PhD students, though some have indeed contributed to produce robust basic guidelines. They include, Pettigrew (1990); van de Ven and Huber (1990); Orlikowski (1993); Pettigrew (1997); Chia and King (1998); Chia and Tsoukas (2003); Van de Ven and Poole (2005); Weick et al. (2005); Langley (2007).

Also, Bamford and Forrester (2003) and Todnem By (2005) appeared to be sympathetic toward the problems facing novice researchers. Nonetheless, a very likely explanation to this lack of attention and unity towards the needs of novice researchers is the nature of change and the difficulty of synthesising the various knowledge of change. In other words, the knowledge of change is often a product of various interpretations of the study of process across different sectors within different contexts. Therefore, it is unlikely for a novice researcher to find a particular model or approach ready for studying his or her targeted process. These unmet expectations and dilemmas are often obvious in PhD theses (See Abbey, 2010; Langstrand, 2012). Therefore, it is unlikely for nuanced studies to produce a complete overview of such events because the theory regarding this topic is, seemingly, perpetually shifting. Furthermore, the literature of change, as we shall see encompasses an endless web of interpretations entrenched in a complex, wide range of theories.

At first glance, organisational change literature leads to a complex web of multiple articulations. According to Burke (2014), the current language used by scholars and practitioners to describe change includes different types, and this is just one of example of numerous interpretations. Hence, we should recognise that the patterns stated below are only few of many terminologies.

Revolutionary vs Evolutionary

Discontinuous vs Continuous

Episodic vs Continuous flow

Transformational vs Transactional

Strategic vs Operational

Total system vs Local adaptation.

The literature of organisational change related to the public sector is concerned also with different types of change, which Kuipers et al. (2014) categorized as subsystem change *first*, *second* and *third* or *sector change*. The above-mentioned taxonomies and typologies can create an inevitable challenge. Researchers who seek to explore and understand the dynamics of organisational change processes must deal with different theoretical tones that embedded in complex domains of different philosophies. This situation inevitably problematizes and complicates their task. Thus, it becomes difficult to decide how or where to start in order to explore and understand the change processes such as those

occurring in the Libyan banking sector. This issue is not confined to this study. Some scholars as we shall see, have pointed it out as a challenge that every researcher must encounter when the processes are the central issues in studying organisational change as the following section will explain.

1.1 Encountering the sprawl of changing literature

Palmer and Dunford (2008) have described the complexity of the field of organisational change as a *plethora of views* which has neither a common theoretical underpinning nor a notion of managing the pheromone of change. They have further demonstrated how different theoretical streams such as “organisational development, process theory, sense making contingency models, perspective from *multi-step, n-step* (Collins, 1998:100) all have reflected upon the complexities of organisational change literature. Also, some of the well-known approaches range from complexity theory to chaos theory (See Burnes, 2005). However, in spite of this plethora of views, Collins (1998) pointed out the limitation of available approaches to change, his view remains relevant and significant in current literature. In this regard, Burke (2014) summarised 10 theories of organisational change which reflect only particular characteristics of organisational change. Yet, as we shall see, selectivity and popularity of certain theoretical outlooks are common features of organisational change research. Consequently, it is evident that there is no one way of looking at change. Yet if we want to make sense of the process of change, we must dive into the swimming pool and see what happens. This approach was essential in our case study because of the complexity of the process of converting conventional banks to become Islamic and the peculiarity of the context, which bears no similarities to the Western contexts where many of the current approaches to change were developed.

Therefore Weick and Quinn (1999:364), cited in Palmer and Dunford (2008) describe the complexity of the field as ‘*the sheer sprawl of change literature*’. According to Palmer and Dunford (2008) the ‘sprawl’ causes problems on two levels. First, conceptually, what approaches should I consider? Second, practically, what ontology should a researcher refer to in order to make sense of the nature of organisational change? Therefore, to overcome this *sprawl* a student must think about how and where to start and I am hoping that organisational change literature will offer insightful ideas to answer this question. My reading of change literature shows a noticeable trend of selectivity and personal

preferences that shape how particular theoretical grounds were selected to search the phenomenon of change.

According to Wetzel and Van Gorp (2014:115) found the following:

“Examination of 85 articles on organisational change resulted in very strong theoretical selectivity, focusing on cognitive, learning and neo-institutional theories. Other theories are almost fully neglected.”

Therefore to challenge the *sprawl* of the literature as described by Weick and Quinn (1999) this quest starts from the idea of drawing on two models of organisational change that have gained a considerable consensus in many organisational change publications. Yet, what might become clear here is that the adoption of certain theoretical frameworks is the prevailing norm in researching organisational change.

1.2 Change as episodic and discontinuous, and change as emergent and continuous.

Scholars from different theoretical camps agree that there are two broad dominant modes of change. These are change as planned and discontinuous, and change as emergent, and continuous (Collins, 1998; Chia, 1999; Weick & Quinn, 1999; Quattrone & Hopper, 2001; Bamford & Forrester, 2003; Sturdy & Grey, 2003; Todnem By, 2005; Nayak & Chia, 2011; Chia, 2014; 2017; Burnes et al., 2018). Therefore, the two dominant modes of thinking about change is an attempt to formulate an appropriate philosophical underpinning for exploring and understanding the case of the Libyan banking sector.

According to Weick and Quinn (1999:375) the phrase “*continuous change*” is used to group together organisational changes that tend to be ongoing, evolving, and cumulative.

According to Weick and Quinn (1999: 362),

“The view from a distance (the macro level of analysis) reflects events that are characterized by the replication of action or sequences with sporadic episodes of revolutionary change. In contrast, a closer view from the micro level of analysis displays ‘ongoing adaptation and adjustment.’”

Therefore, the distinction between episodic and incremental changes was attributed to the position of an observer who seeks to make sense of the flow of changing events that constitute organizing.

Following Weick & Quinn, Pettigrew et al. (2001:704) suggest using the term *episodic change* to identify ‘organisational changes that tend to be infrequent, discontinuous, and

intentional’ while continuous change to be ‘ongoing, evolving, and cumulative’. When equilibrium is disturbed, Pettigrew and colleagues, further argue, conditions for episodic change are enabled. In a similar vein, Orlikowski, 1996; P. . 56 in Pettigrew et al. (2001) , also claims that there needs to be ‘a new pattern of organizing in the absence of explicit a priori intentions’.

In other words, there are change processes that may occur in the form of unintended process or without prior planning as a part of organizing processes. More recently, Chia (2014) has introduced a different approach to distinguish between the different types of change as ‘owned’ and ‘unowned’ processes. Based on his view, “Owned processes of change are those that are attributed to identifiable social actors, whilst ‘unowned’ processes are those that are not attributable to any identifiable agents” (Rescher, 1996; 42 cited in Chia, 2014).

Thus, this taxonomy clearly highlights the issue of controllability, as a key difference between different types of change processes. Therefore, as we shall see, problematizing the difference between those predominant types of change produces two philosophical questions: First, how should we look at organisation and change, “our philosophical stance”. The Second, is the issue of “controllability” in change processes; to what extent are organisational change processes controllable? Those two components seem to be critical in conceiving predominant change models; change as episodic and discontinuous, and change as emergent or continuous. I will elaborate further the difference between the two models and their underlying assumptions.

According to Sturdy and Grey (2003:653)

“What holds together this variety is, within organisational change management (OCM), a core assumption that change can, should and must be managed. It is that assumption about controllability—an assumption shared, of course, by managerial discourses in general—that informs perhaps the most enduring of OCM metaphors, that of unfreeze—change—refreeze.”

In a similar vein, (Barrett et al., 1995) argue that the rationale behind the dominant models of change is that change follows a sequence of steps (orders), underpinned by rational planning analyses, such as identifying the need for change, determining change goal(s), moving to implement change, directing, monitoring, and finally legitimising change outcome(s).

The mechanistic analysis outlined by Barrett et al (1995) implies or perhaps presumes that organisations are always *stable* and ready for the new patterns of organizing. In addition, mechanistic analysis presents managers and leaders as the superheroes who at a given moment are able to intervene to determine the course of change. Actors are often empowered by human relationships and can celebrate change through carefully planned and well detailed steps. Though mechanistic models of change have been subject to criticism, one should not underestimate or neglect the great contribution of scholars who pioneered and developed the field of planned change. Since 1947, the work of Kurt Lewin for example, continues to illuminate the field of change (See Cummings et al., 2016). His work has, continued to provide academics, managers and practitioners with a tremendous proliferation of systematic models of organisational change, such as Action Research, Groups Dynamics and System Thinking, which were developed on the basis of Lewin's contributions (Burnes & Cooke, 2013). Thus, there is no surprise to find out that Lewin with his “unfreeze–change–refreeze” model is considered to be the father of change management (Adelman, 1993; Burnes & Cooke, 2013; Cummings et al., 2016).

Perhaps his most notable contribution is to action research and experimentation on leadership style which witnessed a widespread proliferation since World War II (Burnes & Cooke, 2013). However, and despite the widespread disagreement with the first principles of the planned change, recently there has been a growing concern that the work of “Kurt Lewin was misinterpreted (Burnes*, 2004; Burnes & Cooke, 2013; Billig, 2015; Allen, 2016; Burnes et al., 2018). Herein, I am fully aware of the danger of assessing the mechanistic models of change to which Sturdy and Grey (2003:653) draw our attention, as follow:

“We believe that this fundamentally mechanistic understanding of change is ubiquitous in OCM, but we are also conscious of the danger that discussing such ‘classic’ is seen as constructing a ‘straw person’ by being insufficiently attentive to recent, and supposedly, more sophisticated writings.”

Given the above, what I want to point out here is that relying on particular a model to study the processes of change should result from critical thinking about the plethora of views and the validity of the selected theoretical foundations of the study. Hence, as I pointed out in the introductory part of this thesis the field of IBF in general and transformation of conventional banks remained hardly mentioned in discussing the great development of organisational change literature. Consequently, the selected approach to

study change should allow us to account the complex nature of this phenomenon. In other words, this study is not about designing and articulating a strategy for intervention. Rather the aim of this research is to study the process of change in order to understand how such a large scale process was constructed and translated. Consequently, despite the growing development of the planned change approach, it remained criticised for providing limited insights on large scale and rapid transformation (See Burnes, 1996, 2004; Senior, 2002 in Todnem By, 2005). In this context, the issue of emphasising controllability for instance constitutes a major critique of the mechanistic change approaches. As Myers et al. (2012) noted that the role of leadership in encouraging and empowering employees is also highlighted in the emergent models. However, Czarniawska and Joerges (1996:14) further criticise not only the planned approach but also the adaptations models.

“Yes, I can see actors and groups learning and making conscious choices, carefully designing programs of change, but those very programs leave us (and them) with a heap of unintended consequences and unexpected results that are supposed to be disposed of in the next step, but somehow never are.”

Critiques of mechanistic models stress that, those conventional approaches place emphasis on stability rather than change (Collins, 1998; Tsoukas & Chia, 2002). Such a tendency seems to be heavily questioned by advocates of process theories (Collins, 2002). As McMillan (2006) argues, the consequence of adopting this way of thinking affects managerial behaviour such that managers tend to work on *linear-patterns*. She further maintains that this way of thinking emphasises that successful outcomes can be obtained if managers envision and plan organisational settings through strategic planning processes. Subsequently, as she argues, organisations and change are perceived as *stable entities* and change as disruptive events.

This view is also echoed in the work of Collins (2002). He further argues that traditional patterns of thinking affect our understanding to organisation and change. Therefore, the question that needs to be asked here as Collins (2002) suggests is *Why is change thought of in these terms [emphasizing stability]*? He attributes the tendency of thinking stability terms to the way of training that affects our thinking upon organisation and change. Therefore, to think about change as continuous processes there is a need to embrace a philosophical premise that appreciate the changing nature of organisational change and acknowledges the complex dynamic of large scale transformation, such as process philosophy, which will be highlighted in the following section.

1.3 Process thinking, organisation and change

It should be recalled here is that my intention in drawing on Collins (1998)'s criticism of conventional approaches to change is precisely to highlight what Tsoukas and Chia (2002) described as the need to *re-think change*. In this regard, Collins (2002) asserts that many organisational change approaches and models have treated change as an 'exceptional factor of organisational life while change according to process thinkers is the norm for organisational life (Tsoukas & Chia, 2002; Chia, 2017).

This processual understanding of organisations and change is rooted in Process Philosophy, a ancient philosophical tradition first perceived in the work of Heraclitus, one of the pre-Socratic Greek philosophers (Chia, 1999). It highlights *becoming* and *changing over static being* (Rescher, 1996). It was pioneered by the work of Alfred North Whitehead, Henri Bergson, and William James (Helin et al., 2014). This philosophy invites us to think of the world as being composed of processes therefore, as Van de Ven and Poole (2005:1390) state: "Phenomenon such as how processes of sense-making, conflict resolution, protests or making a living unfold over time can be observed."

In contrast with the predominant organisational change approaches described above, processual thinking offers different viewpoint; perspectives that demonstrate change as ongoing processes; change as the common condition of organisational life; change that is 'immanent in organisation (Tsoukas & Chia, 2002:577). This is simply because change processes are unlikely to follow predictable patterns such as those implicitly or explicitly portrayed in much of the change literature. In addition to the ongoing nature of change processes, in this perspective the importance of social interaction is emphasised. As Tsoukas and Chia (2002:577) advised:

"Organisational categories and rules are constantly adjusted, modified, or even ignored in the carrying out of actual organisational tasks".

This process of ongoing change puts forward the notion that organizations are continuously evolving and emerging. Therefore, the paradox of stability and change becomes less sound because 'organisations are composed solely of organizing processes' (Van de Ven & Poole, 2005:1380). The concept of change derived from process theory has been demonstrating a wave of thinking upon organisation and change in which traditional patterns of thoughts have become under critique, mainly because the mechanistic and other cloned models have failed to uncover the various complexities

associated with the process of constructing change programmes. In this context, Quattrone and Hopper (2001) criticised both the individual and contextual models as both have failed to capture the essence of organisational change. The authors further explain, while the individuals' rational choice implies that change is a result of premeditated human action, the contextualist model/s depict change as the outcome of institutional pressures, isomorphism and routines. Yet, according to their view, the two perspectives illustrate change as the passage of an entity, whether an organisation or any other idea, under translation, such as IBF in this study.

Therefore, in order to acknowledge such complexities, we need to adopt a theoretical view namely processual thinking which (Collins, 2004; 2013; Langley et al., 2013; Chia, 2014; Langley & Tsoukas, 2016; Chia, 2017) all have sought to understand organisational change as process of becoming rather than a process of being. Yet, by debating the well-known traditional worldview of organization and change as stable configurations processes, understanding change as *constant, fluxing reality* challenges the interpretation of organization and change as stable and fully controlled *entities* (See Tsoukas & Chia, 2002; Nayak & Chia, 2011; Chia, 2014; 2017). In order to think processually about organization and change Collins (2002) urges us to enforce *movement upon structure rather than vice versa*. As Chia and King (1998) argue, our way of thinking is deformed by linear models that tend to continuously stabilise social phenomena, whereby organisation and change are construed as fixed entities. In order to understand change, Collins (2002:84) summarises the following points as standpoints for understanding change processes.

- That organisation is movement and always becoming (Chia & Tsoukas, 1999).
- That organisation is structured narratively (Ford, 1999; Tsoukas, 1998) and is stabilized by 'silent others' such that the meaning of management is to be found in management of meaning (Gowler & Legge, 1983).

Also, according to Langley (2007: 271)

“Process thinking involves considering phenomena dynamically - in terms of movement, activity, events, change and temporal evolution.”

At this point, it should be concluded that organisation and change should not be treated as stable entities and change as a disruptive event. Rather, from a processual philosophical point of view, organization should be construed as a product of social configurations and change as the norm of organisational life. Therefore, in order to understand change

processes, we should broaden our thinking to recognize different complexities associated with processes. Furthermore, in contrast to planned change, we should acknowledge organisational, change is in fact less controlled, and less stable than we have been taught to believe. However, before, moving on towards a suggested approach that will allow us to account for the change processes based on processual thinking, the following subsection will demonstrate the two main different types of process thinking. This variation in understanding the process models should be seen as important because it will allow us to recognise the difference between weak and strong views of process thinking. Furthermore, it will help us to discover in which type of process thinking the translation model falls and how we should look at this model from a process thinking point of view.

1.3.1 Weak and strong process views

A fundamental distinction in the mainstream of process thinking is that there are two main points of view that distinguishes the way in which process studies address the social world (Langley & Tsoukas, 2016). These two types are “weak and strong” process orientations (Van de Ven & Poole, 2005;Hernes, 2014). To capture the difference between the two concepts Van de Ven and Poole (2005: 1379) quoted Chia and Langley (2004) who stated the following:

“The “weak” view treats processes as important but ultimately reducible to the action of things, while the “strong” view deems actions and things to be instantiations of process-complexes. The first perspective appears dominant in much of organisational and social scientific research, and tends to be pragmatic, empirically grounded, and analytical in orientation. The latter perspective has been primarily conceptual, strongly informed by strands of process philosophy, theology and the humanities at large, following especially the lead of philosophers such as James, Whitehead, Bergson, and Deleuze.”

Based on the *weaker* view, organisation retains its properties, relatively *stable* and *change occurs to organisation* (Langley & Tsoukas, 2016). Accordingly, organization still a *thing*, albeit in a state of flux and evolving, movement, and change, organisations are considered to be as *fixed identified entities* (Langley et al., 2013). In contrast to this perspective, the stronger view rests on the ontology that the social world is made of processes rather than things considering organisation and change not as things, but as *ramifications of relationships of different processes* (2013). As Tsoukas and Chia (2002:

570) suggest, “Organisation must be understood as an emergent property of change”. In this view, physical attributes of organisations such as entities, structures are more or less represented as stabilized patterns of ongoing processes of becoming (Ybema & Yanow, 2017). Further elucidation on the link between process thinking and translation will be provided at the end of this chapter, after discussion of the translation approach.

1.4 The Translation perspective on change

Writers who subscribe to the idea of translation, particularly Czarniawska and Joerges (1996) advocate understanding organisational change through the concept of translation. However, in order to grasp why translation is a suitable means for studying organisational change and particularly change related to implementing new ideas such as the IBF, there is a need to understand the concept of the *travel of ideas*. According to this concept, ideas move/travel across sectors and firms but ideas are not immutable (Czarniawska & Joerges, 1996; Czarniawska-Joerges & Sevón, 2005; Wæraas & Nielsen, 2016). Organisations that seek to implement change must alter those ideas from abstract concepts into action-form (Morris & Lancaster, 2006). This approach therefore is more relevant to studies that concern change associated with implementing new ideas in organizations and systems, as is the case with implementing IBF in Libya.

The translation approach demonstrates how ideas travel between different places but, when they arrive, become subject to translation processes. As Sahlin and Wedlin (2008) argue, ideas are translated in time and space of other contexts that also have other ideas, actors, traditions and institutions, all of which shape and reshape the entire organisational setting including ideas and processes. Advocates of translation put great emphasise on demonstrating that the outcome of this process must vary, based on differences between contexts (Ansari et al., 2010; Doolin et al., 2013; Andersen & Røvik, 2015; Cassell & Lee, 2016) . In other words, process of translation is contingent on local practices that maybe similar to their global counterparts or not (Czarniawska, 2012). However, it is actors or human beings who make *the difference* in forms of ideas through their sense-making, interpretation and activities (Vaira, 2004).

According to Czarniawska and Joerges (1996), this process occurs in a circular motion. Therefore, selected ideas enter the chain of actors, who change them into *quasi objects* (e.g. graphical representations) and then to objects (Sturdy & Grey, 2003). In this context, Law (1992) asserts that human not only interact with each other but more importantly the

interaction is through one or another kind of objects. This as Czarniawska and Joerges (1996:32) define this process as “objectifying ideas” or “turning the ideas into linguistic artefacts by a repetitive use in unchanged form, as in the case of *labels, metaphors, platitudes*”. Therefore, they interaction through texts, computers or any other method of interaction, therefore, so our communication is mediated through objects (Law, 1992). Accordingly, when actions are repeated, they tend to become stable and applied in institutions and may allow new ideas to take place in this circulated movement (Langstrand, 2012). Subsequently, ideas travel between different places but ideas are not expected to remain as they were invented. Ideas will be edited or modified to fit their new context. The term translation goes beyond the literal meaning of the word. According to Czarniawska (2012:27) translation is:

Displacement, drift, invention, mediation, creation of a new link that did not exist before and modifies in part the two agents” (Latour 1993,. 6), the two agents being those who translate and that which is translated.”

The following subsection sheds light on a correlative term which is also needed to understand the relation between different disciplines which often described as cousins (see Boxenbaum & Pedersen, 2009). Those are the translation approach and the wider institutionalism.

Translation and Diffusion

The notion that ideas travel was previously introduced in the form of “diffusion”. Rogers (1962) has borrowed this concept from Gabriel Tarde Czarniawska & Joerges, 1996; and later, Latour (1986) sought to replace the diffusion model with translation, suggesting the following:

“The spread in time and space of anything – claims orders, artefacts, goods – is in the hands of people; each of these people may act in many different ways, letting the token drop, or modifying it, or deflecting it, or betraying it, or adding to it, or appropriating it.”

(Latour, 1986, in Czarniawska and Jorges, 1996: 23)

What can be interpreted from Latour’s words is that the spread of ideas through time/space brings actors and interests into the analysis of change: “artefacts – goods [are] in the hands of people” (Vaira, 2004). In a similar vein, Sahlin and Wedlin (2008) stress the distinction between diffusion and translation, underlining the homogenous

Activities of different organisational actors who play a vital role in shaping not only processes of implementing new ideas but ideas themselves. Within the world view of diffusion, institutionalists pointed out that diffusion is a mechanism that leads to isomorphism in which institutional pressures influence organisations that operate within an environment and consequently, lead the organisational field to adopt similar practices (Boxenbaum & Jonsson, 2017). Therefore, based on this assumption, we could state that the outcome of this process is homogeneity rather than heterogeneity resulting in a lack of variation of organisational practices. However, the Scandinavian institutionalists opposed this view and put forward that translation is a process in which the different roles of human actors in materializing ideas are emphasized and subsequently lead to heterogeneity and variation of organizational practices (Alasuutari, 2015)

Latour argues that diffusion is ‘a model in which objects are reproduced and transmitted in a friction-free manner and without subsequent modification’ (Latour, 1986 in Morris and Lancaster, 2006: 209). Therefore, while diffusion suggests an economic value that conforms to the laws of *physics*, translation suggests movement and transformation, in which ideas are shaped changed through processes of imitation (Sahlin & Wedlin, 2008; Czarniawska, 2012). This emphasises how ideas can be energized by actors as they translate them for the purpose of making them appropriate or functional in the other contexts (Morris & Lancaster, 2006). This suggests that in the utility of employing translation in understanding the machinations of change, Collins (2004:681) in his re-evaluation of Business Process Re-engineering, draws upon Latour’s argument that [the discourse of scientific advance articulated by ready-made science is based upon a model of diffusion]. As a consequence, it impacts our understanding of producing knowledge.

Collins (2004:681), by citing Latour’s analysis of the case of the development of the Diesel engine, displays how ‘ready-made science does not take into account the role of other great minds and the power of the ‘push-pull’ contingent forces’ related to the making of the Diesel engine. This led to reveal the very nature of change; the manner in which actors and networks struggle to construct change. Therefore, such understanding of Collin’s view can be achieved by detecting and illuminating significant complex and contingent dynamics that perhaps would be overlooked if the idea of diffusion was simply accepted. Consequently, as Collins argues, the focus of Latour on translation rather than diffusion has advanced our understanding of the processes that construct change

initiatives. In the following section, I will look at how translation helps us to understand change in organizations and the manner in which organisational change is constructed and translated through action and heterogenous practices.

1.4.1 Translation and organisation

It has been suggested that when organizations are facing similar institutional isomorphic pressures, their behaviour is expected to be similar (Vaira, 2004). In other words, the same changes will be introduced at the same time (Czarniawska & Joerges, 1996). However, the content of those pressures is subject to different translations, involving change and modification by different actors, depending on their organisational culture and the knowledge context of actions and determinations (Vaira, 2004). This means that the translation of these constructs is in people's hands, as Latour (1986) stated. Therefore, different interpretations will occur, even if organizations draw and refer to the same institutionalized template (Vaira, 2004). Furthermore, Czarniawska and Joerges (1996) emphasise that translation is a micro process. Consequently, from the point of view of translators, change is a constant adaptation that comprises different activities, as well as being expected to generate organisational diversity. This diversity can be attributed to the ideas that are in people's hands and their interpretation will vary depending on organisational purposes as well as the knowledge context. The apparent behaviour of organisations will be institutional enactment, not institutional incorporation (Vaira, 2004), which means that different activities and different ways of interpreting institutional requirements will shape the change process and the new practices.

Building upon the above discussion, organisational translation has been viewed from only a single angle, coinciding with Czarniawska and Joerges (1996) point of view about translation. However, reviewing the literature on translation and Scandinavian Institutionalism reveals that the discipline of translation is somewhat diverse and fragmented. For example, the recent Wæraas and Nielsen (2016) review has suggested that translation has viewed through three intersected theoretical perspectives. Including, Actor Network Theory (ANT) (Latour, 1986; Law, 1992; Latour, 1996), knowledge based theory and Scandinavian Institutionalism. Based on their literature review, the authors suggest a lack of integration between the different "translatology perspectives".

Furthermore, much of the research about translation is characterised by a lack of cross-references between the different but consistent approaches. The importance of the work of Wæraas and Nielsen (2016: 251) shows “how an object changes from one state to another within and across organisational settings. However, one important theoretical assumption of translation, as stated in Boxenbaum and Pedersen (2009) is that translation was cultivated and developed with reference to how organizations respond heterogeneously to institutional pressures. With emphasis on the significant shift of neo-institutionalism from studying homogeneity to heterogeneity and the increased complexity of change processes, Scandinavian institutionalists came up with different versions of translation in order to understand the institutionalisation of new ideas and practices. As (Scheuer, 2008) suggest, there are three main categories of translation. The three basic models are described as follows:

1.4.2 Translation and ideas that travel

As noted earlier, the first approach is articulated by Czarniawska and Joerges (1996). According to this approach and as a reminder, ideas travel between different spaces and when ideas arrive in a new context, they become subject to various processes of translation and change. In other words, ideas do not remain as they have been invented or borrowed from somewhere. The process of transformation involves turning the idea into objects, or before objects they may turned to quasi objects and finally to actions (Corvellec & Eriksson-Zetterquist, 2017). Subsequently, if actions are repeated they become institutions (Czarniawska & Joerges, 1996). In the translation of management ideas, objects can be models, books, transparencies or maybe labels, prototypes, or presentations that have been invented and then moved into different time and space to become embedded as practices (Czarniawska-Joerges & Sevón, 2005; Nielsen et al., 2014).

1.4.3 The editing model

The second translation model is the editing model proposed by Sahlin-Andersson and Guje Sevón (Scheuer, 2008). This model relies on the logic of “problem solving” as a concept of handling change or reform. Local actors tend to perceive reform as driven by problem solving; the desire of organisational actors to solve a particular problem perceived in comparison with other organizations or models implemented by others (Kirkpatrick et al., 2013). In the editing model, translation is not an open-ended process,

even if it appears to be; in fact translation is characterised by ‘social control conformism and traditionalism’ (Sahlin-Andersson et al., 1996: 225). As in Czarniawska and Joerges (1996) change process as construed in the editing approach is not arbitrary, it follows often- implicit rules (Scheuer, 2008). Sahlin-Andersson et al. (1996) deduced these rules from actor’s stories, and concerning matters of, successful organizations, the current undesired situation and how they want to imitate the success of others (Boxenbaum & Pedersen, 2009). Therefore, they are suggested to be labelled as a rule-like rather than instructed or described rules (Sahlin-Andersson et al., 1996: 85). They are suggested, “Each edited story seems to reveal the rules which have been followed”. The three editing rules or rules-like considerations are Editing Rules Concerning Context, Formulation and finally Logic (Sahlin & Wedlin, 2008).

In Guje Sevón’s model, organizations are defined as social constructions or legal actors; organization encompasses collective actions, and the transformation of organizations is construed as a process of imitation (Sevón, 1996). A main claim as perceived by this model is that translated ideas are seen as socially appropriate and in harmony with organisational identity (Scheuer, 2008). Moving from the conventional understanding of imitation in diffusion model as synonymous with copying (Sevón, 1996) grasps imitation as a ‘process in which something is created and transformed by a chain of translators’. Also, Czarniawska and Joerges (1996), the notion of the imitation model relies on Latour’s idea that actors will decide how to translate certain ideas in different ways (Wæraas & Nielsen, 2016). Therefore, the interpretation of the imitation model shares a similar perspective presuming that the process of change is characterized by heterogeneity, rather than homogeneity as assumed in the diffusion model. Finally, the notion of imitation argues that adopting others’ ideas, ‘identity transformation is set in motion (Cassell & Lee, 2016)

1.4.4 Translation as diffusion of recipes

In this type of translation, Røvik, (1998) adopts insights from how certain ideas travel between sources and target context within the same field (Scheuer, 2008). Such insights include, strategies techniques, procedures, or methods are described as *identification of translation* (Wæraas & Sataøen, 2014). Unlike other translation models, an important feature of Røvik’s editing rules is that he identifies where processes of translation of certain templates might take place. Based on this identification, translation is seen as

processes carried out by multiple actors within the organisational field, including organizations, institutional authorities and consultants. According to Wæraas and Sataøen (2014: 3):

“Røvik refers to these techniques as *rules* that guide translation processes and thus influence the contents of organizational ideas as they are transferred from one context to another. Which rules are used during a translation process can be inferred “in hindsight” by analysing the outcome of the process (Røvik, 2007, p. 307).”

Similarly, (Sahlin-Andersson et al., 1996) noted, rules can only be inferred in every translation processes through ‘in hindsight’. Accordingly, through the analysis of the outcomes of the translation process or in other words looking back to what has been happening within the process of translation (Røvik, 2007, 307 In Wæraas & Sataøen, 2014:). Therefore, the above, analytically, implies, the recognition of differences between the original version of the idea and the implemented once. Consequently, ideas ‘become concretized, partly imitated, combined or re-melted and transformed to something else’ (Scheuer, 2008:112). Having reflected on the different versions of the translation models, the following section explains the relation between translation and process thinking as it has been demonstrated in the literature of translation and process-oriented approaches on change.

1.5 Translation and process thinking

Given the above emphasis upon movement, creation and invention, translation resonates with processual thinking upon organization and change. In this context, Nicolini (2010) has used a translation approach as a means to understand the process of innovation in the field of medical equipment. Recently, Langley and Tsoukas (2016) have classified translation among other processual approaches within the second wave of process organisational research. Accordingly, Langley and Tsoukas have described this mainstream of research as *agentic* which relatively acknowledging stability and change as co-existing forces. This view, as will be further highlighted in the following chapters, challenges the *diffusion model* that underpins institutional theory, which helps to understand the dissemination of ideas and practices (Czarniawska, 2008). However, in terms of translation and neo-institutionalism in general, despite the growing trend of linking both with process thinking (see Quattrone & Hopper, 2001; Langley & Tsoukas, 2016); the literature of process displays scattered assertions which tend to classify

translation within process thinking. Nonetheless, translation as illustrated in Czarniawska and Joerges (1996) and through evoking the logic of *fashion* articulated by Abrahamson (1996) the Scandinavian Institutionalists acknowledge both stability and change as co-existing forces in organisations. On this point, Czarniawska (2008) explained that while, a main point in institutionalism is its opposition to the rational choice theory which, assumes stability in institutionalism; stability, not change is the norm of organisational life. This is consistent with (Greenwood & Hinings, 1996: 1023) who stated the following:

“Institutional theorists stress the stability of organisational arrangements and the characteristic of inertia rather than change (Tolbert, 1985; Tolbert & Zucker, 1983). Stressing inertia may be slightly misleading in that organizations constantly experience unfolding change.”

However, digging deeper in process-based literature can reveal more emergent insights to link process thinking with translation. In this context, Hernes (2010) offers insightful work on how process-based process thinking can be advanced by the seminal work of translation by Callon (1984) and (Latour, 1986). Therefore, it is obvious that institutionalism including its Scandinavian branch is not among the strong view of process thinking. However, Hernes (2010) asserts that Actor Network Theory, which embeds the translation approach exhibits the characteristics of process thinking. He further suggests that ANT can offer useful insights to process-based research. More importantly, his work emphasised that ANT represents the ontology of becoming rather than viewing organisations as fixed and rigid entities.

Also, the above view seems to be in line with Hernes and Weik (2007) ‘classification of process views in organization studies’. Although as it appears to me as equivocal in their paper, the work of Bruno Latour has been classified within the *endogenous* view of process: process as *connectivity*. According to this view:

“Connectedness implies essentially the readiness of various *heterogeneous* elements to interact with one another and thus to create a coherent whole”

(2007:258)

Given the above focus on heterogeneity rather than homogeneity, the former has been the key trait of the worldview of translation research. This view was in conflict with the findings of the study of IBF and Libya’s context where the prevailing forces of

isomorphic pressures have constantly surged in the analysis of change. Consequently, it seems conceivable that homogeneity and heterogeneity co-exist. In addition, though processual analysts such as Hernes (2010) articulated insightful work to link ANT with ‘process-based process thinking’, reading translation from a Scandinavian institutionalist perspective may suggest this approach views organisation as relatively stable and the movement (change) is between relatively stable states. This view evidently, refers to the weak view of process thinking (Ybema & Yanow, 2017). More recently in Langley and Tsoukas (2016) it could be depicted that translation mainly Czarniawska (2009b) was highlighted among the second wave of organisational process research. According to Langley and Tsoukas (2016:2), this trend in process studies which commenced in 1990s refers to researchers who have taken an explicit agentic stance; those who depict organisations as relatively stable:

“Researchers have taken an explicitly agentic related labels also used performative, enactive practice-based view of organizations and organizing focusing.”

Therefore, at this point, I could state that, despite the above ambiguity over whether neo-institutionalism, including translation is considered to be processual research, the overarching understanding derived from the analysis of this case indicates that both are closer to the weaker view of process thinking.

Summary

This chapter started by introducing the concept of organisational change and through illustrating the different perspectives and prevailing world view on this phenomenon, the chapter aimed at finding the appropriate theoretical underpinning to explore translation of Islamic banking in Libya. Two key conceptualisations of organisational change were illustrated; first, change as planned discontinuous process and second, the emergent and continuous approach to change.

The forgoing discussion has shown that theoretical understanding of change has moved towards the concept of change as an ongoing process and change as a common condition of organizational life. Consequently, traditional patterns of thought upon organisation and change can be reconciled in a manner that allows re-conceptualising organisation and change as ongoing processes, rather than fixed objects. Empirically, a translation

approach reveals the complex nature of building up societal/organisational endeavours by highlighting that different actors may construct change in different ways. The idea of translating organizational change emphasises local actions and social interaction among those involved in transforming ideas from their abstract meaning into embedded institutional practices. Therefore, taking into account the philosophical underpinnings of change as fluxing reality, with the insights of translation approach, this study seeks to explore and understand the very nature of organisational change processes that in practical intended to transform the Libyan Banking sector into a finance system that corresponds to the Islamic Banking and finance model.

In studying such process/s the study can be considered as relying on a bricolage of theories that deconstruct the conceptualisation of organisational change as planned process. The study integrates an ontological understanding of organisation and change as processes of becoming with a translation tactic that is also “*process oriented*”. Also, in this chapter I, highlighted the key different perspectives on process thinking. Namely, the weak and strong process orientations. This analysis shows that the new institutionalism in general and the translation approach in particular falls within the weaker view of process philosophy, which regards the role of agency and actors as fundamental basics in constructing organisational change.

The following chapter explains the concept of Islamic Banking and Finance.

Chapter: 2 Islamic Banking and Finance

There are two important subjects will be discussed in the context of this research. These are the idea of Islamic Banking and the Libyan banking system. This part draws upon the concept of IBF and provides a basic understanding to the idea under translation. Main while in order to understand the idea of IBF, I will highlight the difference between Islamic and conventional banking.

2.1 What is Islamic banking?

As I previously mentioned in the introductory part, the literature of Islamic banking and finance is diverse and mainly concerned with Supervisory Sharī'ah applications and accounting regulatory procedures. Usmani and Ansari (2010) pointed out that there are three main terms that relate to IBF. These three terms are: *interest-free banking*, *Islamic banking* and *Sharī'ah-compliant banking practices*, all of which refer to banking practices and financing activities and they will be used interchangeably (Loqman, 1999). In order to understand the nature of the idea under translation, this chapter will show how the literature of IBF distinguishes between conventional and Islamic finance.

In this context, Iqbal (1997) points out that describing the Islamic finance system simply as 'interest-free' overlooks the set of moral and ethical logics behind this idea. Besides prohibition of Riba (banking interest) the principles of Islam encompass various of moral and ethical principles associated with the rights of individuals and communities (Lewis, 2008). Therefore, Iqbal (1997) perceives Islamic Sharī'ah as encompassing human rights, social justice, individual rights and duties, as elements that support IBF. These Islamic principles are emphasized in the holy Quran and *Hadith*, the latter being the "*sayings of the prophet Mohamed*" (peace be upon him; pbuh) (Ariff, 1988:50).

Although the holy Quran and *Hadith* are definitive Islamic foundations, these main sources of knowledge are interpreted differently by different Islamic schools of thought in different times and places and thus applies also to the practices of Islamic Finance (IF) (Visser, 2013). Variations in the interpretations of the Sharī'ah rules are attributed to different Islamic schools of thought and in the following I will try to draw a broad picture to such interpretations.

According to Pasha (2014), Islamic banking is based on *fiqh al-Muammalat* (Islamic rules of economic transactions). *Fiqh al-Muammalat* predominantly come from the Quran and *Sunnah*, as well as secondary bases such as the approved opinions of four main Muslims scholars.

These interpretations of Quran and Sunna, as we shall see further in the analytical part (chapter, 5 and 6) are likely to have a significant importance in translating this idea into banking practices mainly because the translation approach eloquently puts forward that, when ideas travel, they must become the subject of change and transformation. Scandinavian institutionalists have shown this process and they called de-contextualisation and re-contextualizing (Czarniawska & Joerges, 1996). In this context, the translation approach as articulated by (Callon, 1984; Latour, 1986; Latour, 1987) assumes that knowledge has contextual agencies that become subject of change when ideas are being transferred between different contexts (Lamb et al., 2016).

Therefore, a Shari'ah-compliant system consists of wider ethical and moral issues than simply being interest-free, which are fully appreciated in Islam to ensure equity and justice among all members of society. Iqbal (1997), noted that these aspects are overlooked by conventional financial systems that are based primarily on the economic and financial aspects of business. He maintains that the rationale behind Islamic finance goes beyond the interaction of issues of production and economic behaviour towards a more equitable system that recognizes the rights and equity of the whole society (1997). Uppal and Mangla (2014:2) encapsulate the rationale behind a Shari'ah-compliant system as follows:

“The rationale behind IBF is that, like the historical prohibition of usury by the Church, Islamic law prohibits receiving and paying a predetermined fixed interest on borrowing; rather it prescribes that the financial transactions should be based on equity participation and a profit-loss sharing (PLS) basis”

According to this, IBF is characterised by a prohibition against *Riba*, which means that all banking transactions should be treated based on the principles of Shari'ah. Subsequently, wicked and unethical practices are denied by the principal texts of Islamic laws (the Quran and Sunnah) and IBF opposes any business or transactions that are considered to be against the ethical and moral principles emphasised in these two pillars of Islam. According to Loqman (1999), suspicious financial transactions, stocks of companies dealing in prohibited activities, unethical or immoral transactions such as

market manipulation, insider trading, and short-selling activities are rejected. It can, therefore, be suggested that IBF emerged from a religious basis and is supported by ethical and moral dimensions concerned with human rights and justice for all members of society. However, what should be emphasised here is that all principals and ethical issues, including the ban on Riba are likely to be contextually articulated. In other words, the interpretation of Riba itself may vary depending on the context. For example as we shall further in chapter 5 and 6, even within one region or context there is always an opportunity to find different interpretations. Consequently, ideas that are imported from different contexts must be decontextualized and re-contextualised based on the predominant school of thought in the context to which it is imported.

2.2 How Islamic banks are different from conventional banks

To state that Islamic and non-Islamic financial models are similar or different is difficult because the generalizability of much of the published research on how Islamic banking differs from conventional banking is problematic. While some concentrate on religious, ethical and moral dimensions, other researchers have taken a different direction by finding dissimilarities in the financing instruments applied in Islamic finance and those applied in conventional banks. Moreover, a considerable amount of attention has been given to the business orientation, efficiency, asset quality, and stability of Islamic and conventional banks across different geographical areas. Therefore, we do not expect to reach a definitive answer to the peculiarity of the IBF system.

However, discussing differences between Islamic and conventional banking typically places the prohibition of *Riba* at the forefront of the debate. In this context, there is a large volume of published theoretical studies describing the role of *interest-free* transactions in giving IBF its unique *identity*. In regard to this, Lewis (2008) argues, that the ban of Riba is the most obvious difference between the two models of finance. According to Hanif (2010), conventional banks are based on a capitalist system and rely on charging interest as the main mechanism of generating revenues from lending and depositing operations. Therefore, in conventional banking, interest is considered as the main driver for operating conventional, commercial money institutions.

In contrast, seemingly, under a Shari‘ah-compliant system, money works as a means of exchange, and making money from money, which is labelled as *Riba* in Islam, is forbidden. Therefore, on a theoretical basis, it seems evident that the two systems are

different. Nonetheless, the demonstration of practical observations reveals a controversial image. Based on a research study conducted within the context of Islamic and non-Islamic banks in Malaysia in 2009, Chong and Liu (2009) found that, in theory, the uniqueness of Islamic banking lies in its Profit and Loss Sharing Paradigm (PLS). However, their study shows that only a small proportion of Malaysian Islamic bank financing is consistent with the PLS principle. Chong and Liu (2009) argue that deposits are not purely without interest, and that in some ways deposits in Islamic banking institutions are similar to those in their conventional counterparts. Similarly, the authors draw on slogans and attractive campaigns found in and promoted by Islamic banks in Bangladesh and Dubai, their criticism of these institutions is that they are practising what can seemingly be described as Sharī'ah-compliant banking activities. In this study as we shall see in chapter 6 and 7. This issue overlaps with change process. In fact, our data reveals that scepticism about the integrity and credibility of Islamic banking transactions has emerged as a major theme among the untended consequence of this change.

Errico and Farahbaksh (1998) suggest that Islamic banks differ from their commercial rivals in many ways, including the prohibition against the payment and receipt of any predetermined rate of interest, and there are certain procedures for determining how a bank's operations should be conducted through the use of a variety of financial techniques. Indeed at this point attention is given to different rules governing the way in which Islamic banks operate. Therefore, the prohibition against *riba* and the principles of PLS led Islamic banks to use a unique framework of supervision of banking operations. This framework is based on a special board consisting of a group of religious scholars who are knowledgeable about the financial market and numerous practises of IBF (Visser, 2013).

In general, these professional boards are responsible for taking decisions regarding what is halal and what is haram (allowed and forbidden) upon financial transactions in accordance with Sharī'ah principles. According to Pitluck (2012:4)

“Sharī'ah supervisory boards in corporations serve two functions: appraising the Islamic Financial Institution's proposed new financial products and instruments to determine whether they are permissible, and auditing ongoing operations for Sharī'ah compliance.”

Although the prohibition on *riba* is a significant point in distinguishing between Islamic and conventional systems of finance, the wider literature of IBF reveals additional aspects

and each aspect has generated its own literature in terms of the distinctiveness of IBF. In this regard Khan (2010) noted that the two systems were categorized by El-Hawary (2004) based on four aspects: (a) risk-sharing, (b) materiality, (c) no exploitation, and (d) no financing of sinful activities. Based on these points, it seems evident that attention is given to moral and ethical principles emphasized in the Islamic religion. Ariff (1988) argues that the pure financing activities of conventional banks are exceeded by Islamic finance, whereby the latter underlines equity financing and trade financing. As mentioned earlier in the discussion of Islamic finance, Iqbal (1997) suggests that the conventional banking system is primarily characterized by the interaction of factors of production and economic behaviour, whereas moral, ethical and social dimensions are emphasized equally in the Islamic system.

To conclude this discussion, theoretically, Islamic banking tends to have an independent identity, characterized by the principles of (a) being interest free and (b) profit and loss sharing. However, defining which banks have an Islamic identity from a practical perspective tends to be problematic. Perhaps, the following quotation from a paper published by Hanif (2010:18), updated in 2014, encapsulates the variation between Islamic banking and its conventional counterpart:

“The Islamic banking debate is not as foreign to the business world as it is perceived by certain quarters. It is a business very much like conventional banking within certain restrictions imposed by Islamic law. All business needs are being fulfilled by IFIs [Islamic financial institutions] in efficient ways through Murabaha, Ijarah, Bai Muajjal, Bai Salam, Istinas, Musharaka and Mudaraba.”

Here, I should make clear that the main aim of this thesis is to understand the process of change. Therefore, wider discussion on Islamic banking is beyond the scope of this research. Nonetheless, what becomes obvious is that such change processes are difficult to be imagined as planned change. In contrast, these processes of change are likely to be characterised by extensive interactions between different actors at different social and organisational levels in order to implement an idea that deeply imbedded within the belief and faith of the social context. Consequently, this emphasises the idea that the context of translation becomes vital for understanding the process of translation.

Nevertheless, the nature of the idea of IB and how it differs from conventional financial methods, as we shall see, complicates the mission of the research and makes it difficult to predict how such change occurs. In other words I do not expect a systematic way such as those presented in the body of knowledge that concerns the analysis of organisational change, such as the planned or *n-step guides and culture change* (see Collins, 1998) or even contextual models articulated in Pettigrew et al. (2001) and (Dawson, 1994; Armenakis & Bedeian, 1999; Self et al., 2007). Those change approaches claim the understanding of change through, systemically, examining cultural or contextual artefacts. Thus, there is a need to be more open on sociological perspectives in order to grasp some of the complexities of such non-linear processes. This on one hand may undermine this work but on the other hand will help to assess and thoroughly examine such a complex change process. As a result, this study is aware that we face a complex process towards an uncertain and moving target as Pettigrew et al. (2001:698) puts it:

“The focus on changing rather than on change presented scholars with a dual challenge: (1) to attempt to catch reality in flight and (2) to study long-term processes in their contexts in order to elevate embeddedness to a principle of method .”

Other process oriented organisational writers, also, have pointed out that researchers on organisational change should be aware of the level of surprises and emergence both in studying change and as management preoccupation. In this context, Tsoukas and Chia (2002) drew upon the work of Greenwood and Hinings (1996) which in its essence is embedded in both old and neo-institutionalism as articulated by earlier and late institutionalists such as (Selznick, 1949; Clark, 1972; Meyer & Rowan, 1977; DiMaggio & Powell, 1983; Zucker, 1987; DiMaggio & Powell, 1991; Scott, 1994; Nicolini & Mezner, 1995).

Yet, (Tsoukas & Chia, 2002: 568) have echoed and emphasised questions raised by Greenwood and Hinings (1996: 1045) as follows:

“What makes organizations actually move from and change archetypes templates for organizing? How are new archetypes uncovered and legitimated? By whom, using what means? To explore such micro-questions is of considerable importance in understanding the dynamics of change and will “permit the careful assessment of nonlinear processes.”

Such questions are crucial for understanding organisational change. Especially, as we shall see, the issue of legitimacy and legitimisation, whereby these processes

provide means to look at how organisational change is an open-ended process toward an unpredictable target. Therefore, to understand organisational change we should take into account the interaction of precipitating and enabling dynamics which occurs when organisation respond to institutional pressures (Tsoukas & Chia, 2002). However, to extend on this and to optimize the employment of process orientated analysis, there is also a need to take into account the context of these processes. What sort of public banking does Libya have? What are the main historical developments that have taken place in the LBS? When and how did IBF begin to emerge in the country and by whom and with which means? What is the role of exceptional people in the development of Libya socio-economic sphere? All of these questions will be investigated in the next chapter, in order to understand the interaction between banking business and society in this unique, non-Western context.

The, purpose of this analysis aims at encompassing and increasing our knowledge on the organisational context of the case. Furthermore, as we shall see, adopting a historical perspective to examine developments in the LBS will help us to build on some of the previous process-oriented analytical foundations articulated in translation and process oriented assumptions on organisational change. However, it should be recognised that the translation approach also places a great emphasis upon the role of history in the analysis of change (See Boeker, 1989; David, 1994; Schreyögg & Sydow, 2011; Schreyögg et al., 2011; Suddaby & Foster, 2017).

The importance of exploring the development of the LBS also will have implications for our understanding of how such an organisational change process is constructed and translated. It will expose institutional foundations which surround and embed the current translation processes. Furthermore, as many institutionalists and scholars within the broad organisational theory rightly argue history matters and history is constitutive (Boeker, 1989; David, 1994; Schreyögg et al., 2011; 2015; Suárez & Bromley, 2016; Suddaby & Foster, 2017). Consequently, as we shall see, the study of the founding and historic development of the LBS will provide us with valuable insights to reflect upon change and the employment of our selected translation approach.

Chapter: 3 The Libyan Banking Sector, Historical and Recent Background

The final chapter in this part provides a historical background of Libya's banking sector. The chapter highlights the importance of history in the analysis of organisational change. The main argument of this chapter supports a well-established fact that history matters in the analysis of change. In doing so, this chapter examines the development of the Libyan banks and argues that past developments within Libya's banks indicate that history exists in the present and extends to overlap and shapes the current change.

A number of different theorists from different theoretical backgrounds are keen to stress the importance of history in the analysis of organisational change (Boeker, 1989; David, 1994; Garud et al., 2010; Schreyögg & Sydow, 2011; Suddaby & Foster, 2017). Hence, in order to understand the role of history in the development of change process in Libya, it is important to delve deep into socio political and historical events associated with the formation and development of Libya's banking system. In this context, it became evident that recent research on organisations has begun to pay considerable attention to the role of history in organisational studies and more importantly why history matters. Nonetheless, before exploring the historical developments in the LBS, it is useful to define what historians mean by history in organisations.

According to a recent special paper by Godfrey et al. (2016) which address the growing "historic turn" of history in organisational studies; in combination with business management research, what is meant by history is interpreted as follows:

"An epistemological consideration of the balance between objectivity and relativism and an ontological debate about the role of the individual and society in history—or, in contemporary sociological terms, the relative importance of agency and structure. Second, the question sets the agenda for a theoretically informed survey of the appropriate subject matter for history as a whole, or for a particular subfield."

Based on the above quotation, our interest in history in exploring the translation of IBF is driven by data whereby actors have also stressed the role of the past structure of Libya's socio-economic regimes, as well as the political order that has established a particular model of socio-economic environment for several decades. Consequently, as stated above, our focus will be on agency and structure. The understanding of the role of political power can make a valuable contribution to the

understanding of institutional change (Hardy, 2001; Schmidt, 2010). Therefore, the importance of this analysis centres on recognising the inevitable role of agency and structure in shaping organisational change. Also, the recognition of the importance of the role of the past in the analysis of current change is at the heart of process discussions. Citing, Durkheim Emirbayer and Johnson (2008: 17) regarding 'Bourdieu and organizational analysis' stated:

The history of all social institutions is to be found embodied in their current condition and must be systematically taken into account for any adequate understanding of that condition to be attained: "For the truth is that the present, to which we are invited to restrict our attention, is by itself nothing: it is no more than an extrapolation of the past, from which it cannot be severed without losing the greater part of its significance" (Durkheim 1977 [1904–1905]: 15)

Unlike process theories which focus on change in variables, our interest in how organisational change occurs requires a historical perspectives (van de Ven & Huber, 1990). Change in this case is narrated as a process story , a story that constitutes the continuity and development of the process (Langley et al., 2013). It is important to recognise how historical events developed and contributed to the development of organisational change processes. This will allow us to see the key properties and the inherent dynamics of organisational change processes (van de Ven & Huber, 1990). Pettigrew (1987) was also keen to emphasise that understanding change requires scrutinizing the association of the analytical and the political as well as understanding the role of exceptional actors. Libya, in this context provides an ideal example of the importance of history in the analysis of organisational change. The distinctiveness of its socio political system and business environment provides the basic data to analyse and see the overlapping effect of history and change. Pettigrew, further advises us to pay attention to *enabling and constraining* powers of the context and he suggests that exploration to some degree of a combination between all of the aforementioned elements is essential to account for change.

Similarly, Boeker (1989) points out that organisational development can be understood only in the light of the establishment and history of organisation. This tendency of placing history at the heart of organisational analysis has continuously evolved since first Kimberly (1975) and Hannan and Freeman (1977) noted the role of the past in shaping the present of organisational settings.

Given the above, examining the developments of the LBS suggests that there is a strong association between past actions that occurred as part of changing the socio political regimes and initiatives to develop the LBS and the difficulties that which its organisations face today in translating the idea of IBF. In other words I argue that the history and founding conditions of organisations, as well as various developments, may have *enabling and constraining* powers (see Greenwood & Hinings, 1996; Spyridonidis et al., 2014).

In this context, Suddaby and Foster (2017) suggest that history has been conceptualised in organisational change as follows: *History-as-Fact, History-as-Power, History-as-Sense making, and History-as-Rhetoric*. Indeed, the common shared perspective among all conceptualisations of history is that *history matters* (Schreyögg & Sydow, 2010). History-as -fact path-dependence has arisen as one of the main conceptualizations helping us to understand how past actions generate irreversible outcomes that affect future strategic choices (Schreyögg et al., 2011).

In this context, the notion of path-dependence [*history-as-fact*], interprets change in such a way that future events and choices depend on past events. The ability of actors to change and alter past patterns of organizing is constrained by historical developments (Suddaby & Foster, 2017). Suddaby and Foster described this among the *positivist, objectivist* conceptualisations of reality in which history is objectivised and construed as a linear pattern of sequential events that accordingly lead to specific outcomes. However, others argue that path-dependence should not be interpreted as *past-dependence* (Schreyögg et al., 2011).

However, Antonelli (1997), tends to not agree with such conceptualisation of path dependence. He argues that this notion is more systematic, analytical framework that allows us to recognise the underlying dynamic of history and its role in shaping agentic behaviour. Therefore, although Suddaby and Foster (2017) suggest, from a positivist, objectivist point of view, that change is difficult because history exerts power on actors. Nonetheless, this seems to be not the case with Schreyögg and Sydow (2010) and Schreyögg and Sydow (2011) who caution against objectifying path dependence. Rather one should not overlook the power of knowledgeable people, as they demonstrated by quoting Giddens (1984). In addition, Schreyögg and Sydow (2010) criticised previous illustrations of path dependence which treated the whole process of shaping the path with

similar *structural properties*. According to their view, the process at the beginning of the path differs from the end. Therefore, they expect two completely different scenarios. Path dependence in accordance with this conceptualisation does not necessarily lead to the *in-lock phase* in which actors are not able to act to alter the course of event. Rather, there is always a chance for change.

Data generated from the Libyan context strongly supports the view that history matters. Changing Libya's banking system as we shall see reflects an ample evidence of the existence of *path dependence* that will aid in understanding why the LBS's organisations reached a situation of complete reliance on the central financial authority. The data suggests that, change activities also existed in the context of translating the idea of IBF. Some activities which attempt to alter the current situation existed, as we shall see in other chapters.

However, in this case, history exists in the present and its effect is widely recognised in the context of current transformation. Therefore, it should be clear that in my attempt to re-interpret the history and development of the LBS, I do not assume that past events or historical decisions should lead to the *in-lock* phase. On the contrary, as our analysis suggests, it is conceivable that history exerts power and narrows the scope of ongoing action but does not make it unmanageable. To illustrate our argument in the following section will examine the formation and development of the LBS up to the time of introducing the new idea IBF which forms the subject of translation in this study. Historical events and the role of exceptional actors described below will also be linked to chapter 7 in part 3 that illustrates the unintended consequences of transformation to the IBF system.

I will therefore consider the broader context of politics and the inner politics of banking. To aid exposition this chapter is divided into three sections. The first will discuss the formation phase of the banking sector. The second will present the context of banking and shed light on drastic change initiatives during the forty years of Gaddafi's reign. The third section illustrates how change to IB became irreversible.

3.1 Libya's banking sector pre- Gaddafi's reign.

“Libyan public administration has been shaped by Libya's history, ideology, and economy. It has been negatively affected by the political changes occurring since independence in 1951, particularly Gadhafi's distinctive initiatives, and by upheavals in the post-Gaddafi transition. Libya's entire economy has had its impact on public administration, particularly through its promotion of widespread public corruption.” (Sawani, 2018: 807)

Italian banks

Reviewing the early existence of banks in Libya shows that the first emergence of banking was during the Ottoman Empire. Given the long history of banks in Western countries, banks in Libya should be considered rather emergent institutions. For example, banking practices in some Western countries can be traced back to the Medieval era (Miner, 2018), whereas the arrival of modern banking practices in Libya is associated with colonialism. The Banque Impériale Ottoman (BIO) opened its first branch in Tripoli in 1906, followed by Benghazi in 1911 (Tschoegl, 2004). According to Anderson (1984) the formation of this bank was a *precautionary measure* against Italy's proposal to establish its first bank in Tripolitania Province. In 1907, Rome established its first financial institution in Libya (SRI, 1969). However, the Turkish bank OBI was closed in 1912 (Tschoegl, 2004). During the Italian invasion 1911, 'Banco di Rome' (BdR) expanded its presence to reach eighteen subsidiaries; eight in Tripolitania and ten in Cyrenaica (di Quirico, 1999). Following the BdR, other Italian banks were opened, three of which were commercial banks, one 'Saving Bank' and one government bank to serve the growing demand of the increasing Italians population (SRI, 1969). Before the Second World War, four Italian commercial banks and one small finance organization were working in Libya, namely, Banca d'Italia, Banco di Napoli, Banco di Sicilia, Banco di Roma and Banca Popolare di Tripoli (Blowers & McLeod, 1952).

British Banks

In 1943, the British army controlled Tripolitania and Cyrenaica province (Van Genugten, 2011). During the British military administration; Barclays Bank, Colonial, Dominion, and Overseas (D.O.C) opened two branches in Tripoli and Benghazi (Tschoegl, 2004). At Tripoli, The British O.D.C took over the premises of the BdR and offered basic services such as exchange and managing deposit accounts in both its subsidiaries in

Tripoli and Benghazi (Blowers & McLeod, 1952). It has been reported that Libyan's people witnessed the circulation and exchange of three different currencies; the Egyptian pound in Cyrenaica, the Military Authority Lira in Tripolitania and the Algerian franc in the southern province of Fezzan (1952:441).

The Emergence of Libya's banks

Before Libya attained its independence 1951, an agreement was signed between the three European colonial states; France, Britain and Italy in the presence of some Libyans members, to allow the United Kingdom to back up the Libyan pound with 100 percent sterling (SRI, 1969). On 24 Dec 1951, Libya became an independent state and the time had come for the unification of the currency and restructuring the Libyan banking sector (Tschoegl, 2004).

Between 1951-1956 three commercial Italian banks re-opened, and four other overseas banks established Libyan subsidiaries (SRI, 1969). According to Tschoegl (2004), the British Bank of the Middle East (BBME) established its first branch in Tripoli in 1951 and another in Benghazi in 1957. Likewise the Arab Bank also opened its first branch in Tripoli. In 1956; Libya established the first national bank, which was under the administration of the Ministry of Finance and the Bank assumed the function of the central finance authority (Tschoegl, 2004). The bank also replaced the special committee established by the three European countries to manage the financial sector.

The year 1956 as we shall see, has remarked the earlier practices and development of national banks where a local independent authority began to exercise autonomous practices over foreign banks and local currency (D.C.O, 1968). The Bank of Libya had issued the first law in 1958 to require commercial banks to maintain 20% of their liquidity as a legal reserve (SRI, 1969). It should be noted that this provision remains in effect up to the time of writing this text. In this context, it is worth noting that the LBS has been associated with some observable characteristics since its early presence. Such qualities which will be described at the end of this chapter are mainly structural in nature. These include excess liquidity, inaccessibility of finance, poor technological infrastructure (Aljawarneh et al., 2014) and finally the extreme concentration of banking investments in deposits certificates issued by the Central Bank of Libya (CBL).

In a report published by an international mission, the team expressed surprise at the actual cash/deposit ratio which was LYD 30.5 Million in December 1958 and increased to 35.5 in 1959, the team noted, 'it seems an unusually high liquidity ratio' (IBRD, 1960:381).' Also the report described the LBS as suffering a lack of investment due to the risks involved in the absence of local government as well as difficulties in lending to the private sector.

The discovery of oil in 1959 and the export of the first cargo of crude in 1961 (Wright, 1969) not only formed a critical juncture in the revival of Libya's socio-economic system. In fact crude oil had transformed the national economy from one dependent on agriculture and pastoralism into an economy that heavily depended on and was influenced by oil exports (Elbeydi et al., 2010) Therefore, the transformation from an agricultural state to an oil producing country manifested a shift in the interface between the nation and the state, the Libyan nation constructed the relationship between the state and people, according to (Sadiq al-Naihum cited in Ahmida, 2013:67) as follows:

“The turning point for the historian of modern Libya is the whole dependence of the Libyan people (after the discovery of oil in 1960) individuals and groups, males and females, on a small organ called the state.”

In 1963, the Bank of Libya had passed a new law to enhance its legal status and exercise national sovereign powers on economic and commercial activities; comprising commercial banks, whether were fully or semi-owned by international firms (Bengur, 1967). The Banking Control Department was in charge of supervising commercial banks and regulating credit (SRI, 1969). In the same year, the Central finance authority was transformed from its previous status as a financial unit under the supervision of the Ministry of Finance to become the Central Bank of Libya, (CBL) (Tschoegl, 2004). Herein, advanced policies were taken to secure small borrowers from changing interest rate. The CBL adopted a fixed interest rate for loans (SRI, 1969). The fixed interest rate also added another attribute to the elements that have shaped banking activities since its early existence and continued to the present day.

In 1963, the CBL continued the process of restructuring the banking sector. The CBL passed a new regulation to encourage foreign banks to accept the participation of local stakeholders with 51% domestic assets (Bengur, 1967). The British Chartered Bank and its subsidiary, Eastern Bank, accepted the Libyan legal requirements and opened a

commercial unit in Tripoli 1963. Other commercial banks agreed to share their ownership with government and private stakeholders. “Barclays Bank D.C.O., the BdR, Banco di Napoli and the Arab Bank Ltd were given permission to operate as national-foreign owned banks (SRI, 1969). It is worth noting that D.C.O postponed its decision and in 1965, another British bank the BBME became a Libyan-British owned bank and resumed operations under the name: Bank of North Africa (Tschoegl, 2004). On the Libyan ownership bases and up to 1969 we could not identify any Libyan commercial banks. Only two specialized banks had a significant role in financing the agricultural and industrial sectors.

According to SRI (1969), the National Agricultural Bank was established in 1957, and nine years later the Libyan government opened the Industrial and Real Estate Bank, which was under the authority of the Ministry of Industry. Besides the Libyan-foreign owned banks and up to 1969, the LBS comprised an Egyptian subsidiary Nahda Arabian Bank and Sociéte´ Centrale de banque the (SCB) which started as Sociéte´ Africaine de Banque which maintained its branches in Tripoli (Tschoegl, 2004). At this point, the whole Libya’s socio-political and economic system faced a new turning point that changed Libya’s system of governance from a monarchy to a military dictatorship in 1969.

3.2 Gaddafi’s rule and beyond

The creation, formation and development of Libya’s banking system is heavily shaped by political ideologies of the Great Socialist People's Libyan Arab Jamahiriya (see Sawani, 2018). Socialist policies implemented between 1970-1977 in a revolutionary and upheaval legal framework determined the future of Libya’s private sector and economic activities (Masoud, 2014). Gaddafi articulated broad, thoughtful guiding principles supported by his ideology of the revolution presented in the *trinity of freedom, Socialism and unity* (St John, 2008). The effect of this ideology on social and economic sectors, as we shall see remained remarkably substantial. In this context it is reasonable to call the immediate period after the military coup of Gaddafi (1969) as Gadafism (Geha, 2016).

This era, which commenced in the 1970s has had a lasting effect on Libya’s political and socio-economic system. Gaddafi legitimised the so-called *Alfateh, 1th September 1969*, by increasing hostility towards Western powers and immediately took control over the

entire economic sector, including foreign companies in the banking and oil sectors (Von Mehren & Kourides, 1981).

The first step of nationalisation was taken in 1970 when the state bought shares of banks that did not convert to joint ownership and therefore the four biggest banks working in Libya today are products of the nationalization process (Tschoegl, 2004). The take-over of foreign banks (Hajjar, 1980) and the approval of partial privatisation of banking stocks paved the way for the emergence of the Libyan national banks. For a brief, the historical background of the nationalization of the LBS, I will rely on the description in Tschoegl (2004:267).

Wahda Bank which is our second case (currently 22% in domestic private hands) acquired Bank of North Africa, Commercial Bank, Nahda Arabia Bank, Socié' te.' Africaine de Banque, and some others. Banca Di Roma's branches became Umma Bank, 100% state-owned. Banco di Sicilia's branches became Sahara Bank (currently 30% in domestic private hands). Masraf al-Gumhouria (now Jamahiriya Bank) acquired DCO's branches. In 2008, Gumhouria and Umma merged to form the biggest bank in the country. The government also created the National Commercial Bank, which the third case in this research. This bank took over the Central Bank's commercial banking functions and absorbed two other small foreign banks.

During the first two decades of Gaddafi's rule, the impact of socio-economic policies and fiscal centralization not only may have affected the economic environment, but also shaped local banking activities. According to, Alrafadi et al. (2014) the lack of modernity in the Libyan Banking sector resulted also in the a lack of competitiveness, simply, because most private economic activities, were abolished in 1970s following socialist and *nationalist policies* established between 1970-1977 (Masoud, 2014). Moreover, all public trading enterprises were considered as *exploitable* and illegalized by a special Law that banned any private ownership. Simultaneously, self-management committees took over the management of private commerce and enterprises (AfDB & UNDP., 2015).

Gadhafi's revolutionary economic policies in fact deepened the dependence of Libyans on the state to provide basic and supplementary needs (Pargeter, 2012). In a major wave of revolutionary policies, Gaddafi in the city of Zwara, December 1973 declared a cultural revolution known as '*al zahaf*' (Gomati, 2014). This word in Arabic literally orders

people to storm all private and state institutions and take over their administration. His popular speech outlined five main socio economic and political points. The LBS was not exempt from these developments. In fact, one of the socialist practices that shape banking operations and remained the only commercial fund is the so-called “Sulfa Ajtimaia”. A social loan given to citizens. Hence, commercial activities and whoever practised merchandising were considered to be as profiteers or exploiters. This was one of the major steps that caused the private sector to move backwards.

In March 1987, another wave of change came, when Gaddafi announced *socio-economic reform*. His statement allowed for the trade and commercial activities to take place again after a period of prohibition (Khalid & Kalsom, 2014). This move had also been linked to the regime’s politics whereby Gaddafi had begun pulling down the grip of the state that was tightened the economy for many years. (Ronen, 2002). With this, the country began to witness a slow return of some sort of commercial activities, and the outcome of this shift was a package of less than semi private economy (Hinnebusch, 1984). Hence, the ownership of the state enterprises persisted, even following other initiatives of transferring the ownership of public organizations. The agenda, as usual, was a result of the ideological beliefs of the political regime that were well conceptualized in the Green Book. Muammar Gadhafi’s political mysticism was expressed well in what he called the Third Universal Theory (García & Echeverría, 2018).

According to the Green, Book, Libya is *an Islamic-Socialist state* (Geha, 2016). However, while the socialist policies of this regime had witnessed some degree of change, arguably Gaddafi had continuously remained a believer in his socio economic ideology. The, cornerstone of this ideology was that the state was responsible for the needs of its citizen, who had to work in exchange for that. According to Gaddafi, this system entailed a full participation by all members of society in improving the economy and securing *self-efficiency of food*. His famous sayings were a representation of his socio-economic ideology which was never translated into a productive economy. Thus, as our analysis will show, there is no doubt that the socio-political’ s values of the previous regime became embedded in the socio-economic context of the country and more importantly within the banking system.

One clear example of Gaddafi’s peculiar socio-economic configurations can be depicted in one of his many controversial initiatives when he called the Libyans to gather in groups

of at least ten and start to establish private companies in every sort of business, including banks. He did not call them Sharikaat or companies. The special and later popular label was “Tasharukiat” which denotes cooperative business. It is a type of commercial partnership that is based on personal efforts of two or more partners without employment of workers. This type of private business was also implemented in the banking sector and the first public banks emerged in 1996, based on the law of 1993 that replaced the first banking law of 1963 (Masoud, 2014).

A group of these banks was established under a financial, administrative body called ‘Almuassasa Almassrefia Al-ahlia’ or the Civil Banking Institution (CBI). However, following a series of bankruptcies in some of its subsidiaries, the CBI intervened to acquire most of its capital. The CBI’s financial intervention involved increasing the contributed capital, which made the institution another state-owned bank and changed its name to North Africa Bank. Some of these banks objected to the decision and remained as ‘Mssaref Ahlia’ or civil banks. Objected banks did not tolerate the accusation of the state and continued to operate as independent private banks.

The LBS also witnessed the emergence of some enthusiastic private ventures, in particular Bank of Commerce & Development (BCD). The was the first to introduce Automated Teller Machines (O’Reilly et al.). Moreover, the focus of the bank on commercial business and trade made it a bank for the business class or prestigious institutions. Also, another bank Mediterranean Bank S.A.L. was established in 1997 (Bloomberg, 2016).

During the 1990s, there was no great response from overseas investors to the offers of *Infatih* (openness). It seems evident that the pessimism of foreign investors was a consequence of scepticism about the effect of the political leadership upon the investment environment. One illustrative case described by Vandewalle (2006:134) was when the country hosted an investment conference in 2000, Gaddafi was vocal in supporting the initiative of attracting foreign capital describing Libya as ‘the best place for investment’. However, as the event approached, ‘*Al-Zahf al-Akhdar*’ newspaper expressed that permitting foreign companies to operate in Libya was a threat. Following this, five “Arabic” banks represented in Tripoli 1988-1999. Including Arab Banking Corporation –Bahrain, Arab Bank for Investment & Trade, Housing Bank of Jordan, British Arab Commercial Bank, Arab Investment Bank of Jordan, Italian-Arab Bank. Other

multinational banks followed in 2000 including Italian-Arab Bank/ UBAE, opened in Tripoli in 2000, Bank Of Valletta and Suez Canal Bank opened in 2002 (CBL, 2016c).

The lifting of UN sanctions 2003 re-integrated Libya within the global economic and political sphere. The event shaped another wave of socio-economic reform which began to take place in the Millennium (Chorin, 2012; Pargeter, 2012). The development in the Libyan relationship with the world community helped Libya's economic system, leading to progress between 2003 and 2010 (Ammar, 2015). Nonetheless, the fragility of the institutional establishments and the impoverishment of the private-sector imposed challenges for the latest economic reform (Geha, 2016). In addition to the remarkable rise in crude oil prices, the LBS played a crucial role in the economic recovery. The liberalization process led the LBS to become open to the global banking industry for the second time. According to Chorin (2012:106), this period constituted 'Ghaddafi's latest deepest commercial opening *Infatih* that had been internalized in 2005'. Also in contrary to the previous initiative in the late 1980s and 1990s, the current revival commenced with ostensible aspirations to bring about change.

The year 2005 also witnessed the emergence of the first regulation to permit privatisation in the LBS. According to the No., 1 of 2005, the government decided to open the banking sector to foreign investors to increase its performance and enhance its effectiveness (Elkaber, 2012). As a result of the new law, it became possible for foreign companies to invest in the Libyan financial market, as well as for some local banks to become partially private through selling the- CBL's share. As a result, other foreign banks opened representative offices.

Following the new law, the CBL announced its strategic plan for developing and modernizing national banks through a series of training programme and implementing modern technology, as well as adopting international banking procedures (Elkaber, 2012). Moreover, the standards of banking systems defined by the Basel Accords became an important component of the transformation process (see the CBL website).

The privatisation strategy was the first initiative to diversify the ownership of the LBS (The Banker, 2007). Accordingly, the first joint venture between BNP Paribas (a French bank) and Sahara Bank was approved in July 2007, allowing the French bank to obtain 19% of the bank's capital with an option to increase its share up to 51% in 3-5 years. Three months later, two major public commercial banks, Al-Jumhouria Bank and Al-Uma

Bank were merged (St John, 2008). By merging these two banks, the government formed a combined asset worth US\$ 6.5 billion. Following these privatisation initiatives, the CBL announced in April 2008 that the PLC had acquired 19% of Al Wahda Bank, with a right to increase its share to 51% within 3-5 years (Al Wahda Bank website).

However, the strategy of diversification of the ownership structures of the state banks created challenges for both local and foreign banks. A major example, in this case, is BNP Paribas' partnership with Sahara Bank. This transaction was thought to be a successful change because Sahara was supposed to achieve domestic access to modern technology, thus increasing the bank's performance. Reciprocally, BNP would gain access to a new market. This partnership, however, turned into a problematic endeavour (Crisp, 2013). Obstacles have been attributed to cultural incompatibilities between the partners. BNP's management staff were unaware of local cultural attributes. The investor bank established reward policies that were rejected by local employees (2013:1). Consequently, it became clear that the outcome of this partnership was not going to be successful, and the CBL switched its focus to exploring the possibilities of allowing foreign investors to buy Al-Sahara and Al-Wahda banks (El-Wafi & Riyany, 2014).

Simultaneously with the privatisation initiative, the CBL in 2010 announced to grant the first banking licence to an overseas bank. Unicredit Italian bank became the first foreign investor granted a full operational licence which gave it the right to open subsidiaries in Libya. However, in light of the 2011 uprising, it has yet to take up its licence (El-Wafi & Riyany, 2014). It seems evident that the foreign interest in the country's banking sector remained increased between 2002 and 2011. Sixteen other foreign banks opened representative offices in Tripoli in nine years including BAWAQ Bank – Austria in 2005 and Calyon Bank, International Tunisian Bank and Piraeus Bank / Egypt, all opened in 2006. Other Arab and Western banks developed an interest in the LBS: National Qatar Bank, HSBC Bank, BIAT (International Arab Tunis Bank), Societe General Bank, BNP PARIBAS Bank opened in 2007. Fransa Bank / Lebanon and Wafa Bank / Morocco opened in 2008. National Abu Dhabi Bank and Commerz Bank / German in 2009. Uni Bank 'Representative Office' Credit Standard Chartered Bank 'Representative Office in 2009 and finally, Al-Baraka Group / Bahrain in January 2011 (CBL, 2016c).

The years after 2000 marked the founding of some local private banks, all of which were established in 2003. Aman Bank, like the BCD, focuses on business class and foreign

trades. The bank also pioneered automated banking services and basic internet banking practices. Similarly, Alejma'a Alarabi Bank opened its first branch in Benghazi in the same year. Another small bank, Alwaffa, emerged in the same year.

On the national level, the LBS is considered a large sector. Banking employment offers around 20,000 jobs making the banking sector one of the largest state and private commercial employers, (see CBL, 2016d). However, and in spite the sequential privatisation initiatives, the majority of the banking assets are still in the hands of the central financial authority. Thus, the privatisation process has little effect on the structure of ownership of Libya's banks (Publishing, 2016). According to Eljaaidi (2012) the ownership system turned out to be three categories of ownership: (a) shared ownership with foreign partners; (b) shared ownership with stockholders; and (c) private banks owned by individuals and institutions. In addition to the change in the structure of the assets system, more recently, a different mode of change to implement an Islamic finance system began to shape the environment of banking businesses. Indeed, with the almost complete acquisition by the CBL, it is no surprise to find that the state-owned banks dominate the local banking industry.

3.3 Transformation to Islamic finance

As a reminder, the period of *Infitah* described earlier in this chapter has yielded the reintegration Libya within the International system. However, the year 2008 remarked a turning point in introducing IBF. Despite the worldwide diffusion of Islamic banking, the central authorities in Libya were reluctant to introduce the notion of IF in the national banking sector, and again here the political ideology has played a role in delaying the emergence of IF. Gadhafi was ambivalent towards Islamic finance because of the erroneous conventional association of the phenomenon with Islamic radicalism (Parker, 2011; Alhajam, 2013). Also, opponents of the idea considered that permitting Shari'ah-based banks could lead to large numbers of customers shifting from conventional interest-based banks, and this might change the rules of the competitiveness game in the financial market.

Therefore, the IBF model was given a different label where the adjective "*Islamic*" was replaced by "*Alternative*". In a sign of political hesitation, the name changed to "Alternative Banking Services". However, this trend of association between language, label and the widespread perception of an association between religion and radicalism

was not specific to the Libyan context. Other countries have taken a similar approach by not libelling IF as Islamic. Morocco, for example has avoided this association. However, (Amrani, 2013) points out, before the revolution in 2011, there was no law regulating Islamic banking business; rather there were some resolutions issued to create *alternative products* because banks can not declare Islamic transactions.

After the overthrow of Ghaddafi in 2011, the term Sharī'ah begins to shape the Libyan political and social discourse and the first announcement of implementing Sharī'ah was made in the declaration of liberating Benghazi October 2011. The chairman of the National Transitional Council (Abdul Jalil, 2011) declared:

“As a Muslim state; we adopted Islamic Sharī'ah as the basic source of legislation. Thus, any law opposes to the principles of Islamic laws is legally deactivated. There is a genuine intention to adjust all laws and the banking legislations, in particular, we are seeking to form Islamic banks far from Riba.”

However, the actual emergence of IBF can be traced back to 2008 when the country hosted the first international conference on IBF. Latter, banks were allowed to adopt a non-compulsory approach to application of Sharī'ah-compliant financial practices. The adopted approach can be interpreted as a '*dual strategy*' or an incremental process by which Islamic banking transactions would be accessible simultaneously with conventional banking operations.

Following that, the CBL took further steps by issuing the first circular for Islamic Banking No 9 for the year 2009, Then the second circular No 9 for the year 2010. In the resolutions the CBL directed commercial banks to follow the '*finest practices*' of Islamic banking that correspond to the standards of worldwide regulatory bodies such as the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and The Islamic Financial Services Board (IFSB). Second, banks must acquire licences for practising IBF and provide strategic plans involving the future vision of every single bank that intended to incorporate IBF with its conventional banking practices.

Third, the CBL advised banks to establish administrative and accounting policies ensuring a complete detachment between the two models of finance. Finally, the CBL required every bank to establish a Sharī'ah board and outlined conditions that must be met by every board at any bank.

In line with the political declaration of change in the banking sector made at the uprising in 2011, the CBL quickly responded by adjusting law no 1 for the year 2005, through issuing Law no., 46 of 2012. Meanwhile, the CBL established a special board for exploring successful initiatives within the Islamic world (BTI, 2014). Later, in 2012, the Libyan government signed a memorandum of understanding with the Islamic Development Bank (IDB) to launch a framework of collaboration and exchange. To date, this has comprised a visit by representatives from the IDB's Islamic Corporation for the Insurance of Investments and Export Credits to help develop Libya's private sector (El-Wafi & Riyany, 2014).

Given the importance of developing the LBS's human resources to bridge the lack of knowledge regarding Islamic finance, the CBL established a special institute aimed at training and qualifying banking personnel. Some employees are currently being sent to different countries that have developed mature Islamic banking systems. Also, the CBL made it a condition for foreign Islamic banks to associate with a private partnership to ensure, the development of local expertise (BTI, 2014). Moreover, before the end of 2012 discussion to prohibiting paying and taking interest in all commercial activities began to take place in the Libyan Parliament. The enforcement of the Law no., 1 of 2013 marked a radical shift in the process of change, whereby Libyan banks have moved from the state of incremental to a frame-binding change that had to be fully applied in 2015.

Radical shift in institutional arrangements

As Pettigrew et al. (1992) suggests, political pressure sometimes drives central governments to suggest policies with very little chance of implementation. In the Libyan case, the rise of an Islamic orientation after the overthrow of Gaddafi's regime increased the political pressure on the legislative body to enact Law no 1 of 2013. Enacting this law meant that the use of interest in all individual and corporate commercial transactions became unlawful (Publishing, 2016). However, the banking system had very limited or narrow opportunities to generate profits. More importantly, the new law restricted the timeline for implementing IBF to only 24 months.

According to the decree, all civil and commercial transactions essentially must be free of any sort of usury or Riba (Publishing, 2016). The law also gave banking institutions two years to become Sharī'ah compliant through two phases. First, they had to put an end to banking interest on individual loans in 2013. The second phase was to include all public

and private corporate loans by January 2015. However, in the light of the heavy dependence of banks on investment in the central bank, it was expected that the enforcement IBF would have a negative impact on banks' revenues. More importantly, it forced banks to respond quickly by introducing alternative services consistent with Shari'ah requirements.

Given the sudden change in the transformation processes, our data shows that only one bank was apparently coping well with implementing Islamic finance. The Al-Jumhouria bank advanced during the time of incremental change and has built the necessary experience in applying IF. Al-Wahda Bank (WB) and the National Commercial Bank (NCB) did not start at the same time as Al-Jumhouria. However, our data also shows that the three banks have literally implemented the requirements described above in the circular No 9 for the year 2010. Every bank has created new Islamic finance division and its management subsidiaries to accomplish the requirements laid down in the decree issued by the central financial authority.

Likewise, the three banks committed to the demands of the CBL through confirming the apparent separation between conventional banking practices and their revenues and the new IF procedures and Shari'ah-based operations. The three banks also approved the establishment of Shari'ah Advisory Boards (SSB) and Shari'ah Auditing Committees (SAC). Before moving forward to follow the current change processes that form our case study the following section presents what I think is the status and the inherited attributes of the LBS. Therefore I suggest such attributes as we shall should be seen as the inevitable consequences of the socio-political polices explained throughout this chapter. Consequently, those core buildings and arbitrary historical founding institutional arrangements often intersect with current processes of change.

Based on the analyses throughout this chapter I will draw the following conclusion on how historical developments led to the LBS being viewed.

3.4 Imprinting attributes of The Libyan Banking Sector

I argue that the historical periods in which formation and reformation processes took place in Libya banking sector have yielded specific attributes in the LBS. As organisational theorists have long noted, elements of socio-cultural contexts are incorporated within organisational life (Johnson, 2007). This is best described Stinchcombe and March (1965)

as *imprinting* (Suddaby & Foster, 2017). Therefore, the effect of historical developments may last for *decade or centuries* as observed structures in the organisations in question (Johnson, 2007).

In the case of Libya, change initiatives and environmental socio-economic developments described above have yielded particular attributes, especially given the continuing control of the state over the banking sector. Consequently, historical attributes, as we shall see here, overlap and may hinder the current transformation. The ability of actors to alter the course of history toward the current change becomes very narrow. Therefore, for example, *centrality* was one of the attributes most cited by the interviewees. Many participants criticised and blamed the state for controlling the sector. As a result, in the light of such centrality, options for change are limited. Consider the following comment made by the assistant manager of Sharī‘ah oversight department in one of the three banks.

“The Central Bank exaggerates its power over the sector. We do not enjoy freedom to adopt new IBF services. For example, we have prepared new forms of Murabaha transactions but it was refused by the CBL. They said, we have to work only with the designated models which are described in their circulars. The CBL poses restriction on development.”

However, *imprinting* in the LBS is also observed in the structure of the banking organisations, which share similar attributes in terms of centrality and subordination to the sole owner, which is the CBL. The three organisations described in our case study are distributed over three different regions and they have similar structures as the central region. This imprinting in structure led to what I coined complex *centralisation* whereby control exerted by the CBL led to multiple centralisation processes across the sector and across its organisation. Making banking administrations giant bureaucracies. Therefore, the ability of actors to alter any situation is always largely interconnected with complex central decision making processes. Therefore, the success or failure to do so becomes heavily dependent upon distance from the centre. As the following quote by the Assistant Manager of IBF show:

“There are several committees including the one in the central bank, what they have made is nothing. They have developed timeline for the implementation but nothing happened. Even the CBL and its central committee of IBF have only created blueprints.”

The participant continued

“Decisions about transformation are centralized by the Head Quarter. In the case of our bank our bank the HQ is based in the Eastern region. Therefore, we are following their instructions and sometimes we give our opinions. I do not object centralized planning but at least they should allow for more participation and shared views to flow in the system.”

Other attributes in the CBL are also obvious in the nature of banking customers and the nature of banking services. All of these attributes reinforce the belief that these organisations can be viewed as what DiMaggio and Powell (1983) described as an *organisational field*, which will be further elucidated in the analytical discussion of change processes. Yet, certainly, as a result of historical developments, that were well-established during Ghaddafi’s time, the majority of Libya’s public banks certainly share similar customers and identical services. According to Elgazzar (2015) the World Bank figures in 2012 estimate that 84% of the Libyan labour force are employed in public enterprises. Moreover, the banking system forms a network for paying public salaries. Thus, with the lack of technology and modern electronic payment means, there is an extreme demand on traditional banking services. Especially, depositing and cashing. On the other hand, there has been limited sources of fund especially to small and medium enterprises (Publishing, 2016). Currently, as I am writing this thesis, the unusual volume of demand has dramatically increased because of the political and security turmoil. The latter has set back and paused the development of technological infrastructure started as a part of the CBL’s strategic plan. However, with the glimmer of hope of the international reconciliation process led by the United Nations to bring back together Libyan political and economic institutions, the CBL announced resumption of the E-development projects (CBL, 2016a).

Similarly, financial indicators, in the LBS, mirror a lack of adequate investment and excess liquidity. The latter is a multi-faceted phenomenon that has been historically problematic for a long time as the World Bank reported (WB, 1960). Not surprisingly therefore, the association of liquidity with banking assets persists even in our current time. As Cevik and Rahmati (2013:5) described

“Financial intermediation remains shallow and concentrated. Commercial bank lending to the private sector increased from 2.2 percent of GDP in 1970 to 31.5 percent in 1990, but then declined to 21.8 percent in 2000 and 9.5

percent by end-2010. This is particularly surprising given the massive amount of excess liquidity in the banking sector.”

The increasing liquidity in Libya’s banks can be attributed to structural and cultural dynamics, including the preference of banks to invest in deposit certificates with the CBL. Here, the little room for development and the control of the state over the sector without doubt have led the LBS to be heavily dependent on the CBL. Hence, the latter for many years has offered the largest and most lucrative form of investment and the least risk for banks. Second, as we shall see in the following chapters the shared commitment to the Islamic religion, which regards all interest-based banking transactions as *Haram* (Unacceptable or prohibited). Also, the local social code considers those involved in banking interest-based investment as indulging in *sins*. Thus it is not unsurprising to find less demand for commercial loans. More recently, Libyan researchers began to observe the role of religion in shaping people’s attitude toward banking investment. For example, it has been reported that 73% of small-medium enterprises do not use banking loans, and only 11% have applied for formal financial resources (Badri: 2006 cited in Khalid & Kalsom, 2014). According to Khalid and Kalsom (2014), religion has a key role in the search for financial support for SMEs. In a similar vein, Gait and Worthington (2015) in an empirical quantitative study have found that one of the main factors in shaping the probability of using Islamic methods by retail consumers, is its consistency with Sharī‘ah requirements.

On the other hand, and despite the surplus liquidity, the long history of the transmitted disengagement in private economic activities as we outlined above led to the absence of sufficient investment in banking resources. During the long period of practising central policies, access to banking investments remained virtually quasi-monopolised by state-owned corporations or prominent people who had political, military and tribal links within the former political system. Therefore, obtaining financial funds is a quite complex process that involves taking advantage of a personal relationship. Although it is difficult to obtain data in regard to lending and investment in Libya’s banks, some local and global reports shed light on this darkness. For example in regard to financial inclusion and formal loans, van Oudheusden et al. (2015) classified Libya under *no data available*. However, as a report by (AfDB & et al., 2012) explains, the availability of finance always affected

by the *culture of connected lending*. Similarly, (Dumbsy, 2013) emphasised the poor financial performance of the country's banking sector.

Therefore, it is no surprise to find out that deposit certificates at the central bank remained the bank's favourable form of investment. A study by Cevik and Rahmati (2013) presents a continual increase in investing deposit liabilities of commercial banks in the CBL. Between 1970 and 2010 deposits of commercial banks multiplied by 31.36, times rising from 1.4 to 43.9 billion dinars. In contrast, the contribution of finance to the private sector in total banking assets declined by 34%. However, a recent study by AfDB and UNDP. (2015) based on data up to March 2013 presents the continuity of weak lending policies. Only 23.4% all banking deposits have been given as loans to the private sector. These figures correspond to published data by the CBL; which shows that loans to individuals and institutions are the second contributor after the deposits certificates in the development of investments in funds during 2012. According to the CBL (2013b):

“Despite the decline in the interest rate on certificates of deposit, Commercial banks continued to invest their resources in the Central Bank.”

Conversely, it seems evident that recent years particularly 2014, 2015 have witnessed an unprecedented expansion in the granting of credit to the private sector, exceeding credit granted to the public sector for the first time. Recently, published data by the (CBL, 2016b) shows unusual growth in the total amount of loan and credit facilities granted to the public and private sectors. The figures jumped from 18.2 billion by the end of 2013 to 20 billion by the end of 2014, a growth rate equal to 9.5%. Meanwhile, loans granted to the private sector at the end of 2014 amounted to 13.8 billion dinars.

However, the data shows that 69.0% of the total loan were given to the private sector, and the public corporations borrowed 31.0%. In a similar vein, also, the year 2015 witnessed an increase in banking funds to private sector by 3.4% between 2014-2015, in contrast to funds granted to the public sector which declined by the same ratio -3.4 % (see Table 1). One possible explication of this apparent increase in lending to the private economy is the enactment of the Law. The following table compares credit facilities in commercial banks between 2014 and 2015.

Table 1: Credit Indicators of Commercial Banks

“Milion LYD”

Description / period	2014	2015	Changing Rate %
Total of credit	19,958.1	20,212.8	1.3
Credit guaranteed to public sector	6,191.6	5,982.7	-3.4
Credit granted to private sector	13,766.5	5,982.7	3.4
Total of social loans	7,160.5	14,230.1	6.3
Loans granted to other economic activities	12,797.6	13,604.2	-
social loans/ total credit	35.9	32.7	-
Loans granted to other economic activities / total credit	64.1	67.3	-
Total credit/ Total assets	21.0	22.4	-
Total credit/ Total deposits	25.2	28.4	-

Source: Central Bank of Libya, 2016. Evolution of the most important financial indicators of commercial banks 2015. Available in <http://cbl.gov.ly/>

A second source of revenue in Libyan banks is the most popular individual loan, the so-called *Sulfa Ajtmaia* or social loan. According to this contract, banking customers, especially those employed in public sectors, can access limited credit and mortgages through guaranteeing their salaries. However, ultimately, this service appears as a traditional banking transaction, in Libya’s business and social context, which as we have seen, has been influenced by long-term socio-political policies such as transactions considered as *patronage*. In addition, although, technological infrastructure has been put in place by the CBL since 2007, it is worth noting that Libya’s financial services are still under development. For example, even well-known worldwide electronic payment methods are still unused. Only recently some progress in this direction has been made when the CBL announced cooperation with one of the only two mobile networks companies, Al-madar al-jadid to launch the first mobile payment application (CBL, 2017).

Therefore, given the above limitations of modern banking and lack of investment entrenched and endured for many decades. This discussion is clearly in line with many commentators who observed the impact of Gaddafi’s ideology on the development of Libya’s economy in general and banking sectors in particular. In this respect, consider the following quote by (Masoud, 2013:3) who remarked as follows:

“The Libyan economy developed within the last three decades to adopt a socialist philosophy, which encourages public ownership and variant national income due to the independence of oil wealth.”

Therefore, it is anticipated that change to Islamic finance will not be an easy task for actors and the entire banking system. The entrenchment of such ideologies has appeared not only as physical characteristics of the LBS, such as structure and limitation of services and technological change but more importantly in the way that banking organizations are managed.

3.5 Summary

The above discussion examined the historical development of Libya’s banks, and underlined key attributes associated with Libya’s public banking sector. This also implied that it is possible to see further implications and effects on the latest development in the banking sector, which aims to promote IBF and transform banking organisations to become Sharī‘ah compliant. First, despite some frequent attempts to privatise banking institutions, much of the LBS remained as a state-owned sector. This led to an exaggerated control over banking organisations and simultaneously produced a complex centralization within the sector. Indeed, from the point of view of many participants such centralisation remains as challenge that limits the actors’ ability to change its low productivity. Second, due to the long period of socio-economic policies, banking practices remained narrow and commercial activities are significantly limited to deposit certificates at the CBL. Even individual loans are limited to a certain type of social loans. This led banking institutions to favour less engagement in commercial activities or partnership with the private sector because partnership with state-owned corporations is considered as low risk investment. To conclude, this chapter argues that history matters in the study of change and translation. The historical development of Libya’s banks indicates that history exists in the present and extends to overlap with and shape the current change. Therefore, translation and change processes should not be conceived as free from accumulated historical developments and restrictions.

Having discussed the context of this study, the following part of this thesis presents part 3, which contains the following chapters; chapter 4 discusses the methodological approach of this research and chapter 5, outlines the analytical, findings and discussion part of this theses.

PART 2 METHODOLOGY AND DESIGN

Chapter 4 Research Methodology and Design

“Analysis is not simply a matter of classifying, categorizing, coding, or collecting data. It is not simply a question of identifying forms of speech or regularities of action. Most fundamentally, analysis is about the representation or reconstruction of social phenomena. We do not simply “collect” data; we fashion them out of our transactions with other men and women. Likewise, we do not merely report what we find; we create accounts of social life, and in doing so we construct versions of social worlds and the social actors that we observe.” (Jackson, 1955:108)

Most dictionaries refer to the term methodology as a systematic way of conducting research or group of methods and principles used to conduct a scientific enquiry. However, digging deeper into this term can reveal further useful information that helps in understanding this term and reflect further on its usage. Duignan (2016:1-3 In The Oxford Online Dictionary of Business Research Methods) defined methodology as follows:

Methodology

- 1).The procedures and systems used to gather data (qualitative and quantitative), to organize it and to process it in accordance with the aims of answering the central research question(s).
- 2) The specified administrative procedures and analytical principles by which a research project has been or will be undertaken, and the rules for interpreting any findings. It is important that these are set out, as it one of the bases upon which any critique of the work might be constructed by peer review.
- 3) The philosophical perspective and theoretical assumptions that guide the researcher’s choice of subject matter, the choice of research instruments, and the protocols and tools for the interpretation, presentation, and verification of the findings.

Based on the above explanations, it appears that the main principles in which research methodology is constituted should include a range of systematic procedures that can describe how particular findings were generated or an answer to a research question (s) has been reached. In other words, methodology serves two facets of the research process. On the one hand, research methodology should provide the researcher with the means to explore and answer the research question(s). On the other hand, methodology provides critics with the means to explore the merit of a research project. Another useful insight into the term methodology can be found in Etymonline (2017) which informs

that, it comes from French Methodologie or directly from Modern Latin methodologia; and is a combination of two words. The first word is method(s) which literally means all the systematic ways described as above in (Duignan, 2016). The other is ‘ology’ which refers to science or knowledge.

Further, Etymonline (2017) adds, the word method also derived from the word :

“*Meta*” which means:

“[meta- + hodos] a method, system; a way or manner" (of doing, saying, etc.), also "a traveling, journey," literally "a path, track, road.”

In the quantitative/qualitative research landscape, the term methodology is firmly tied with the research design. In this context, I doubt if the concept “research design” is the appropriate term to address the journey that I have taken to search organisational change within the context of the Libya’s banks, as, the concept of research design as it appears to me is presented as a linear means of thinking. This indeed includes an explicit or implicit well detailed processes determined in advance to guide a researcher from point A to B, regardless of the particularity of both the subject of the research and the context. This also extends to the analysis, findings and final conclusion/s. Research design in qualitative research might be described as a confluence of ideas about what constitutes the study, from beginning to the end of the journey. This is similar to the journey described in the Etymonline (2017) above. There are indeed, a wide range of qualitative research publications which can guide students through their qualitative adventures. However, in a search for, particular methods of studying organisational change, indeed, the scope of this area is beyond the reach of single study.

Therefore, what I am presenting here is not a research design in the sense of strict rules applied in an explorative journey. Rather it is a reflexive account about a journey that has been undertaken to understand what is going on. Through this, I am hoping to address a sufficient level of reflexivity that allows for the reader to see, through this account, how organisational change in this study’s context is constructed and translated. Therefore, as Hammersley and Martyn (1995: 24 In Bickman & Rog, 2009) put it :

“Research design should be a reflexive process operating through every stage of a project.”

Van de Ven and Poole (2005) highlighted two different ways of studying organisational change that are often used in organization studies. In the first definition, Van de Ven and Poole (2005:1380,1381) suggest that “change is an observed difference over time in an organisational entity on selected dimensions”. This definition suggests that there are sets of independent variables and change that are usually presented in relation to a dependent variable and this approach is associated with a ‘variance theory’ methodology. The second definition of change presents change in the form of a *narrated event*: “a narrative describing a sequence of events on how development and change unfold”. This meaning of change, Van de Ven and Poole (2005) suggest, presents change as “an event-driven” approach that is often associated with process theory.

This study is designed and seeks to account for organisational change from the perspective of the second definition, which refers to process philosophy. This approach places emphasis on the role of language in making sense of the change process because social reality is constructed in people’s minds (Dunford & Jones, 2000). People express meanings, understanding, and concepts through language Tsoukas (2005), and “Language has an active [rather than a passive relation] to reality” (Faireclough, 1992; 42 in Dunford and Jones, 2000).

Dunford and Jones (2000) suggest that a fundamental process in the management of strategic change is constituted in sense giving whereby change often is narrated in association with described events. This increases the likelihood of the emergence of different interpretations based on different stories told by organisational actors. Such stories are likely to be narrated in different ways and here, organisations and change process are likely to be told and performed by different narratives (Doolin, 2003). From this point of view, it becomes evident that “qualitative research provides a narrative of people’s view(s) of reality and it relies on words and talk to create texts”(Gephart, 2004:455).

Having discussed my view on the research design in the context of exploring organisational change process, this chapter will begin by looking at the nature of this research which is exploratory study. The chapter moves to describe the research philosophy that selected to outline the fundamental theoretical framework of this study. Following that, the chapter attempts to illustrate the type of case study approach used in

this study. Also, the chapter will present how different data methods were used in this study why and where certain types of data collection methods has been used. Finally, the chapter explains in details the processes of analysing qualitative data with emphasis upon how it was difficult to undertake a qualitative study in a context that differ from the context where the various knowledge about the subject were found.

4.1 Exploratory research

The main objective of this study is to explore organisational change processes within the LBS. This study is an exploratory in nature, due to the novelty of the change process that is intended to introduce Islamic finance within the Libyan banking sector. This type of exploratory study allows researchers to ask open questions, clarify what is happening, and addresses questions of how and why (Saunders et al., 2012); questions which often arise when studying organisational change (Gray et al., 2012). However, adopting an exploratory approach has its disadvantages in relation to qualitative data, as it generates a large amount of data, which requires extra efforts and time in order to produce some knowledge.

The main purpose of embracing an explorative stance is chiefly related to the nature of the change process. For me, it was difficult to decide what approach would be appropriate for addressing this phenomenon. How should large and complex change process be explored? For these purposes I began, as I outlined in chapter 1, by exploring the world of organisational change literature. However, this was not an easy task, as the literature of both change management and organisational change are perpetually shifting. These branches of management knowledge include many complex sub-branches and wide range of different views about change. Second, the dearth of studies concerning a similar context and, more importantly similar research questions added to the ambiguity of what change approach would be able to address such a complex large-scale change process.

From this respective, addressing the problem was like discovering an isolated island. Research about change in the context of IBF is rare and often takes the form of top-down process and readymade prescriptions. As I pointed out in the discussion of the research problem, no research to date has been found studying a similar problem through using organisational change literature. This can be perceived as in agreement with Creswell, (2007. in O’Gorman, 2015) who argues exploratory research is needed when the shortage of knowledge and inadequacy of literature are obvious. In addition, the writers

emphasised that this type of research is needed when the research question is wide and the use of hypotheses is rare. Consequently, as Silverman (2013) suggests, exploratory enquiry might *be far less structured than confirmatory studies*.

However, among the definitions of exploratory research there are some themes which attracted my attention to look closely at what constitutes exploratory research. In the context of social science, Stebbins (2001: 3) defined exploratory research as follows:

“Social science exploration is a broad-ranging, purposive, systematic, prearranged undertaking designed to maximize the discovery of generalizations leading to description and understanding of an area of social or psychological life. Such exploration is, depending on the standpoint taken, a distinctive way of conducting science—a scientific process—a special methodological approach (as contrasted with confirmation), and a pervasive personal orientation of the explorer. The emergent generalizations are many and varied; They include the descriptive facts, folk concepts, cultural artefacts, structural arrangements, social processes, and beliefs and belief systems normally found there.”

Some important themes in this definition are evident in the focus on broadening and maximizing the discovery. Second this definition clearly demonstrates how exploratory research is shaped by the researcher’s orientation, which differs from that of confirmatory research, whereby the researcher is seeking to test or confirm a certain theory. However, in general, as I experienced, it is right to state that an exploratory researcher enjoys testing reflection on preselected theoretical assumptions. Such a stance is crucially needed in the study of the context of change in IBF because as we shall see in the next chapter, this context is massively broad and the amount of data encountered by the researcher is also challenging. Therefore, an exploratory stance allows for a degree of acceptance of change in the attitude of the researcher whenever new data emerges or insights become more apparent (Saunders et al., 2012).

In this context Stevens and Wrenn (2013) made a very interesting comment on exploratory qualitative research. They remarked that, in the search for new ideas, information and insights, the explorer *follows where his or her nose leads*. Therefore, this study should be seen in line with Bruner (1961:1)’s assertion about *the act of discovery* as follows:

“I do not restrict discovery to the act of finding something that was before unknown to mankind, but rather include all forms of knowledge for oneself by the use of one’s mind... it is rarely on the frontier of knowledge or

elsewhere that new facts are *discovered* in the sense of being encountered as Newton suggested in the form of islands of truth in an uncharted sea of ignorance.”

4.2 Research philosophy

According to Saunders et al. (2012) research philosophy is a broad term, which refers to the nature and development of knowledge. Indeed any research project requires a certain degree of consistency between methodology and method and therefore, research philosophy provides the required foundations to such consistency (Easterby-Smith et al., 2012). Internal consistency, logical organization and clarity, can be achieved through linking philosophical and methodological assumptions and consequently facilitating readability of the research (Van Maanen et al., 2007).

Byrne. (2017) explains that the term methodology incorporates the researcher’s choices of the underlying assumptions about what we are doing. In his view, methodology also refers to the underlying assumptions about what constitutes ontology and epistemology. Other research design publications also refer to axiological assumptions. For example, Saunders and Philip (2018) emphasised, in addition to the duality of ontological and epistemological assumptions, research methodology includes axiological assumptions. The three categories are seen as important in underlying the research methodology and judging the quality of the research project (Onwuegbuzie & Leech, 2005).

It is commonly accepted that ontology refers to the nature of reality and epistemology refers to the nature of knowledge. Ontology, covers our assumptions about the nature of reality and epistemology contains our assumptions about the nature of knowledge (Merriam, 2016). Within the context of business and management, Saunders and Philip (2018) pointed out, different types of data sources, which constitutes the knowledge and these may include, quantitative or qualitative data and it can be statistical, textual or sometimes visual data. Thus, ontological, epistemological stance of the researcher influences the whole process of the research and our epistemological position related to the knowledge is likely to influence our decision about which type of data we shall use to approach the topic of the research (Van Maanen et al., 2007). Consequently, the important questions are what the investigated phenomena made of and how *we know what we claim to know* (Tsoukas & Chia, 2011). In addition, axiological assumptions refers to maintaining the value and ethics of the research process (Saunders & Philip, 2018).

The argument is that how can we investigate the social reality of the organisational change, what methodology should a researcher use to capture the reality of such a phenomenon, which described by Pettigrew et al. (2001) as capturing the reality in flight. According to the thinkers of social sciences, social research is remarkably established on two main philosophical point of view, which are positivism and interpretivism; these also called paradigms (Byrne., 2017). Far from emphasizing rationality, the issue is not to regard change as in the order of things; rather it is to understand and explain what is occurring. The ontological position is that social phenomena are created from the collective perception and consequent actions of social actors (Burrell & Morgan, 1979). In contrast with the positivist paradigm, which assumes that reality is isolated from the whole, including the researcher; this philosophical stance referred to as social constructionism.

4.2.1 Social constructionism

According to (Allen, 2017: 2)

“Social constructionism is a philosophy that attempts to make sense of reality. Social constructionism as a social scientific method originated in the latter half of the 20th century and often is associated with postmodern thought. Social constructionism as a scientific term first entered the academic lexicon with the publication of Peter Berger and Thomas Luckman’s *The Social Construction of Reality* in 1966.”

While, some would place the social constructionism, within the interpretivist paradigm (Burr, 2015), others argue, social constructionism draws its method from multiple philosophical stances and scientific disciplines including: anthropology, critical analysis, hermeneutics, phenomenology, psychology, semiotics, and sociology, among others (Allen, 2017). From the perspective of social constructionists, reality is produced through social interaction and negotiating processes of the various human and non-human actors (Latour, 1986; Quattrone & Hopper, 2001). However, this point of view, which includes things or non-human or more precisely in sociological and Latour’s vocabularies *actant* may refer to radical constructionists (Czarniawska, 2009a), Therefore it is worth noting that social constructionism as influenced by Berger and Luckmann (1966), might be perceived as less radical as follows:

The social world is a continuous process, created afresh in each encounter of everyday life as individuals impose themselves on their world to establish a realm of meaningful definition” (Morgan & Smircich, 1980: 494)

According to the above account of social life, social phenomenon are constantly created and recreated and sustained throughout the interactions between members of society (Burr, 2015). Therefore, social constructionist acknowledges that there is no single reality. Rather the world is structured differently by every single individual and therefore we are living in a world that made of multiple realities. Therefore, the main assumption within the social constructionism is that we (as humans) make meaning of things through our interaction with others or even things or *actants* such as technologies machines, papers texts, etc.. (Latour, 1986). People construct their opinions, interpretations and points of view through conversations (Czarniawska, 2009a). Such influence of the “We” which in a state of constant construction can be acknowledged through reflexivity (Cunliffe, 2003).

The second assumption, which stemmed from the former, is that knowledge is produced throughout constant processes of interaction. Continues inscription of social representations is objectified, in texts, on things, and these actions are repeated in speech and consequently, knowledge becomes constructed (Czarniawska, 2009a). These assumptions provide insights to see a phenomenon such organisational change as constructed processes (Quattrone & Hopper, 2001). The question is, do organization and change occur as real entities, or are they a consequence of subjective construction? Tsoukas and Chia (2002) observe organization as the product of change. According to this perspective change is the norm of organisational life (Collins, 2002). The shift from seeing change as a faith accompli to seeing change as imminent in organisation, allows researchers to approach the phenomenon as succession of sittings (Tsoukas & Chia, 2011). Change in this study is considered to be a constant process of ‘becoming’, rather than a sequence of stable states (Chia & King, 1998; Chia, 1999; Collins, 2002; Chia, 2014; Langley & Tsoukas, 2016). Yet, the focus of this revolutionary thinking is about the intrinsic social nature of the organizations and change. Through this, it allows us to reveal some of the inherited socially constructed relationships, which embed and sustain the unfolding of change processes.

Empirically speaking, organisational change thinkers highlighted two different ways of studying organisational change. According to, Van de Ven and Poole (2005: 1380-1381)

“Two definitions of change are often used in organization studies: (1) an observed difference over time in an organizational entity on selected dimensions; (2) a narrative describing a sequence of events on how

development and change unfold (Poole et al. 2000). When the first definition is used, change is typically studied with a ‘variance theory’ (Mohr 1982) methodology, where change is represented as a dependent variable, which is explained with a set of independent variables that statistically explain variations in the dependent variable of change. The second meaning of change takes an event-driven approach that is often associated with a ‘process theory’ explanation of the temporal order and sequence, in which change events occur based on a story or historical narrative (Abbott 1988; Pentland 1999; Poole et al. 2000; Tsoukas 2005).”

Far from the first definition, which typically employs quantitative methods, present study was designed to account for organisational change from the perspective of the second definition that refers to process philosophy and qualitative methods/s. Qualitative approach to studying organisational change places emphasis on the role of language and it makes sense of the change process because social reality is constructed in people’s minds (Dunford & Jones, 2000). People express meanings, understanding, and concepts through language (Tsoukas, 2005). ‘Language has an active [rather than a passive] relation to reality’ (Faireclough, 1992: p.42 in Dunford and Jones, 2000).

This means allowing for different interpretations based on different stories. From this point of view, it becomes evident that “qualitative research provides a narrative of people’s view(s) of reality and it relies on words and talk to create texts”(Gephart, 2004:455). Nonetheless, different interpretations have also different consequences for the conceptualization of change. Data associated with organisational change, which is mainly discursive in nature has the tendency to produce complex, shifting interpretations. The following section presents the selection of the case study approach.

4.3 Intrinsic case study

In the realm of case study research, the question of what case study is about seems to be an open-ended question. In his well-known book “*The art of case study research*” (Stake, 1995: 2) pointed out that:

“We cannot make a precise definition of cases or case studies because practices already exists for case study in many disciplines...I emphasis learning all of the case out to its boundaries, tracking its issues, pursuing its patterns of complexity.”

In this context, the focus of the researcher is not on the properties of the case(s) or its physical system(s). Rather, at least as it appeared to me through this journey, what becomes important in describing the case is the scale and the depth of the detailed

description of the case/s. However, Creswell et al. (2007) pointed out, in contrast to narrative research, the focus of the research is not about the person's stories. Rather, in case study the focus is on the issue, with the individual case that presents the issue. Therefore, as the case in this study, the question/s or issues under investigations became prior to any attempts to conventionally construct, describe or define the case study.

Robert Stake suggests, that there are three types of case study; one is (1) intrinsic, (2) instrumental, and (3) collective case study (Grandy, 2010). While, as it appeared to me, it is difficult to judge what type of case the current study presents, navigating through Stake's suggestions can shade some light on its core characteristics. I found the term intrinsic case study as described by Stake (1995) critically appealing to point to the type of case study at hand. As frequently mentioned, this study is based on personal interest in the phenomena of organisational change. Intrinsic case study as presented by Stake seems to be the type of research that is characterised by both the researcher's interest and the exploratory nature of such inquiry. As Grandy (2010) describes, in intrinsic case study the researcher places his/her focus upon the case itself rather than on expanding theory. This appears largely applicable to this study. Nonetheless, I argue that it might be better described as the researcher also deeply and critically engaging with both the case itself and theory. Furthermore, sometimes not always a theory but theories or broad organisational and institutional propositions, as it the case of this study.

Case study should not be about the properties or entity of the case. Rather, what makes a case or cases is the issue/s and questions being investigated, which ultimately guides the researcher's mind-set through a journey of qualitative enquiry. For this reason, case study research was used in this study because the focus of the research was deliberately directed to a particular issue, which is the change process within the banking system. The focus of the research in this approach aims at offering a thick description of the phenomenon under investigation (see Creswell et al., 2007). Thus, as this study purposefully explores organisational change processes implemented in the organisational field, the focus of this research does not and should not revolve around a single case. Rather, although the findings of this study reveal similarities and differences during times of radical and incremental change, this study is designed to examine the phenomenon of change not in every single organization, but as a holistic phenomenon and within a *bounded system* (see Creswell & Creswell, 2018) .

Therefore, the unit of analysis is revolves around an idea and the processes associated with translating the idea into practices. This includes the change process, the subsequent processes associated with this change and the unintended consequences of such complicated large scale transformation.

Although process scholars, among them Pettigrew (1990) and van de Ven and Huber (1990) favoured and emphasised a longitudinal research design as the most appropriate method for studying organisational change, Saunders et al. (2012) noted that such method may not be appropriate for students because of time constraints. However, in this context, another reason that prevented such design is the nature and risk assessment of the field work. In the case of Libya, a country characterised by armed conflict and political turmoil (Leek & Morozov, 2018) re-visiting the research sites to conduct longitudinal research was not possible. I will elaborate further on doing research in conflict regions when I discuss the use of interviews, later in this chapter.

4.3.1 Selection of cases

Sampling is the process by which the researcher chose to select particular units within a wide range of the study's population and through sampling the outcome of the research can be generalised or in qualitative terms, enhancing our understanding of the investigated phenomenon (see Trochim & Donnelly, 2001). Also, through increasing the number of unites (organisations or humans), or the inclusion of as much as possible of the required information, the credibility of data can be increased (Lincoln & Guba, 1985). Moreover, Miles and Huberman (1994) rightly suggest that increasing the number of cases contribute to generalizability and helps to see processes and outcomes across many cases. Therefore, as the purpose of this study is to understand the change processes in a bounded context, increasing the number of cases is crucial to achieve this goal.

Social research is dominated by two types of sampling strategies, these are probability and non-probability sampling (Merriam, 2016). Other authors may refer to different terminology of sampling, which include, random samples, convenience/opportunistic, maximum variation samples, finally snowball samples and theoretical-construct samples (Tracy, 2013). In this context because the generalizability is not the goal of the qualitative researcher, non-probability sampling strategy is the most familiar example in qualitative research(Merriam, 2016).

Therefore, for the purpose of this research and based on personal and contextual considerations a purposive sampling strategy was used. Seale (2007:405) defines purposive sampling as follows:

“Purposive sampling consists of detecting cases within extreme situation as for certain characteristics or cases within a range of situations in order to maximise variation that is, to have all the possible situations.”

Similarly, Silverman (2000) points out that, this strategy can be employed when a researcher seeks to collect data from definitive groups or individuals where the processes under investigation are presumed to occur. Therefore the purpose of research determines how to select case studies (Stake, 1995). In this context, the proposed choice of collecting data from the proposed units and actors is not merely down to the preference of the researcher. Two main elements became important to determine how to select the cases. First, the idea itself, which of IBF; mainly where has it been implemented within the context of Libya’s banking, and the adoption of Islamic banking became a ‘frame-binding’; it is a compulsory and inevitable process. Therefore, it is likely that all public banks will implement this idea. For this reason public banks were the target research sites for this study. The second element is in a sense a consequence of the first element. What leads to the selection of particular banks is that all of them share similarities rather than differences. Arguably, this means *transferability* can be achieved. As Guba and Lincoln (1982:241) have noted long ago:

“differences in times or contexts are as important to know about in making the judgment of transferability as are similarities; it is as important to know the ways in which fit does not occur as to know the ways in which fit does occur. The naturalist, then, is concerned first with developing an adequate idiographic statement about the situation he or she is studying, accompanied by sufficient "thick description" to make judgments about transferability possible, should anyone care to ask that question.”

As evidently we can see in the above quotation, transferability is a matter of judgment. However, this also raises the question of how we know if the findings of this study is transferable. Accordingly, not only similarities between the cases which made the findings of this study transferable within the national boundaries but also the number of cases, because the three banks account for the third-quarters of the number of public commercial banks. The following section will provide an overview on data collection methods.

4.4 Data collection methods

4.4.1 Interviews

Organisational research studies often collect data by using multi methods. These include interviews, documentaries and other materials available online. As Cassell and Symon (2004) stated, the main aim of conducting qualitative interviews is to understand the research focus on particular issues from participants' points of view by analysing how/why they refer to their perspectives. According to Saunders et al. (2012) data generated from interviews is valid and reliable, in which relevance to the research's questions and objectives is emphasised. Therefore, since the main aim of this research is to explore and account for the translation of a broad organisational/societal programme into local forms of practice, semi-structured interviews were selected because of their appropriateness for gathering data in order to answer "What" and "How" questions, and this method emphasizes the question of "Why" (Saunders et al., 2012). All of these types of question are considered as indispensable to make sense of the changing events within the Libyan banking context.

Also, it is widely appeared in process research that *events* constitute a crucial components of processual data (van de Ven & Huber, 1990). According to Langley (1999) a large part of process data is stories describing what happened by whom and when- that is, events. Similarly, translation studies rely on stories and narrative to collect data that describes how certain ideas have been translated from one context to another (Sahlin-Andersson et al., 1996). Interviews are used to capture major events through stories told by various participants. However, one should be aware that there is always an element of limitation in stories provided by actors. For example, in many cases, narrators point out a particular event such as internal or external decisions that may have led to a particular outcome or unintended consequences. In such cases, almost no one provides the bigger picture of those events. As a result, a researcher should pursue the missing details through other sources of data (documents and visual data). This provides a sufficient level of trustworthiness (Shenton, 2004).

The aim of this study is to trace change process in a complete branch of every organisation, from top to frontline in the hierarchy. Consequently, a sample of the whole organisation was obtained including managers of IBF in regional headquarters and

frontline employees. At the frontline level, interviews were conducted in non-linear way. Access to banks in Libya was quite challenging. Several issues need to be taking into account including the complexity of the current context in the country. I had to be carefully selective and use personal contacts, including my own friendship network, in order to obtain access to branches. The main reason is because making contact through electronic mail is not common in many Libyan business organisations. Two methods of communications are widely used and often more effective than electronic mail. One is face to face and this in some cases requires the involvement of a third party to introduce the researcher to the intended interviewee. Therefore, I had to record multiple names and addresses in my diary. It was important to arrange interviews through third parties often former colleagues of mine or other co-workers. The resulting engagement in the field of banks in Libya led to positive outcomes in terms of formulating the selection of the cases and the inclusion of the population. This in turn contributed to the credibility of my data (cf. Wæraas & Sataøen, 2014).

In the first phase, which was applied in the three branches, I was keen to obtain data from frontline employees, especially in direct contact with costumers, making it became possible to make sense of what was really happening in the three organisations. Consequently, the sampling strategy helped to diversifying the range of views on what was going on in terms of implementing IBF at the level of branches. This, increased the validity of this study through avoiding the partiality of *elite* participants (Miles & Huberman, 1994). A list of participants' roles with, for ethical reasons pseudonyms is given in table 2.

Table 1 Participants in the First Group of Interviews Branch Level

<i>Bank</i>	<i>Role</i>	<i>Pseudonym</i>	<i>Notice</i>
	Head of Credit Department	WBHOCD 05082015	Joint
	Head of Human Resource Department	WBHORD 05082015	Joint
	<i>Al-Wahda</i> Head of Murabaha Department	WBHOMD 02082015	Joint
	Head Assistant of Murabaha Department	WBHAOMD 02082015	Joint
	Assistant Branch Manager	WBABM 018072015	
	Branch Manager	WBBM 028072015	
	<i>Al-Jumhouria</i> Head of Credit Department	JBHOCD 01082015	
	Head of Documentary Department	JBHODD 0290702015	
	<i>The National Commercial Bank</i> Head of Sales & Marketing Department	NCBHOMD 01082015	
	Branch Manager	NCBBM-01082015	

The second phase of interviews involved semi-structured interviews with key managers at regional headquarters as follow:

Participants in the second phase of Interviews Regional Headquarters Level

Bank	Role	Pseudonym
Al-Wahda	Asistant Manager of Islamic Banking Division	WBAMOIBD-025082015
Al-Jumhouria	Regional Director of the Central Region	JBRDOCR-040802015
	Assistant Audit Manager - Central region	JBAAMCR- 070802015
	Assistant Manager of Islamic Banking Division - Central Region	JBAMOIBDCR-010802015
National Commercial Bank	Assistant Manager of Sharī'ah & Auditing Department	NCBAMOSADRHQ-026072015
	Director of Sales and Marketing Bureau at the Regional Headquarter	NCBDOSMBRHQ-028072015
	Assistant Manager of Islamic Banking Project at the Regional Headquarter	NCBAMIBPRHQ-05082015

A final group of interviewees includes 3 Sharī'ah advisories at the three banks. Table 3 shows the role of the three members as follow:

Table 2 Participants in the Third phase of Interviews: Sharī'ah Advisories

Bank	Role	Pseudonym
Al-Wahda	Sharī'ah Adivasor and A member of the Central Committee of IBF at the CBL	WBCBLSA-02672015
Al-Jumhouria	Sharī'ah Advisory	JBSA-025072015
National Commercial Bank	Sharī'ah Advisory	NCBSA-30072015

As Kvale (1996) points out, explorative studies may imply *loose structure*. Thus, interviewees were given some prior information, explaining that the main aim of this study is to explore about transformation of banks into Islamic finance. Thus, in line with (Gioia & Chittipeddi, 1991:437), interviews were designed as follow:

“To let the informants engage in a stream of consciousness, and to provide rich descriptive data on their perceptions about the change process.”

The above aim was achieved through giving sufficient time for participants to express their ideas. However, while this led to enrichment of the data, it also led to a deep discussion on the idea under translation (its relation with religion and society) rather than the process of transformation. Consequently, it became necessary to rely on documents to provide rich data in regard to the processes of transformation. Additionally, I had to be very careful to constantly restructure the questions to trace events and processes in relation to transformation. For example, as Wæraas and Sataøen (2014) I could not ask about translation because such a question would be unclear. Often conversations began by asking why Libyan banks started to change to Islamic finance. From this point, it was possible to proceed to in-depth discussion.

The question of why Libya decided to proceed with IBF allowed participants to reflect on issues that seemed to be desirable to talk about. Stories included the distinctiveness of the Libyan culture and how the Libyans feel about Islam and being Muslims, which indeed has a direct relationship with implementing the idea of IBF. Consequently, question on this point, as I have observed, has maintained the trust and facilitated transition of the discussion from one point to another. In addition to this, the interview protocol was also influenced by the theoretical underpinning of this study. As noted by Gioia et al. (2013) research questions should be presented in the interview protocol. Therefore as this study concerned how change to Islamic banking was constructed and translated, often interviewees were asked to reflect about how the idea was been implemented. For example, what actions were taken to introduce services of Islamic finance, basically Murabaha, transactions?

In terms of time every interview lasted from 25 to 60 minutes and often took place in formal settings such as managers and employee's offices. However, in a country that has been undergoing turmoil and conflict, and this has had a serious effect on institutional environment, holding interviews in official office had not gone without some worth

noting observations. As I noted earlier in chapter 3, the lack of modern banking services such as online banking and digital payment systems, resulted in banking organisations in Libya to remain operating as conventional and less modernised banks. Consequently, banking premises are often crowded with long queues and the offices of bankers also exposed to the public. Unsurprisingly, at least for me, there was a frequent sort of interruption from time to time. This was either by customers or co-workers of the interviewees. In addition, it is worth noting that, relying on mobile phone communications is very common in Libya, so during conversation it is expected to find an interviewee asking to pause the conversation to reply. However, in general there was fairly, comfort, environment.

Note-taking

Every single interview involved note-taking. According to Saunders et al. (2012), this can help the researcher in many ways. For example, it helps to highlight some issues that may need further clarifications by other interviewees. In this context, note-taking served also similarly, as a means to record my initial interpretation of some events and meanwhile to assess if something should be further investigated. Moreover, in organisations characterised by hierarchical systems, note-taking is important because those working in branches do not often have sufficient information about why and how certain procedures are conducted in a particular way. The most frequent answer is that something is the concern of higher managers. Therefore, it is important to keep note-taking to record which unit or who to refer to in order to obtain additional information.

4.4.2 Documentary and Visual Data

As I pointed out above, it was clear that interviews were partially satisfactory. This is because that researcher in process studies seeks to capture and record as much as possible, the *sequence of events* (Langley, 1999). Therefore, as suggested by Gioia et al. (2013) good qualitative research combines multiple sources of data, although interviews were the main source. Process thinking also gives considerable attention to the importance of documents in providing rich description (see Orlikowski & Baroudi, 1991; Greenwood & Hinings, 1993; Orlikowski, 1996; Van de Ven & Poole, 2005). As Bryman and Bell (2011) argue, documentary analysis is appropriate for researchers who seek to develop understanding of a particular phenomenon in two areas: (a) It is helpful in constructing a

'timeline' especially in processual studies of organisational change; (b) it permits different interpretations regarding main events and processes.

Online resources covered limited visual materials such as speeches of politicians or officials in the banking sector. The use of documents and online materials helps to confirm and validate the narrative and stories told narrated by the participants. To reflect further, for example, in the case of strategic manoeuvring and deviating from institutional pressures, written material helped to identify when, how and by whom such events occurred. Similarly, to identify and confirm earlier adopters, written material by Dar Al-Ifta, (religious authority) was used to complement narrative accounts and confirms that Al-Jumhouria bank was the first to implement IB. This in turn helped to confirm the act of copying by other organizations. As Bowen (2009), noted often documentary analysis serves as a complement to other research methods such as interviews or observation. However, in the context of studying translation of the idea of IB, documents serve both complementary and confirmatory to the interviews. Further examples of the use of documentary analyses will be explained in the data analysis. The following section will explain the use of the literature on Islamic Banking and finance as a source of data.

4.4.3 Literature on Islamic banking and Libya's banks

In order to make sense of the phenomena under investigation, it was necessary to develop sufficient knowledge about the idea under translation. This in turn helped in understanding the context of this research, where the change process took place. Similarly, the use of literature on the Libyan banking context, which is not easily available, helped to reinforce understanding of the history of this sector. The latter is essential for the analyst who seeks to understand real-time change in organisational settings (van de Ven & Huber, 1990; Pettigrew et al., 2001; Poole & Van de Ven, 2004; Schreyögg et al., 2011; Suddaby & Foster, 2017). This is because, as this study demonstrated, history shapes an organization's response to change.

4.5 Data Analysis

This section will provide a discussion about data analysis and the different techniques that have been used to analyse the data. The section, chronologically describes the different steps, which were taken from the beginning of the process of analysing and interpreting

the data and findings of this study. First, it begins by describing the process of recording the interviewees.

4.5.1 Recording and transcribing

A first step towards analysing the data was recording the interviews. Over the course of three months, (July, August and September, 2015) I travelled between 6 research cities and conducted 20 recorded interviews. In fact, it could be stated that, analysis of the data started as soon as the first interview was finished. After every single interview, I was keen to transcribe the record on hand-written script and use the initial outcome to feed the protocol of the following interviews. In turn, this as stated by Saunders et al. (2012) reduces the risk of losing the *exact nature of explanations*, which may weaken the trustworthiness of the data. However, as accurately noted by Taylor (2015:130) ‘recording device can make people self-conscious’. This statement is indeed right because requesting to record the interviews was received cautiously by some, but not all, participants. Furthermore, self-conscious may also increase in a country that is going a turmoil and conflict such as the Libyan case.

For example, in one interview a participant rejected the idea of recording his speech. Consequently, I asked him if it is possible to write the conversation. In other occasion, at the middle of the interview another participant was talking about the country’s current situation when I noted that he paused and glanced at the recorder. Swiftly, I had to encourage him by turning off and moving the recorder away. In addition, I re-counted some discussion about the ethical headlines of this research and data protection which includes, the protection of the privacy of informants and subjects as well as the notion of informed consent (Merriam, 2016).

Transcribing

Transcribing resulted in 120 pages, including notes field observations. Of course in the light of development of technological support for analysing data, there is a need to transfer the hand- written notes to a typed format. With the help of Goggle Drive, the 120 pages and 20 records were securely saved to facilitate their access. Electronic data were divided based on the three organizations, into three main files as follow. The WB, JB and the NCB. Each file contained all the transcripts and interview records.

The use of Google Drive helped me to carefully re-write the interviews, and which point I need to think about how I would deal with such a large amount of data and how to make sense of a large quantity of information which needed to be translated to another language and completely different context, which English. In the following I will elaborate on this process.

Reflexive account on issues in translating the research data

I argue that being reflexive on issues raised by translation is a key issue in maintaining rigor and credibility of the research. From this perspective, I will draw on my experience in conducting this study and at the same time I am hoping to provide a reflexive account on how I established an approach to maintain accuracy and integrity of the local culture while I was translating, analysing the data from Arabic to English.

Doing qualitative research and presenting findings in another language has been recognised as problematic (Temple, 1997). Such complexities were noted by Temple and Young (2004:161) as follows

“Qualitative research studies where data are collected in more than one language and the research process, at whatever stage(s), involves acts of translation between languages.”

It is suggested that researchers are likely to encounter challenges in relation to various issues including the amount of time and accuracy of translation (Phillips, 1959)., Temple and Young (2004:174) stated:

“The early ‘domestication’ of research into written English may mean that the ties between language and identity/culture are cut, to the disadvantage of non-English speakers.”

Further, as I consider this study as having a cross-cultural dimensions or as what Temple and Edwards (2002) would call cross-language research, this study shares the characterises of similar research. An example of this can be found in Pelzang and Hutchinson (2017) who noted that establishing the credibility of such research requires deep knowledge of the cultural and socio-political dimensions of the investigated context. However, this may also pose the risk of imposing the researcher’s own knowledge and pattern of thinking upon the findings of the study (Temple & Edwards, 2002). Therefore, there are two main key factors in this context which have been given careful attention.

First, the researcher acknowledges his position as having his own knowledge of the socio-political and cultural context and, more importantly the Libyan banking sector. Second, careful attention and a reflexive position were given to the translation process with the aim of sustaining a sufficient level of credibility. In this respect, the main focus was on the broad context of dialogue in relation to the research problem. Although the main method of translation in this study was the use of dictionary, not all online dictionaries demonstrate similar accuracy of translation. Some have, more explanations to define the use of specific words in specific contexts.

For example, Almaany Dictionary, along with other dictionaries such as Cambridge, Oxford and Collins all were used to examine the meaning of Arabic words and compare their synonyms and use in an English context. In addition, the online Etymology Dictionary was crucial to assess and examine the origin of some words in order to find the most suitable translation to fit our contemporary context. This gave me a sense of testing the difference in meaning and how such differences might affect understanding. Often, relying on literal translation distorts the meaning and sense making of the original text.

Hence, after translation, there is always a need for matching the two different contexts, to assess whether the translation makes sense in the context of contemporary organisational and businesses discourse in Western contexts. For example, in constructing sentences, sometimes I had to confirm the appropriate use of language and connect it with the English context by consulting Google to find similar use and detect if particular words are common and understandable in English. Finally, I did not translate the entire transcripts. Rather, transcripts were imported in Arabic to NVIVO, which helped organising and analysing the data. I will reflect further on translation when I discuss the use of NVIVO. The use of this software supported organisation and categorisation of the data gathered from the three organisations independently. This in turn helped me to analyse the three cases in a distinctive manner, which increased the potential for depicting different events in the three organisations. Further reflection on the use of NVIVO will be provided through the following sections. The following sub-section will describe the process of analysing the data.

Applied Thematic Analysis and the logic behind the choice

Process research comprises a wide range of analytical methods to explain how change occurs in organization or institutional units. In her referential paper (Langley, 1999), outlined seven strategies in which a researcher can chose to analyse process data. On the top of the seven strategies, narrative strategy enables the researcher to construct a rich and detailed story of the transformation. The method of analysis selected this study was thematic analysis applied in hybrid deductive an inductive approach. Thematic analysis attempts to uncover the way how meaning and dressmaking is created. In this context the researcher transforms the raw data into meaningful description (see Liamputtong, 2009).

As Buchanan and Dawson (2007) argue, research that designed to understanding change processes are selective and constituted through particular narrative that characterizes different ways of engaging in research. In this context, thematic analysis, according to Buchanan and Dawson, is used to interpret the narrative or interchangeably the discourses.

However, among the wide range of analytical methods described in qualitative research or process data research, thematic analysis appears to be advantageous for novice researchers. Among the advantages of thematic analysis for novice researcher, (Nowell et al., 2017), outlined that researchers who are not familiar with qualitative research can found this method, fixable and easy to learn. However, on the other side, thematic analysts has been criticized as doesn't provide much to the researcher to claim about the use of language. (Braun & Clarke, 2006). Furthermore, experiencing thematic analysis in this study, it is also possible to claim that, thematic analysis is widely presented as a simple analytical qualitative method, while in fact is more complicated and laborious, especially for novice researchers.

However, Miles et al. (2013:104) have quoted Stake (1995:19) as follows:

“Good research is not about methods as much as it is about good thinking.”

Miles et al. (2013) Further advised researches to go beyond the time and space of the researched context and find its generalizability and transferability to different contexts. In a similar vein, Czarniawska (2016) has critically, examined, what differentiates *good and bad sciences*, she argued that, while good sciences is characterized by rigorous scientific conduct, bad science seems to be sloppy, self-indulgent and unstructured.

However, one should think about how the difference in socio political and cultural context where such rigorous methods developed would have an impact or are if whether they are applicable to a totally different context such as the one explored in this study. In fact, in a situation like this, the researcher becomes too immersed and caught between two opposing forces. One is the desire to follow what is often described as *rigorous methods* in qualitative studies and the other is the view derived from the different context, which is often in tension with the former. In other words, there is a power conflict between the view that the researcher is willing to complying with such matters as the basics and traditions of measuring the validity of qualitative research and the view that stemmed from the investigated context, which often hard to be reconcile with the former goal.

Therefore, to proceed from messy data to theoretical interpretation I relied on Guest et al. (2012)'s technique termed 'applied thematic analysis'. This technique relies on crossing the boundary of conventional sense-making, which implies that as this is what a researcher should strive for without considering the complexity of the data, which has been widely recognised as problematic in process studies (see Pettigrew, 1997; Langley, 1999; Chia & Langley, 2004). As Weick et al. (2005:415) eloquently advise:

“Sense-making is not about truth and getting it right. Instead, it is about continued redrafting of an emerging story so that it becomes more comprehensive, incorporates more of the observed data, and is more resilient in the face of criticism.”

Simultaneously, considerable attention has been paid to Gioia et al. (2013) approach to maintain sufficient qualitative rigour that lends credibility to the research findings and convinces the reader that the interpretation and conclusions of this study are conceivable and defensible. Furthermore, the process was iterative and non-linear, since, in processual analysis the researcher gives emphasis to *holistic rather than linear explanation of the process* (Pettigrew, 1997). Consequently, explanations stemmed from fluid movement between field work, analysis and theoretical perspectives (Eisenhardt, 1989). Hence, the *messiness* of process data poses various challenges (Langley, 2007). Such challenges are likely to be greater when the researcher engages in a cross-language or cross cultural-context. In the case of this study searching a non-Western context and presenting the findings in the English language poses further challenges as pointed also above. According to Naveed et al. (2017) this situation creates the *inevitability of the researcher's influence* which can be addressed through a higher degree of reflexivity.

This does not mean that the complexities of data messiness are the same throughout the large volume of data resources. For example, generating themes to answer the question related to the diffusion of the idea was to a significant degree a straightforward process. In this context pure deductive inference was used to link Røvik (2002)'s seven proposition known as secrets of management recipes, with the relevant data concerning the flow and travel of IBF.

Although, as O'Reilly (2009) underlined that many qualitative research writers reject deductive reasoning because it is often associated with quantitative research and testing hypotheses, the use of a deductive mode of thinking to infer the travel of IBF was decided after conducting preliminary inductive analysis which as I have stated appeared disentangled from the theoretical framework. In contrast, through deductive reasoning, it was possible to re-read through interviews and insights from IBF literature as well as online data. Consequently it became possible to add information to *the black box known as the local context* (Stenbacka, 2015) without overlooking the power of knowledgeable minds (Giddens, 1984). In other words, without imposing Røvik's ideas, interpretations related to the diffusion of IBF would have become isolated as 'cultural artefacts'. The following text will elaborate further by illustrating the application of thematic analysis and text segmentation for every section.

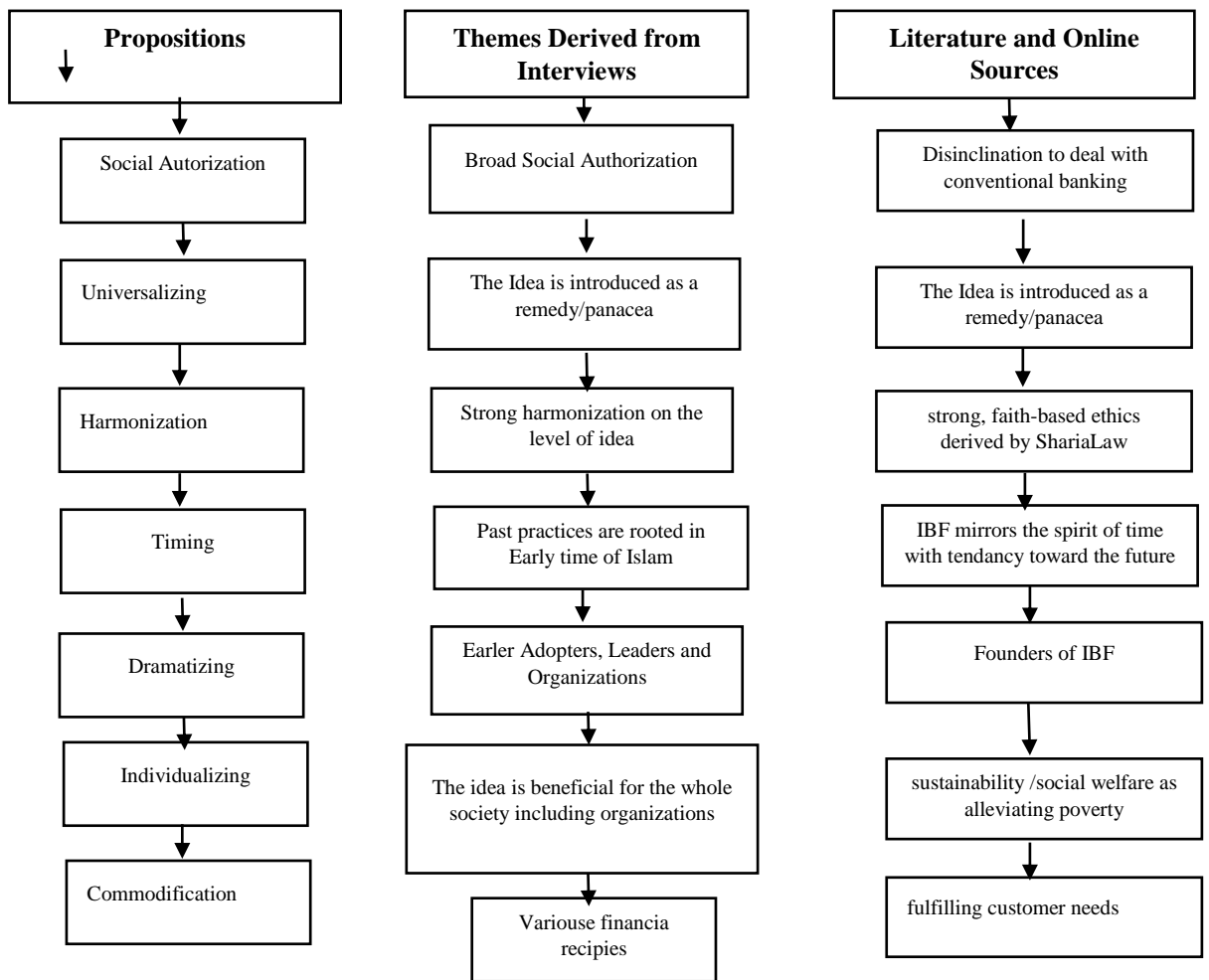
Therefore, analysis of this topic differs slightly from the analysis other parts. In the search for understanding of why IBF was adopted in Libya, the question, as I pointed out, helped to facilitate access to the *black box* known as the social context. Therefore, adopting such an approach was important to open the discussion with the interviewees. As Wæraas and Sataøen (2014) noticed, they could not ask their interviewees to reflect directly on translation because such an idea would be puzzling. Similarly in the study of translating Islamic banking, the topic requires careful consideration. Employees did not speak of change. Rather, terms like change or transformation were mentioned only in passing. Consequently, I asked what drives the implementation of IBF in Libya. This question formed an important point to open the discussion with different actors at the three organizations. As Langley (1999:693) suggests, "The complexity and ambiguity of the data make it difficult to know where to start." Similarly, Czarniawska and Joerges (1996) suggest that telling the story of translating an idea is *arbitrary*, but we see a point there that allowed us to *spin* the narrative. Therefore, the analysis of data about why the idea of

IBF has been applied in Libya was shaped by more deductive than inductive reasoning. In general, I argue that, despite the tendency of avoiding deductive thinking, the researcher in such a context maybe better to be described as immersed in fluid stream of abductive reasoning. As we shall see in the second chapter in the analysis, which is dedicated to the analysis of the adaptation of the idea of IBF, this section concerned adopts (Røvik, 2002)'s seven propositions and the process of analysis conducted based on (Guest et al., 2012)'s applied thematic analysis and text segmentation as follows.

Structural Coding

Many qualitative researchers see that here are many ways of doing qualitative analysis or sometimes as I would and prefer to call it modes of analysis. Some are highly structured and others rely on the researcher's interpretation (Creswell et al., 2007). However, it is important that the selected analytical method to be consistent with research philosophy, research strategy and the nature of data Saunders et al. (2012)t. According to Guest et al. (2012) structural coding is a process whereby the research questions and research design are used to identify the structure imposed on qualitative data. Yet, this technique has been used in consistent way. The text is identified based on the question asked to the interviewees and the searcher follows *linguistic cues* as they appeared in the text question. For example, the introductory question was why did Libyan banks adopt IBF model? Analytically, this question became a major theme that identifies why the idea of IBF was needed in the Libyan context. Herein, it became possible to capture the travel and movement of the idea. However, as it highlighted above, the outcome of this question were often *normative cultural views* which obscured the idea itself. For example, a common thread in the answers was the focus on the relationship between Islam and Libyans, religion and society. While this was rational and logical for the adoption, it obscures the idea and the creative work of the great minds. Therefore, deductive coding allowed recognition of the importance of creative works behind the spread of the idea. This was recognized through imposing (Røvik, 2002)'s seven proposition, known as the *Secrets of Winners* on the analysis of data . The following figure exemplifies the analysis of aspect.

Figure 1 *The Travel of the Idea – Thematic Analysis*



The above figure shows thematic analysis based on Røvik (2002) seven propositions of the *Secret of the Winners: Management ideas that flow* was conducted. In this context as I will further clarify in the upcoming sections, the main aim was to answer the question of why IBF was critically needed in Libya. In this analysis, selected samples from IBF literature were synthesised with the interviews. Therefore, it is not surprising to find that the idea of IBF bears much resemblance to management ideas as both the interviewees and IBF's literature indicated commodification of the idea. The analysis unveiled compelling evidence on the interconnection or intertwining between the idea and the wider scope of Libya's socio-cultural context. In fact, in the case of IBF, the interconnection maybe interpreted as far stronger, due to the embeddedness of religion in the community. The above findings will be explained in details in part 3, chapter 5.

As we can see in figure (1), every single proposition that is suggested by (Røvik, 2002) was tested to measure the spread of the idea of IBF within the answers of our interviewees and the literature about IBF. For example as we can see in figure 1, the proposition, social authorization refers to the degree in which certain management ideas can be acknowledged and legitimized by either state institutions or the public or both of them. Given the nature where the idea of IBF was originated as well as its implementation in Libya, it became possible to match between themes derived from the narrative of the interviews and the exact patterns that were found in the literature. One major theme, for instance was the embeddedness of obeying, instructions and Islamic orders outlined in Quran, Sharia or Sunna. Most of the interviewees were determined about that IBF was needed in Libya because of the nature of the society as Muslim implies complete obedience to Islam and its governing rules in terms of Muamalat or dealings, whether these are related to trade or any other kind of commercial activities between members of society. In similar vein as the first prospection, the process of generating the themes was carried out systemically to understand why IBF was needed in Libya and why it has gained a wide spread in time and space within the Libyan banking sector.

Before, I move to explain further about the analysis and the use of within case and cross case analysis, in the following section I will explain some of the theoretical and processual analytical components used to breakdown the process of change in the Libyan banks. These components served as means to analyse the data, which concerned the

translation processes and other institutional processes that deeply interconnected with the current change to IBF.

4.6 Time, events and history, analytical components in the analysis of change

Process research at its core, is considered to be a study of how things develop and unfold gradually within a particular period of time (Langley, 1999). As van de Ven and Huber (1990: 213) suggest, the main question for process research is *'how does an organisational change emerge, develop, grow or terminate over time?'* Similarly, Langley and Tsoukas (2016) advocate, the task of the researcher in process studies is to investigate how things become what they are through the unfolding of events. Also, Suddaby and Foster (2017: 20) accurately depicted, *"the study of change and history both involve the retrospective interpretation of past events"*. Therefore, it is worth noting that the use of history in organisational analysis recently has gained considerable attention. In this context, (Mordhorst et al., 2016) noted its utility in organization and organizing studies as follows :

“The uses of the past approach emphasizes not only the malleability of interpretations of the past, but also of its relationship to how organisational actors experience the present and set expectations for the future.”

In view of this, a retrospective approach was adopted to investigate core events and activities. Accordingly, while, longitudinal process theorists emphasise periodic interviews to record accurately the dynamic of different events in change processes (see van de Ven & Huber, 1990), this study substitutes parodic interviewing (which was not possible) with documentary analysis to capture the major events in change processes. Therefore, by virtue of multiple data sources, reflection on change and translation processes covered the period of time between 2008 and 2015. Through the use of path dependence (Schreyögg et al., 2011) to retrace historical developments in the LBS, it became possible to link between the outcome of translation, changing in the change process (moving from incremental to radical change) and field level homogeneity or heterogeneity.

It is worth noting that there are diverse and perpetually emerging methods of coding qualitative data. However, as Saldaña (2015) noticed, decision/s related to which method/s are appropriate for a particular study are heavily reliant on the way that a

researcher perceives the analytical process, whether it is linear or non-linear. Given the complexity of qualitative processual data (Pettigrew, 1997; Langley, 1999; Pentland, 1999; Langley, 2009; Langley et al., 2013; Langley & Tsoukas, 2016), such data cannot be analysed in a preselected linear way. Moreover, the researched context also imposes the challenge of deeper reading and understanding of the data. The latter often required sufficient time to absorb its complexities and challenges. Hence, in this study, as I mentioned above, the depth and richness of the processual data has created the need for multi-cycle coding. The first coding cycle is what (Saldaña, 2015) best described as first cycle overview. It refers to all the methods and processes which occur in the early phase of coding the data. In the second cycle of coding the focus was on every single part of the research question. Figures 2 and 3, illustrate the main categories and main theme that emerged from this analysis.

A main category, which emerged from the analysis of the process was directed toward the issue of process, How IBF was translated and at the same time how this change was implemented in the three organisations. Therefore, the biggest category of this was the process itself, which subsequently produced several sub-categories, as displayed in figure 3. However, processual qualitative data related to the idea of IBF and Libyan business context is very difficult to digest, it is highly shaped by socio-political and historical developments as well as religious beliefs and faith of the community. Also, linking the patterns of interpretation to pre-selected theoretical frameworks were very difficult and led to what Pettigrew (1990:281) has described as *asphyxiation* or death by data, whereby the researcher becomes overwhelmed by the sheer volume of the information. Furthermore, the fact that, as this study is considered to be cross-cultural, because the researcher is the instrument between the two different contexts, certainly complicated the analytical process. This created the need for further *reading and annotating* to digest the data (Dey, 2003). The extensive reading and re-interpreting of data creates a means to avoid the “asphyxiation” described by Pettigrew. The following sub-section will explain the use of within-case study a strategy to examine the three case studies.

4.7 Within-case, cross case study analysis

Within-case analysis has been applied as analytical strategy to compare and contrast the three cases. Within-case, as described below implies treating every single case as a *stand-alone entity*, as Paterson (2010: 2) advises us to do so:

“Within-case analysis in case study research is the in-depth exploration of a single case as a stand-alone entity. It involves an intimate familiarity with a particular case in order to discern how the processes or patterns that are revealed in that case support, refute, or expand (a) a theory that the researcher has selected or (b) the propositions that the researcher has derived from a review of the literature and/or experience with the phenomenon under study.”

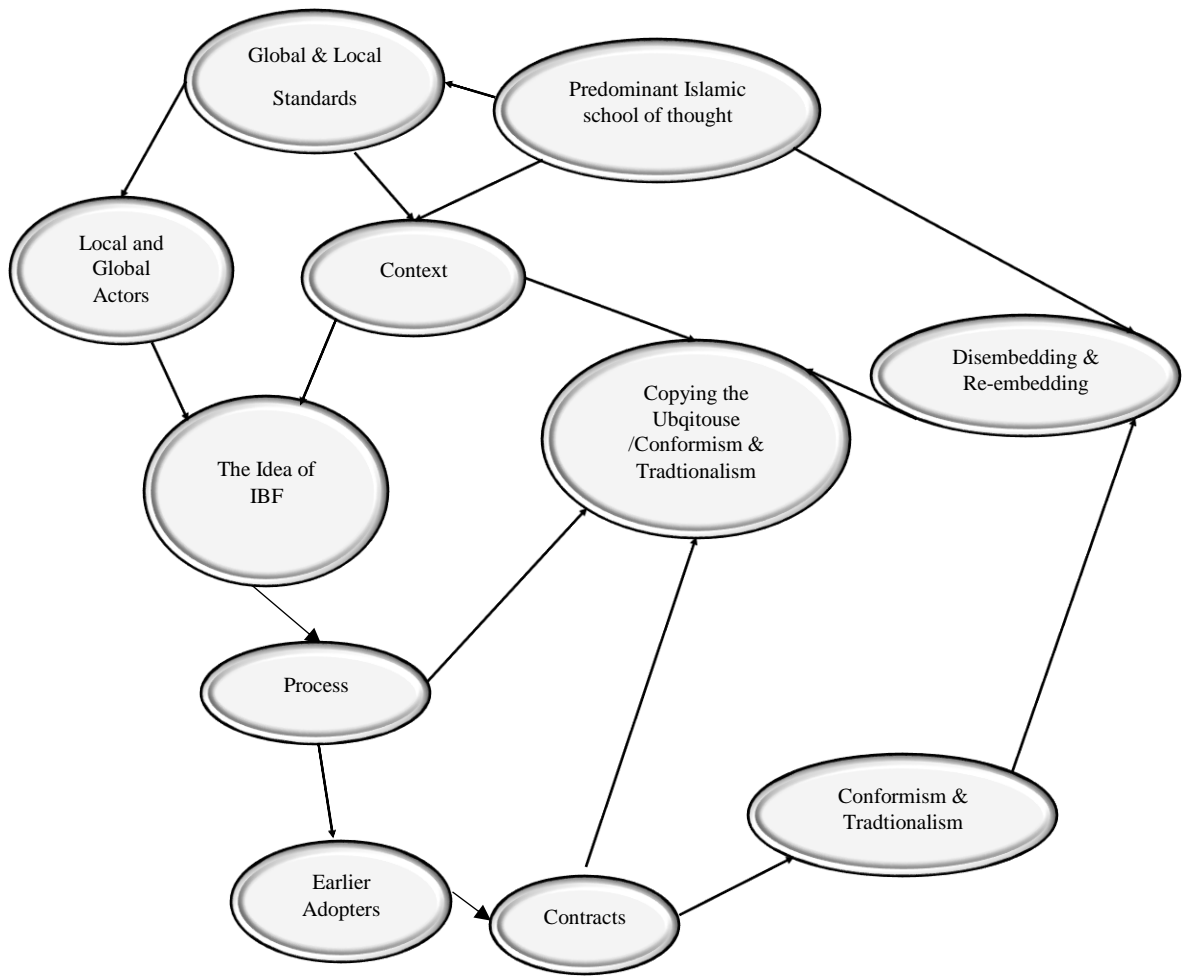
Following the transcribing process, which helps to define and understanding the context of the study and the wider institutional processes involved the transformation of Libyan banks, the analysis begun by importing the three cases to the NVivo software. The coding and categorizing processes begun by looking at the themes that expressed by participants, first-cycle analysis (Gioia & Chittipeddi, 1991). From this point it was possible to reflect upon the themes and patterns derived from the theoretical framework, including the translation approach Czarniawska and Joerges (1996) and process-based analysis as explained in part 1, chapter 1 and briefly described in section 4.6. The explanatory framework of analysis, which consists of different themes and patterns of interactions and processes as described by the two approaches. For example, It depicts how the idea of IBF was disembedded and re-embedded within the local context and in particular, the influence of the predominant Islamic school of thought as it explained in part 3 chapter 1. This observation was applied under the within-case and cross case study analysis. Disembedding and re-embedding or sometimes described as contextualisation, re-contextualisation became a major category and helps to understand the processes of *appropriation* within the local context (Czarniawska & Joerges, 1996; Wedlin & Sahlin, 2017)

Consequently, based on this, the three case study demonstrated identical processes. However, as described by Eisenhardt (1989) cross case analysis allows the researcher to recognise differences between cases. When a particular finding is confirmed through within-case analysis, the researcher moves to conduct a cross-case analysis to find out about similarities or differences. As Paterson (2010) pointed out, the aim here is to validate, refute or further accentuate the peculiarity of the individual case. This in turn helps to deepen our understanding. As Miles and Huberman (1994:173) put it: ‘we would like to know something about the relevance or applicability of our findings to other similar settings, to transcend radical particularism’ For example, during analysing the data such particularism within the three cases was obvious. In the case of following how

the three banks have adopted IBF, it was possible to see that, the Al-Jomhuria bank was the first. Without any exception, the participants have firmly emphasised that the bank has had a head start. Moreover, this finding was further confirmed through analysing the first Fatwa (religious opinion) issued to permit IBF (Appendix: E). Also through analysing the public speech of the CEO of above-mentioned bank. Therefore, the theme *earlier adopters* was given a considerable space in the data. Nonetheless, one should also mention that the researcher's move between cross-case analysis and within case analysis is highly fluid. In other words as described by Paterson (2010) the process often occur in a synergistic and interactive way.

The above example of using within-case and cross-case analysis was adopted throughout the process of analysing the data.

Figure 2 Copying the ubiquitous -translating the Idea of IBF



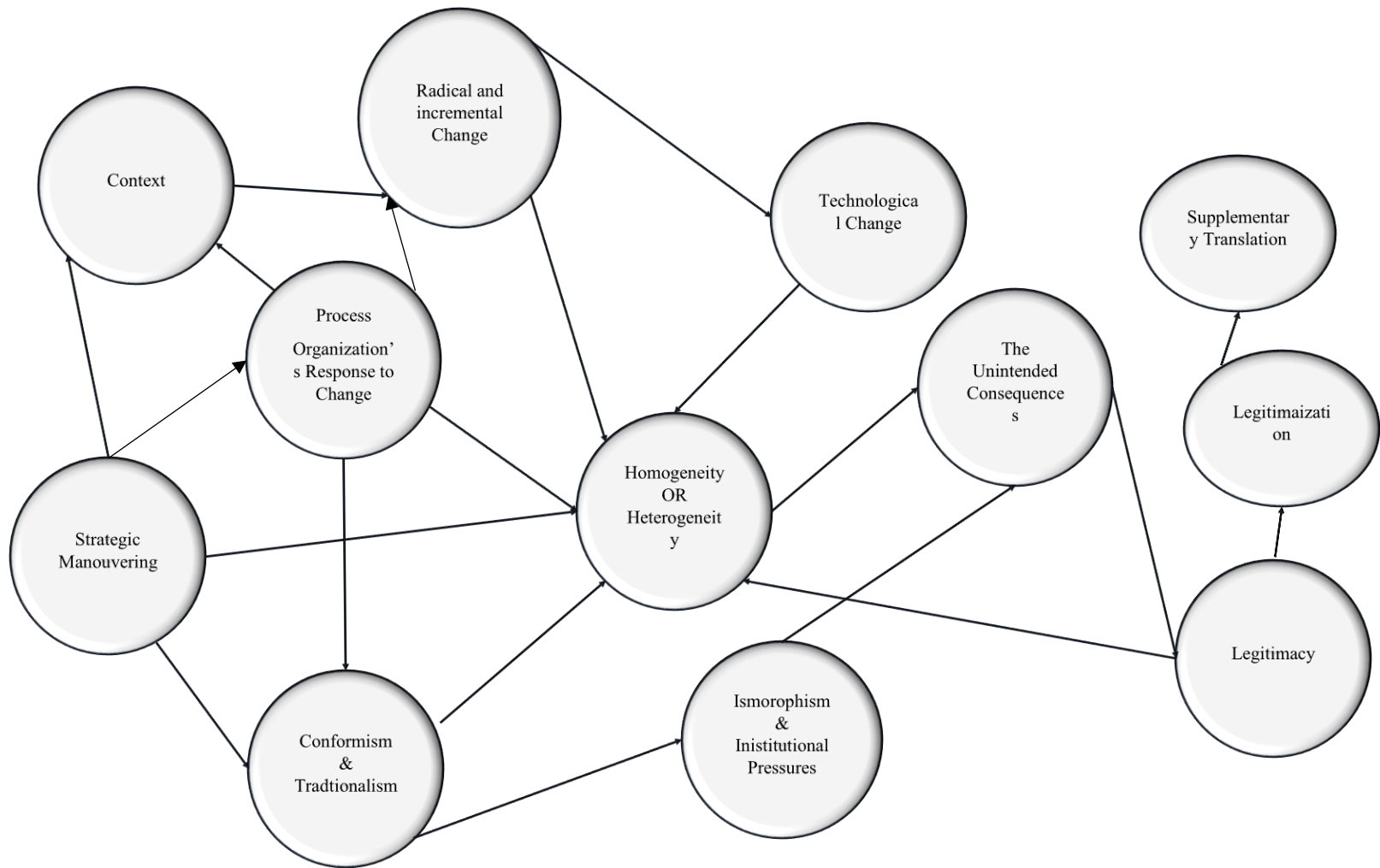
Organizations Response to Change

The third key theme in the analysis process emerged was concerning how different organizations react both differently and similarly during incremental and radical organisational change respectively. Figure no 4 shows the main themes and subthemes.

1

2

Figure 3 Organizations Response to Change



As the main aim of this research is to examine and analyse a change process that occurs to transform conventional banks to become Islamic, the process itself became the crux in which other subsequent processes are revolving around it. Therefore, as we can see in figure 2, the first theme was developed is concerning how the three banking organizations have intended and implemented the change. In this context, conformism and traditionalism as main themes were derived from the literature as (Sahlin-Andersson et al., 1996) suggested, organizations do not only adopt the changes based on their own choices. Rather change and transformation are closely bound to regulations and institutional requirements stipulated by social authorities as well as the local context, which also becomes inevitable in any change.

Consequently, it became possible to identify other themes related to the processes, which as we can see in figure 2 altogether explain how institutional actors intended and applied the transformation. These including on the top, the contract which can be interpreted as (Czarniawska & Sevón, 1996) put it forward as the vehicle in which the idea travels in. Therefore, the contract as we can see in the bubble chart was developed as an independent theme. Other themes also such as predominate Islamic school of thoughts, the local and global standards, the idea itself, etc. (see figure 2) were also developed to understand how the idea of IBF was adopted and how it travels across time and space within the Libyan banking context.

As figure 2 explains the process of deriving the various themes related to the travel of the idea of IBF in Libya, in figure 3 it became possible to build upon our understanding and develop further themes to depict the response of the three organizations and more importantly, similarity and differences between the three banks. As a result, and in a similar vein to the process of categorizing and developing the themes in figure 2, in figure 3, the comparison between the processes in the three banks became the crux and the major theme in which allowed other subthemes to emerge. As we can see above and based on well-established idea of homogeneity and heterogeneity in the institutional literature, the other subthemes were emerged. These including radical and incremental change, which allowed to understand that change processes are not bound to one of them all the way through the transformation and also analysing and understanding how the three organization have responded to organizational and technological change. The outcome of the thematic analysis in figure 3, while it allows us to develop our understanding to the

main process, it is further explain other subsequent processes interconnected and closely bounded to the main transformation. These including technological change, the unintended consequences and legitimization. These three subthemes are closely interconnected and allowed us to see how change is continues and emergent.

4.8 Understanding the research ethics

Research in general and qualitative research in particular places a considerable emphasis upon the issue of ethics in conducting empirical qualitative investigations. This section explains the ethical considerations that were taken into account in this study. Furthermore, the text displays some of the ethical dilemmas that arose across in this study and the manner in which they were managed.

Hammersley and Traianou (2012:16) argue that, in the context of social research, the word “ethics” denotes different meanings and it has been interpreted in many ways. One of the many interpretations of the word ethics refers to:

“A field of study concerning investigating what is good or right and how we should determine this”. On this interpretation, social research ethics means the study of what researcher ought and ought not to do and how this should be decided.”

In business and organisational research methodology guide books Saunders et al. (2012) advise students on how to protect the rights of participants and organizations that are the subject/s of the research. Therefore, ethics in this sense means the following:

The standards of the researcher’s behaviour in relation to their rights to those who become the subject of a research project, or who are affected by it”.

In a similar vein, Creswell and Creswell (2018), broadly focused on protecting the rights of participants from the first stages of designing the study to the end point or publication. Problems and ethical dilemmas can arise at any stage of the research, starting from the selection of the topic especially if it involves sensitive issues such as, childhood, religion, gender and ethnicity. Therefore, ethics and safeguarding regulatory bodies such as the Association of Social Anthropologists of the UK and Commonwealth strongly encourage researchers to take research ethics and safeguarding people a priority when conducting empirical investigations. Within this context, I will discuss some of the ethical measures that were taking into account as preparation for data collection. After that I will reflect on earlier measures and the context in which the interviews were held.

As a starting point, ethical approval from the University of Hull was obtained prior to data collection. However, as the University of Hull concerned to safeguard of staff and students, and following the advice of The Foreign and Commonwealth Office, Libya is on the list of destinations where researchers are advised against all travel, unless they take

responsibility for their security and safeguarding. Therefore, approving travel was crucial as an ethical measure. Within this context allow me to reflect on the situation on the ground to grasp the ethical issues in such a context. In a country such as Libya, protecting the rights of participants becomes a priority, because the widespread violence and anarchy. In fact, not only to protecting the participants but was obtaining access to research sites, carefully select them and encouraging participants to speak in an often-tense environment is a challenge that was often encountered during data collection.

Since 2014, the state has been witnessing a wide array of violence and “institutional vacuum” (Tabib, 2014). Human rights and civil life remained in crisis (Walling, 2015) In a state that has been going through an extended period of conflict and disorder, the whole economic sector became on the verge of collapse due to disintegration and sharp polarisation between rival regional institutions who claim legitimate status (Costantini, 2016). Since 2011, the struggle over power in Libya has taken various forms. However, the most serious is the militant control over the country’s main source of income which is the petroleum production (Erdağ, 2017). This situation has led to further implications manifested in the collapse of the exchange rate of the national currency (cf. Arayssi & Fakih) as well as disturbing financial and public services. Since, as extensively discussed in chapter 4, the banking system of Libya has been established based on geographical order, some ethical issues were obvious during the data collection. Some of these issues were linked to provincial contention and attempts to control the institutions. As the headquarters of the banks are geographically located in Eastern and Western cities, some tension breaks out from time to time. Therefore, some ethical issues related to doing research in such a context will be discussed. However, before this I will reflect on pre-arrangements prior to commencing the interviews.

At the beginning of each interview, each participant was informed of the aim and the research topic. Then, before commencing with questions, all participants were informed clearly that whatever they discussed would not be mentioned to or discussed with their co-workers or managers. Participants also were assured that anonymity of their identities was a priority in every stage of data collection and publication. Furthermore, and in accordance with Market Research Society Code of Conduct (2005) and the statement of Hull University Business School Ethical Procedures for Research (2011), participants were informed that their interview responses would be used only for descriptive analysis.

No participants would be named in research reports and their identity would not be disclosed and further would be protected through special codes. Only the researcher and the supervisors of the research would have access to the notes, tapes and analysis. All notes and recordings would be archived and the following steps were all fulfilled during the interviews.

Declaration to participants:

- Each participant was notified that he/she had the right to:
 - refuse to answer any particular question and to withdraw from the study at any time;
 - ask any further questions about the study that occurred to their participation;
 - be given access to a summary of the findings from the study when it was concluded.

However, in spite of all assurances given to participants, there were varied reactions. While some did not reject tape recording, others were reluctant and some were uncomfortable with this method of recording the data. In this case we could talk about a continuum of reactions. For example before the beginning of every interview, participants were given the choice to decide their preferred method of recording the data. This led to some immediate transcribing while they were discussing the topic, because some were uncomfortable with tape recording. In other cases, the political and regional conflict mentioned above brought to the surface some sensitive issues. In one case the participant was discussing how the headquarters in the other province had established a parallel organisational unit and taken over his job. The participant paused in the middle of the answer and pointed his finger to the recorder. As a response, I had to turn off the recorder and re-assure him again that none of what he had mentioned would be recorded. In another example of political tension and its impact on the institutional environment one manager also reflected on disputes and implications that occurred between his branch and the headquarters as a result of regional and political tension. His voice was quiet and he emotionally expressed regret over the impact of political rivalry on the banking system and branches. In another example, also, a branch manager expressed deep feelings about the difficulties and struggle to cope up with the transformation.

What is more, as this study concerns IBF which is deeply rooted in the faith and religion of the researched community, approaching such a topic required me to be sensitive and open to accepting a long, emotional and often nostalgic discussion in regard to the implementation of the idea. In fact, while this was the norm in most of the interviews, there was some extensive nostalgic and emotional debate among Shari'ah Scholars, in particular who concentrated heavily on the necessity of the implementation to fulfil religious duties. Furthermore, many of them expressed that the previous political regime was against Islam and against any idea related to the applications of Islam.

As we can see, to a great extent, there were different situations and circumstances as well as variation among participants. Thus, I had to be careful not to cross the boundaries of religion and political loyalty, as well as the attitude of participants in regard to the 2011 uprising. Therefore, conducting research in such an environment requires a researcher to be attentive and ready to react swiftly to emergent issues and accept the ramifications of this topic, as well as its socio-political implications. While this is highly recommended (Merriam, 2016) because it gives participants a chance to reflect on wider issues that might not be within the scope of the study, it often leads to further complexities in the data analysis and complicates the mission of the researcher, as it pointed out in the discussion on data analysis. In other words, given the tense context and the nature of the subject and the researched population, I could state that this was one of the main leading issues of what has been described by (Pettigrew, 1990) death by data. The following section will describe data management and protection of information as part of the research ethics.

4.9. Data management and information protection

Within this context, data management and protection refers to all activities and processes that are undertaken to organise, classify and safeguard the content of the interviews, both the texts and audio tapes. As Merriam (2016) points out some system of organising and managing the data needs to be decided at an early stage of the study. As part of this preparation, the University Library, Brynmor Jones Library, offers a module that helps students to manage and protect their data. I joined the course at an earlier stage of this research. During the course of this module the student receives a wide range of information on organizing and protecting digital files, both off-line and on-line. Therefore, I was attentive to protecting all the research data. In addition, organized files

on the university's computer as well as keeping day-to-day copies on my personal laptop and external hard drive. Each of these was protected with a secure username and password and regularly updated with an antivirus system. Furthermore, they were located in different places to avoid any damage or catastrophic events that may lead to losing the data.

After data collection, which involved travel to Libya, the work of organizing and protecting the data began after every single interview. On hard copies, every interview transcript and audio tape were given a special code to facilitate identifying informants and organizations as well as retrieve data whenever needed. In addition, annotations were highlighted beside every single transcript. These also included some points of view, reflections, assumptions and intuitions, all of which were carefully transferred also to the cloud storage. All document transcriptions and audio files were kept securely on-line and off-line. For example, the university provided a personnel locker which allowed me to safeguard the hard copies of transcriptions, as well as storing other materials related to this study.

Online, as the volume of data related to this study was relatively big, I created a Google account, which offered a drive that can store 15 GB. Passwords and the username were securely saved and regularly updated. The content of the interviews and audio tapes were also stored and organized on NVIVO. The system established to manage and protect the data was a mix of manual and electronic systems. Therefore, it became possible to reduce the threat of losing the data. After finishing this study all data and relevant work of the research will remain secure and organized for future academic work.

Having discussed the methodological dispositions of this thesis, the following chapter will commence the first part of analysing the real data gathered from the three organisations and six research locations within Libya's banking system.

PART 3 DATA ANALYSIS, FINDINGS AND DISCUSSION

Chapter 5 Analysis of the travel of Islamic Finance In Libya

In this chapter, I will begin the analysis of the raw data gathered from research sites in Libya. The chapter begins by introducing the travel of the idea of IBF and why IBF was critically needed in Libya's banks. The chapter particularly highlights the utility of using Røvik (2002)' seven propositions, which aimed at providing an analytical framework to understand this phenomenon. The discussion also points out why Røvik's framework was carefully chosen over other translation analytical foundations, such as the idea of fashion, which dominates translation studies.

Having previously discussed few themes in translation literature, this analytical chapter also will expand our understanding of more varied types of translation and institutionalist research practices. In this regard, the term institutionalism can refer to a wide range of distinctive theoretical perspectives within the scope of organisational studies (Boxenbaum & Pedersen, 2009). For example, Boxenbaum and colleague pointed out, it has become common to differentiate between old and neo-institutionalism, as well as historical, economic and sociological institutionalism. As this study concerns translation of IBF, it is beyond the scope of this study to discuss all the different types of institutionalism.

It is essential to point out that the type of institutionalism that accommodates our analytical themes was largely based on the common features of Scandinavian Institutionalism. The latter has been discussed in part 1 chapter, 1, which concerns reviewing the literature of organisational change. In translation studies, why certain *ideas, often management ideas* spread in time and space constitutes a departure point of research (see Czarniawska & Joerges, 1996; Sahlin & Wedlin, 2008). Scandinavians institutionalists highlighted the dynamic of circulated ideas; often, why certain ideas become popular at certain point in time and space (Sahlin & Wedlin, 2008). However, Maman (2006) noted, understanding the *institutional context* and actors involved in translation is important to account for translation and, indeed, for change. Therefore, part of our understanding the context of the research in Libby's banks has lengthily been established in part 1, chapter 2 and 3. Nonetheless, the analytical account of data will provide further robust facts on the Libyan context and the idea of IBF. It is fundamentally

conceivable to argue in terms of Libya's context and its distinctive nature, which is deeply rooted in the historical and ideological contexts of the state and its economic environment (see also, Ahmad & Gao*, 2004; St John, 2013; Boolaky et al., 2018; Frederic M. & Wehrey, 2018; Sawani, 2018).

In this context, Sahlin-Andersson et al. (1996) highlighted the role of local context in shaping and reshaping an idea that travels. In research about organisational change and translation, gathering data about why certain ideas became popular is intrinsic to understanding translation. This, question can reveal important information to understand the 'black box' known as the social context (Stenbacka, 2015). Czarniawska and Joerges (1996) have attributed the travel of ideas to *fashion* theory, as articulated by Abrahamson (1996). Certain management ideas rise in time and space because they are diffused by popular management writings and theories (Wedlin & Sahlin, 2017). Within this context, there are several studies that commenced the analysis of the travel of ideas by explicitly or implicitly highlighting fashion as main drive of the travel of ideas. These include the movement of new public management ideas across England, Australia and Sweden (Solli et al., 2005); Operational Risk, Translation, and Globalization (Czarniawska, 2012); the notion of lean management from Japan to the United Kingdom construction industry (Morris & Lancaster, 2006); and Understanding Translation Work: The evolving interpretation of a trade union idea (Cassell & Lee, 2016). Translation is therefore understood 'as a process wherein new practices or fashions become institutionalized in different fields at different points of time and space' (Morris & Lancaster, 2006:209 cited in O'Mahoney, 2016).

However, although IBF inaugurated is in its third decade (see Iqbal & Molyneux, 2016), and as stressed in the section of the potential contribution of this study in the introductory part, there has been almost no attention given to the travel of this idea. Nonetheless, some literature conventionally regards the need for Islamic finance in Muslim nations as a religious duty or as a matter of identity (see chapter 3). This in many cases is as to distinguish the Muslim identity from its capitalist counterpart (cf. Tripp, 2006). Hence, taking into account the distinctive nature of the idea of IBF, my intention is to emulate the study of management ideas in order to offer the sort of analysis that lends credibility to the findings of this study. However, one should acknowledge that there is a recognizable difference between IBF and management ideas. For instance when we

compare the notion of Reputation Management (RM) we will find this idea is an abstract idea which needs further work to be transformed into practice (see Wæraas & Sataøen, 2014). The case of RM is quite dissimilar to the idea of Total Quality Management (TQM) which after many decades and wide spread (see Carnerud, 2018) developed rapidly to become a technical idea. These ideas and more similar notions are the most studied translated ideas in Western contexts. These studies are deeply rooted in translation, Scandinavian research traditions as well as ANT theory (see Wæraas & Nielsen, 2016). In contrast, the case of IBF, which originated and developed in the East (see Yas et al., 2018), is still in need of linkage with management and organisational research in both the West and East.

Therefore, any researcher interested in employing translation and institutional perspectives to study the travel of IBF must elicit knowledge about the phenomenon. In other words, if the translation perspective is the foundational framework for the research, currently the only literature available for comparable cases is management ideas. Therefore, the aim of this part is to apply the same notion suggested by Czarniawska and Joerges (1996) of travel of ideas to understand translation and movement of this concept across local boundaries of Libya's banks. For this purpose, as we shall see, particularly in this part, I have chosen to employ Røvik (2002) ideas rather than Czarniawska and Joerges (1996)'s translation, which rests on fashion as the main drive for organisations to imitate one another (Corvellec & Eriksson-Zetterquist, 2017).

Given the embeddedness of the notion of IBF in Islam, this discussion aims at understanding why this idea is needed in Libya's banks. Why now and not before, did Libyan's banks realise the importance of IBF? As often presented, culture is the main driver for change. Hence a normative and simple answer for such question is that the idea is associated with religion and people's faith and therefore adopting an idea that fits the purpose of religion is seen as imperative. More precisely this cultural point of view rests on *conformity* with the ideology/s and faith of the society. In other cases, what triggers the implementation of new ideas might be interpreted as following *fashion* (cf. Czarniawska & Joerges, 1996; Czarniawska-Joerges & Sevón, 2005; Røvik, 2011). Although several accounts of fashion theory have contributed to our understanding of the travel of ideas, a major criticism to this perspective is that gradually, the fashion fame was gained extreme ontological prominence (Røvik, 2011).

Fashion theory considers that ideas spread in time and space and they have a bill-shaped life cycle, where ideas rise and fall across global managerial or organisational domains (Røvik, 2011) This perspective assumes a normative view, which is often criticised as it may only offer an excessive description and does not explain change in society (Johnson, 2010). In addition, such an account may underestimate the importance of the creative works of actors and the great minds behind the production of knowledge (Giddens, 1984; Collins, 2004). Most importantly, a main characteristic of fashion studies is a lack of clarifying what happens to ideas when they travel across time and space, as well as what happens to management ideas when they enter the chain of translation (see Røvik, 2011) Instead, to understand the question of why Islamic banking was implemented in Libya and in accordance with our findings, we could suggest that this idea can be conceptualised as a *financial recipe*. I borrowed this concept from Røvik (2002) who describes management ideas as organizational recipes which travel through time and space as well as rise and fall. These organisational recipes become popular and decline as well.

Although, Czarniawska and Joerges (1996) suggested, in order to travel, ideas must be *materialized* turned into objectives, this point might be more applicable to innovations, or where the ideas are created from scratch. The idea of IB at least in the Libyan context, does not exhibit the same features as something which may have been created from the scratch. It has been materialised in the form of contract and in this sense the contract describes a set of principles and conditions to be agreed upon by different. Therefore, in Czarniawska-Joerges and Sevón (2005) words, contracts form the *vehicle* by which the idea of IB travels. However, Røvik (2002) offered useful propositions (described below) to understand the dissemination of management ideas. Highlighting these should not be seen as deviating from the main purpose of this study which is understanding the construction and translation, and consequently change of IBF in Libya. Rather it is a point of departure follows by analysing the process of change and its consequences. As Stenbacka (2015:P: 1272) noted, the importance of such propositions lies in revealing the insider of the “black box known as the local context”. Therefore, with the help of the analysis in chapter 2 and 3 we should be able to recognize the importance of the local context as well as the power and knowledge of great minds behind the success of the idea. For this purpose, based on his study of *Secrets of the winners: Management Ideas That Flow*, Røvik (2002) found the following seven characteristics that have increased the travel of management ideas.

- Social authorization
- Time marking
- Harmonization
- Universalizing
- Commodification
- Dramatization and individualization

Therefore, the following analysis applies Røvik's model to the idea of IB. The latter will be considered as set of financial recipes and I am hoping to create an account that highlights the importance of both the local Libyan context and the creative work behind the idea of IBF. This account transcends the normative cultural view that often attributes the need for change only to cultural purposes or fashion-follows.

Social Authorization

As the first characteristic of successful organisational recipes, Røvik (2002) described, organisational recipe must be authorized; authorization involves development, communication and approval of the idea by one or more authoritative powers (Hoeyer, 2009). The idea of IB demonstrates compliance with Røvik's proposition. It is clear that social authorization on the level of recipients played a vital role in accelerating the travel of the idea. In this context, the idea of IBF in Libya has gained wide social authorization. Perhaps as we shall see, I do not exaggerate if I suggest that opposing the implementation of the idea in Libya is considered to be committing a sin, because of the apparent adherence of people to the role of religion. According to our data, participants asserted the public and governmental acceptance of the idea. In this context, social authorization is not only a product of authoritative or formal powers but more importantly, society becomes a powerful agent in approving the implementation of the idea.

However, political authorization also played a vital role in permitting the adoption of the idea. As our interviewees highlighted and also emphasised in Chapter 2, after a period of turning a blind eye to the wide spread of the idea of IBF across Muslim and non-Muslim nations, the previous regime permitted the adaption of the idea in 2008. Consider the following discussion with some of the interviewees, who believed that the political regime was somehow convinced of the idea and consequently the way was paved to its implementation.

For example, a Sharī'ah scholar explained:

“The transformation came as a response to the urgent desire of our people to break the relation with haram or impermissible deeds of conventional banking practices.”

He also added

“Libyans people have lived through a period of time dealing with Riba (usury or banking interest) and they are embarrassed before God Almighty to deal with non-halal transactions”

Bankers also held an identical view. For example, head of a Murabaha Department commented

“People want to keep away from conventional methods of finance by keeping a distance from banking interest. Riba is the main cause of this.”

Another head of Murabaha described:

“The state and people are fed up and concerned because the Riba’ story. Many people including bankers have refused to apply for Sulfa Ajtmaia (social loan) or mortgage because of Riba. They say we will not take loans– there are also citizens who have applied to acquire Sulfa Ajtmaia but when they found out that it included Riba, they said; No. I do not want it.”

In a similar vein, a Sharī'ah representative in one of the three banks highlighted the following:

For a long period of time, there was no IBF in Libya because of Gadhafi’s main ideas about economic activities and the role of Islam in society. However, with the development of IBF around the globe, and the lack of performance of the Libyan banks, it seems evident that Ghaddafi was convinced to adopt the idea. Thus, the first conference held in 2008 was like a political authorization which kicked off the project.

These claims of ambivalence toward conventional banking are constituted what our discussion in Chapter 3, which highlighted a study of Libyan Small and Medium Enterprises (SMEs) businesses, which suggested 73% of owners found lenders outside of the LBS and only 11% had applied for formal loans (Badri AE, 2006, in Khalid & Kalsom, 2014). Also, a recent study by Abdulsaleh (2017) confirmed that the demand of Libyan businesses, including SMEs is very high and the study re-emphasised that Libyans avoid to borrowing from conventional banks. Therefore, it is evident that the avoidance

of conventional banking among Libyans is very high. However, this situation cannot be understood without greater knowledge about the local *social context* and the attitude of costumers toward conventional banking.

The local context in which the idea of Islamic banking has been adopted becomes an important source for understanding the logic behind the social authorization. As the Regional Director of one of the three banks pointed out:

“Libyans are Muslim people, and they are longing for Islamic banking business Islamic banking existed everywhere. It is around us, especially in Arab countries. Libyan people are eager to implement the Islamic rules. They are Muslims and they are seeking that [IB] by nature, because they are Muslims.”

As cited Christensen et al. (2007:67) Røvik further adds ‘recipes acquire spreading power as consequence of being objects of emphatic social authorization’. This means stories are instrumental that helping to diffuse organization recipes across organisational settings. According to Røvik’s(2002) stories contain linkages between the recipe and organisations, individuals, and well-known leaders. Stories about the origin of the idea, pioneering organisations and leaders in IB constituted a large part of the interviewees’ discourses. This is an example in which stories about the leader of one of the three banking organisations were narrated by different participants. A Sharī‘ah scholar narrated:

“Of course, the Al-Jumhouria bank (JB) was the pioneering bank of IB in Libya. It was obvious that their former CEO was convinced. They were present at the first conference, they were the first bank to establish a Sharī‘ah Advisory Board.”

Others, emphasised stories about the leading organisation and the willingness of its leadership. Similar to organisational recipes in Røvik (2002) the *time horizon* of IB stories is very long and dates back to the eirly history of Islam. As both Islamic banking literature and the majority of our interviewees have emphasised, IB can be traced back as early as the time of prophet Muhammed (PBAH). Principles for IB are deeply rotted in the Quran and Sunna (practices of prophet). The main distinctive feature of IB is the prohibition of Riba, articulated in Quran 1400 years ago (Visser, 2013; Ariff, 2014; Moisseron et al., 2015).

As we shall see, the philosophy of Murabaha transactions as our data indicate and as explained in publications on IBF rests on a specific Hadith (saying) narrated by one of the prophet's companions. Therefore, the study of IB emphasises the long time horizon; as its story is historically rooted in the Libyan context. Whenever our interviewees were asked about where they came from, most of them have pointed to its origins in the early time of Islamic civilization. As astutely noted by Christensen et al. (2007: 67.68) "*Social authorization occurs partly through stories about the origin of recipes*". In addition to these stories of origin, the literature frequently contains stories about previous users, organizations and individuals that have adopted and used the recipe successfully. In this context, the most narrated story about early users of IB was the story of *Al-Zubair bin al-Awwam*, one of prophet Muhammed's companions, who used to help people to safeguard their money (Schoon, 2016). However, Christensen et al. (2007) suggest that stories are interpreted and reinterpreted, so there is always an opportunity to see emerging versions. Therefore, in the light of our modern life, the story of al-Zubair bin al-Awwam is interpreted as banking (as practice). As a Sharī'ah Advisor narrated:

"Al-Zubair bin al-Awwam used to tell depositors who came to him asking him to keep their money, he told them that he would treat it as a qard (loan) where he would use the money and return to them the amount he owed them when they wanted it back."

He continued:

"Was there Islamic banks at that time? No, but there was Islamic banking. Banking as practice means attracting deposits and then investing it."

Therefore, while the study of translating IB showed significant consistence with Røvik's (2002) secrets of organisational recipes, it mirrors deeper social authorization on the level of recipients than various management ideas presented in translation studies. This can be attributed to the strong relationship between the idea and the commitment of the researched community to religion. Consequently, this signals that ideas embedded in the faith and wider belief of community may travel faster.

According to Christensen et al. (2007) *authorization* occurs through well-known local and international actors who give the idea a prominent effective position. In their narrative about *an idea whose time/space has come* Czarniawska and Joerges (1996: 44) noted that political agents can strengthen the process of translation. In many countries IB has been

disseminated through the support of governments (see Ahmad, 1994). Moreover, Czarniawska and Joerges (1996) account is applicable in Libya's case, where politics have been associated with translating Islamic banking since its emergence in 2008 (see Chapter 3). The first political statement on adopting a Sharī'ah based financial system came in 2011, on the day that overthrow of Gaddafi. Was declared. The chairman of the NTC declared:

“As a Muslim state, we adopted Islamic Sharī'ah as the basic source of legislation. Thus, any law that opposes the principles of Islamic laws is legally deactivated. There is a genuine intention to adjust all laws and the banking laws. In particular, we are seeking to form Islamic banks far from Riba. The Minister of finance will talk to you.”

He continued

“later on series of resolutions[was passed] including the exemption from any banking interest for any mortgage or any social loan up to 10,000 LYD Maybe in the future, all banking interest will be eliminated in accordance with the Islamic reasoning.” (Abdul Jalil, 2011)

Other state agents emphasised political authorization. By issuing a series of resolutions and decrees, the political power has made IB the only option for practising banking and finance. The Central Bank of Libya (CBL) and most importantly the religious authority (Dar al-Ifta) emphasised the implementation of IB through both the legal framework and religious fatwa. Banks were ready to welcome the idea. The first bank to adopt the idea was the JB as early as 2008, even before the enactment of the first law in 2012. The majority of our interviewees have emphasised the early adaptation of the bank. Visual data (video) also made clear that the bank was the first to open Islamic subsidiaries. In this context, it should be recognized that the role of early adopters is important in the context of IBF, although it has been given a little attention in translation studies, as we shall see, the idea of early adopters is well-established within institutional theorizing (see Scott, 1987; Redmond, 2003; Chizema & Buck, 2006). I will discuss the importance of the theme of early adoption in the discussion of the change process. The following text is quoted from an online source, in which the manager of one of the leading banks in the area of IBF in Libya describes early adoption of the idea and the wider role of his bank, which influenced other actors.

“Even during the time of the former regime, I was the first who established an Islamic branch, the first who wrote on boards El Jumhouria Bank for IB. We challenged and we opened the Islamic branch. We were heading with good steps, We started to open branches in Tripoli, Benghazi, Derna, and Gharyan.”(Ghaffar, 2013)

The idea as being socially welcomed in Libya is attributed to the belief of the wider community in Islam. However, even opposition to the implementation of IB as radical change did not take the form of explicit statements. Rather, what we have noticed is that many bankers’ discourses, including that of the former CEO quoted above, did not openly criticize Law no 1 of 2013, which led to diversion the process from an incremental to radical form. Thus it because criticising the ban on Riba banking interests is a sensitive topic, considered as disobedience to the orders and teachings of Allah (Godfrey et al.) and Islam. Let us see this statement by one of the Sharī‘ah scholars, which sheds light on the black box of the society

“We do believe, existing conventional banking institutions are characterised by the suspicion of Riba. Therefore, there is an incentive for officials and people to change. Socially, people are careful about dealing with banking facilities and Riba. There are religious and social constraints. No one wants to be described as having wealth or money derived from a non-halal or Riba-based source.”

Therefore, study of translating IB can add valuable insights to the social authorization that Røvik (2002) suggested as an energizing force, which may increase the ability of an organisational recipe to travel faster. However, to the best of our knowledge, in translation literature, no study has been found in which social authorization was addressed on different levels and such a robust relationship shown between the idea and the wider local context. This in part can be attributed to that management ideas, which are often the main subject of translation research are being somehow considered as technical ideas which are mostly matter of interior organisational practices, unlike IBF, which exhibits a wider scope of influence throughout society. I argue, this feature gives a distinctiveness status to the idea of IB, which differs from management ideas and organisational recipes as described by Røvik (2002).

Universalizing

Røvik (2002) suggests that the ability of an organisational recipe to flow increases when the idea is presented in the form of a *panacea* to organisational problems.

In Chapter 3, I outlined the historical development of the LBS through different political periods. The most interesting findings is that the LBS has accumulated structural and functional problems along with challenges in following modern patterns of banking practices. Based on these findings, we drew a conclusion that to the key attributes associated with Libya's public banks were as follow:

- Narrow commercial activities significantly limited to deposit certificates at the CBL.
- Little engagement in commercial activities or partnership with the private sector.
- Surplus liquidity, which relates to people's unwillingness to engage with conventional banking practices due to religious constraints.
- And, finally, a centralized, hierarchical system, as well as complex centralization on the level of branches.

Therefore, adoption of IB was presented as an ultimate solution to solve the problem of the dysfunctional banking sector, as comment by a Sharī'ah advosr describes:

“In order to increase the level of performance of the economy, the banking sector must attain three requirements...First, increase the level of technical and professional performance of the management system. Second, broadening the base of ownership to break the ownership of the public sector. Finally, generating Islamic banking that should be in line with local culture thus to be accepted because the Libyan society is discreet and unwilling to deal with banks.”

Also, IB is often introduced as a solution to the dilemma of Riba in Muslim or even in non-Muslim regions (see Siddiqi, 2004). On the global scale, much has been written about the feasibility of IB and its potential contribution to the global financial market (see Mansoor Khan & Ishaq Bhatti, 2008; Ahmed, 2010; Derbel et al., 2011). This is also consistent with Røvik (2002) who found that in most management literature, organisational recipes are described as *panaceas*. For example, in his comments on the

implementation of Management by Objectives (MBO), Development Dialogue (DD) and Quality Management (QM) Røvik, refers to the organisational literature and publications as *universalized tools for popularising management ideas*.

Although much of the focus of IB literature is about how to solve the problem of Riba in financial transactions, few Islamic banking writings recognise the consequence of radically inserting the idea into conventional banking system. Indeed, as Røvik (2002) noted in management literature concerning organisational recipes and management ideas presented as applicable tools, the literature does not discuss the limitations of such recipes. Nor are problems associated with implementation of IB adequately presented in IB literature. This analysis in fact resembles to *universalisation* of IB. The idea was introduced as a set of foundations and principles embedded in a wide range of religious teachings and practices of earlier Muslims (Ginena & Hamid, 2015). In a practical context, IB has diverse financing recipes. Publication about IB are in state of great diffusion but mostly the idea is presented as a solution to solve financial problems in both Muslim and non-Muslim regions (Uppal & Mangla, 2014; Abedifar et al., 2015). Much of the focus of the literature is about comparing the performance of Islamic and traditional banks. This tendency of the inquiry, which mostly takes place in Muslim countries, frequently represents Islamic banking as an *advantageous, novel* and adequate model of finance. However, although, only four countries among them Libya, have experienced radical adoption of IB (see Moisseron et al., 2015), the literature apparently seems to be silent on discussing the wider organisational consequences of radically adopting the idea. Although, issues of structure, for example were represented as a top priority in the discussion of our interviewees, in the literature of IB, the effect of implementing the idea in the context of conventional banks is hardly mentioned .

Harmonization

The idea of harmonization in Røvik's propositions implies the degree of acceptance of the idea by various actors; a successful idea does not provoke challenges to any of the organisational groups. This means if the idea is harmonized poorly it will not move from place to another (Stenbacka, 2015). It puts forward that this idea will benefit various actors and organisational groups. When we observed the travel of the idea in the Libyan context, it appears that although at the beginning of its journey, the idea was in harmony with the various stakeholders especially customers, the development in change led to low

harmonization. When the change process moved from an incremental to a radical form, signs of dissatisfaction began to rise in the earlier time of introducing the new law. The former CEO of the leading bank, for example showed his implicit opposition to the new law as follows

“Up to date, out of about fifty two products of IB we only have one product, which is Murabaha. We are not against the decision, on the contrary we support it but rationality and patience are required. Tell me what the alternative is?”

Similarly, a manager of one of the three branches cretseized the impact of the law:

“Of course, the law has confirmed the engagement in IBF and created the necessity for banks to look for alternative sources of income. I have been discussing this issue with senior staff over and over but they are not happy about the law no 1 of 2013. Now our bank is in a state of loss. The majority of our subsidiaries are in loss. We have only one product, which is Murabaha. It does not cover our costs, nor does it achieve the previous returns. It does not cover. It does not cover.”

He continued:

“The biggest problem today is the inability to retreat from Law no 1. Since 01/2015, there is no more banking interest. In addition, the Central Bank has stopped giving us interests on deposits. On the contrary, the CBL charges 1 percent on deposits. I am expecting this change will be difficult especially under those conditions. What is the alternative? He asked.”

As we can clearly see in the above quotations, although the idea of IB was seen as a necessity for banks to attract more public engagement in finance, imposing radical change affects its harmonization with different actors. The Libyan case seems to be consistent with translation research concerning the travel of organisational recipes. Mehralizadeh and Safaeemoghaddam (2010) for example show that the adoption of QM in Iran’s higher education sector was characterized by low harmonization. This was mainly because of imbalance between elements of the QM and the nature of higher education institutions. Furthermore, they argue that TQM is not harmonized if the interested parties are not all satisfied and treated equally in higher education organisations (see Rabah, 2015). Similarly, the opposition to the radical adoption of IB was also highlighted in the Libyan context. However, as we stated above it was always in the form of implicit criticism.

Røvik (2002) also described patterns of attempts to harmonize the idea of DD in Scandinavian contexts, including defining developmentand ways of dialogue that avoid

provoking different organisational members. In IB, however, it seems evident that the most prominent harmonizing element is the relationship between the idea and the wider social context. Although, the embeddedness of IB in Islamic jurisprudence and Sharī‘ah laws gives the idea clear definition and explicit, strong requirements, patterns of harmonizing can be found in interpretation of Sharī‘ah laws and *fiqh al muamalat* (Islamic commercial and financial jurisprudence). As Schoon (2016: 38) describes:

“Islam comprises a strong body of ethics incorporated in Islamic commercial law - fiqh al-Muammalat contains rules of business conduct, permissible forms of business and desirable and undesirable modes of transacting. Any business claiming to be Sharī‘ah compliant including Islamic financial institutions, needs to conform to Sharī‘ah Islami‘ah (Islamic teachings) in all aspects of its operations, including management governance, operations, marketing, accounting and auditing.”

However, according to our findings from the Libyan case, interviewees who were familiar with *fiqh al muamalat*, emphasised that patterns of harmonizing lies in the interpretation of Islamic Sharī‘ah and other sources of IB as the following Sharī‘ah Board member shows.

“Normally, as a Sharī‘ah Advisory Board, we conform to the predominant doctrine, not as a literal conformation but as a sort of convergence in order for people to not deem differences between the different schools of thoughts as easy because the differences in application are eminent.”

The above quotation clearly demonstrates, that, while Shari’s members are conforming to the rules described in *fiqh al muamalat*, they conduct translation in light of different global and local standardizing systems and with strong considerations to the local context.

Timing

Timing in Røvik’s (2002) *Secrets of successful organisational recipes* refers to an idea which its time has come. It means that a certain idea becomes important in particular point in time/space because actors tend to recognize its utility to solve long-lasting problems in organisational settings (Hoeyer, 2009). According to Stenbacka (2015: 1272) timing assumes that the organisational recipe needs to be interpreted in relation to the past, present and the future, and that it is oriented towards the future”.

However, Røvik (2002) in his study of the three management ideas, MBO, DD and QM noted timing as an issue in publication of those organisational recipes. Also, in their reflection on the time feature in organisational recipes Christensen et al. (2007: 69) argue :

“A frequently noted but imprecisely defined notion is that an organisational recipe must capture the spirit of the times in order to become popular. Interpreted from an instrumental perspective, a recipe must be developed and launched at the point when it successfully matches the dominant problem-definitions for organizations within the given time period.”

According to Røvik’s findings, writers of management recipes have a time horizon that frames how far into the future and back to the past they look. In this context, IB also reveals strong evidence of the history and development of its merit. Insights from recent publications on Islamic finance also revealed the extent to which the idea of IB has become popular across the globe. Moisseron et al. (2015: 758) for example noted that :

“The different phases of the Islamic Thought were always a mirror of the spirit of the time, and connected with the contemporary challenges Islamic societies had to face. That is the case for the last period of time when “Islamic economics” focused mainly on banks, banking systems and finance.”

Islamic economics also reflects a large arena in academia, which indicates how tremendous the diffusion of IB is. According to Ali (2007), diffusion of Islamic Banking Economy (IBE) in one source which is the Islamic Banking Harvard Project database, reveals that the number of publications increased rapidly in the past two decades. It started with 1929 publications in 1980. Unsurprisingly, this figure steadily rose to 3040 in the next ten years. Similarly, various journals, and websites devoted to reporting about IF are now widespread in different languages around the world. The following insights indicate how Islamic finance and economy became *timely* in recent years.

Also, a study conducted by Linnenluecke et al. (2017), that mapped the most cited articles in Finance journals since their inception found that in Asia-Pacific finance journals, Islamic finance was one of the most *innovative alternative* approaches that attracted the attention of researchers. In addition, concerning religion and the study of micro finance and microcredit Ashta and De Selva (2012) found that this area was almost dominated by discussion of Islamic finance. Similarly, successive reports that pointed out the diffusion

of the idea in Western, African and North American contexts also remained conspicuous (see Mansoor Khan & Ishaq Bhatti, 2008; Imam & Kpodar, 2013; Ernst & Young, 2014; Imam & Kpodar, 2016). Islamic finance is increasingly becoming a contemporary global phenomenon (Fang, 2014). In the light of our selected method for studying the idea of IB, which is Røvik's (2002) model, Christensen et al. (2007: 69) made clear that organisational recipes described in organisational literature as characterised by time-matching.

In this respect, the local constructed reality about IB in Libya portrays halal transactions as the ultimate solution to social and financial problems. Let us see how some of our interviewees construed the idea. A Head of Murabaha Department described

“People want to keep away from conventional methods of finance by keeping distance from banking interest. Riba is the main cause of this.”

ASharī'ah scholar, cited Quranic verses to demonstrate the strong belief that Riba goes against the instructions of God.

“ Says Oh you who have believed, fear Allah and give up what remains [due to you] of interest, if you should be believers And if you do not, then be informed of a war [against you] from Allah and His Messenger. However, if you repent, you may have your principal - [thus] you do no wrong, nor are you wronged. “The Qur'an, AL-BAQARAH (THE COW), 278:279 - سورة البقرة”.

Moreover, Christensen et al. (2007) emphasised the time horizon of literature that show how far organisational recipes travel in past and future. They pointed out that approximately ten to twenty years. This means that organisational recipes are introduced as timely solutions. However, giving the long history of the problem of Riba in the Islamic context including the Libyan case, emphasises exactly Røvik's (2002) feature of time. The only difference which arises here is that the time horizon of IB literature travels to the far past to touch upon the Quran, and earlier practices of Muslims in trade and commercial activities.

Hence, as in any other religious societies, commercial activities are traced back to the earliest civilization of human life. Schoon (2016), for example, pointed out that laws

related to financial transactions could be traced back to the eighteenth BC, century, when pastors used to lend money to merchants. In addition, she further noted that the “code of Hammurabi written around 1760 BC, includes laws governing operations in ancient Mesopotamia” (2016: 2). Although, the age of the IB discipline almost is forty years (Mansoor Khan & Ishaq Bhatti, 2008), Shari‘ah laws in commercial and lending activities are mostly found in Quran and Sunna and the prohibition against was Riba declared in Quran 1400 years ago (Memon, 2007; Visser, 2013) . In the context of IB, perhaps the most narrated story has features described by Røvik (2002) where the development of idea is described in stages related to past, present and future with a tendency of stressing modernity and contemporary practices. Thus, the story, most cited by professionals in the field of IB is narrated by many Sharia advisors and bankers in Libya as follows:

“al-Zubair bin al-Awwam used to tell depositors who came to him asking him to keep their money, he told them that he would treat it as qard (loan) where he would use the money and return to them the amount he owed them when they wanted it back.”

He continued

“Were there Islamic banks at that time? No, but there was Islamic banking. Banking as practice means attracting deposits and then investing it.”

This means that the time horizon of IB is greater and deeply entrenched in the past than that of organisational recipes. Meanwhile, this analysis emphasises Røvik’s (2002) idea that organisational recipes are timely and designed to solve past problems.

Dramatizing

Fifth noticeable feature of organisational recipes in Røvik (2002), as it appeared in the concept literature is that they are constructed through stories that describe the origin and diffusion of standardized ideas. This implies that the capacity for travel increases when organisational recipes are dramatized (Hoeyer, 2009; Stenbacka, 2015). According to Christensen et al. (2007) stories of the diffusion of organisational recipes consist of dramatic elements including; the logic of contrast between two conflicting ideas, presented by high-profile actors.

In this context, the idea of Islamic banking and finance represents an ideal model for how financial recipes are dramatized. As has already been discussed in Chapter 2, central to

the logic of IB is that the idea came to existence as a result of the thinking of Muslim scholars in opposition to the diffusion of Western capitalism. According to Visser (2013) Islamic economic was developed as an initiative by Muslim scholars to retain an Islamic identity. Mmany Muslim thinkers hold the belief that globalization is materialised in Western thinking through *capitalism* and *sexism* and these characteristics are in sharp contrast with the values of Islam. While, interest in the Western world view is defined as the *charge for borrowing money*, Islam shares different view of interest and considers its practice as Riba (Alrifai, 2015).

From this point, Islamic thinkers begin the theorization of Islamic economy. Such stories are dramatized in Islamic banking literature based on the origins and founders of Islamic economic including high profile Muslim intellectuals. For example, Visser (2013: p.2) stated that around the time of the partition of India, a number of people, advocated the idea of Islamic economics including Mawlana Sayyid Abu'l-A'la Maududi (1903-79) who addressed the subject in 1941. Among the high-profile proponents of the idea was also Anwar Iqbal Qureshi in 1946, then came Najem Siddiqhi and Mahmud Ahmed in 1948 and 1952 respectively.

Locally, in Libya, our data manifests Røvik (2002) presumed characteristic of *dramatization* of organisational recipes. The origins of the idea and its diffusion across the globe were constructed in a similar way to the concept literature of Islamic finance. However, local-high profiles proponents are limited to some local figures in particular organizations. They include the first bank that applied IB. Without exception, the bank was desribed as an exemplary organization and referred to as SSBAq or Mutaqdem. In Arabic, according to Almaany Online Dictionary the words SSBAq and mutakadem respectively mean “someone who comes always first, someone who is in a head position”.As stated by Christensen et al. (2007: 70)

“The concept entrepreneurs are presented as determined individuals with a strong conviction or belief, and they are portrayed battling against established ideas and characters in order to get their new ideas heard.”

Indeed, our data reveals that the bank has been described as SSBAq and Mutakadem even in official state reports. For example, in rare reported cases about the development of IB in Libya, the State Audit Bureau described

“The JB is considered to be the pioneering bank in the context of Islamic financial services and dominates 52% from the bulk of Islamic finance in the Libyan banking market” (Audit, 2017)

A Member of the Central Transformation Committee at the Al-Jomhuria bank commented

“In many cases our bank is proceeding, we have been taking the initiative in every sort of development in banking services”.

In other banks also other interviewees pointed to the bank as always SSBAq mutakadem or even pioneering

The member of IBF committee at the CBL described

“Of course, the pioneering initiative belongs to the JB. They were the first bank that formed the first SSB.”

Interviewees also referred to its former CEO as the man who was behind introducing IF in Libya’s banks, as the following quotation show

At the NCB, the Assistant Manager of the IBF Division highlighted the honest desire of the JB’s administration

“I think, there was an honest desire. The desire of the management and some influential figures like the former CEO; he influenced the adaptation. I can see this in the considerable training programmes to their employees.”

The member of IBF committee at the CBL described

“The former CEO was truly convinced and enthusiastic; I witnessed that during the first conference in Tripoli in 2008. He was one of the leading figures and organisers of the event. He promised full commitment and he said, we will apply for the permission of the CBL and, they did it. The central financial authority approved their application.”

Therefore, it became evident that stories about the origin and diffusion of IB in Libya’s context were formulated in a rational manner, in which wherehigh profile figures and

leading organizations are dramatised. The results of this study in terms of dramatization in theoretical literature on IBF and also the field data are consistent with Røvik (2002) described characteristics of organisational recipes. One dramatic element that seems to be associated with dramatization of IB in Libya is the political dynamic. This element also appeared in very rare studies concerning the adaptation of IB in Libya where Parker (2011) and Alhajam (2013) for example stated that Gadhafi was ambivalent towards Islamic finance because of the erroneous or conventional association of the phenomenon with Islamic radicalism. The association between dramatization of the idea and political dynamics was highly visible in the interviewees' discourses about the diffusion of the idea through different political regimes. For example, a Sharī'ah Board member stated

“The idea started in 2008. Of course, it existed before this date. However, for political reasons the former regime delayed its emergence”

He continued

“The idea was there but it was not being implemented because of the politics, the view of the former regime whose philosophy in dealing with socio-economic life was often contrary to the teachings of religion.”

Another informant, the Assistant Manager of an IB Division commented:

“It was prohibited because the political system did not allow for freedom to express the public's need for Islamic finance”

In an identical way but in more depth, a Head of the marketing bureau in one of the three banks discussed the role of politics in introducing IBF as follows

“This change came at the right time because of the political system that had existed in Libya for forty-two years and the arbitrary actions and the suppression of freedom and the fight against the Islamic paradigm, especially in terms of commercial practices such as the issue of Halal and Haram. Also private properties were seized; citizens were forced to deal with Riba.”

Based on the above quotations, although the spread of the idea of IB was dramatized in both the concept literature and interviewees' discourses, the element of dramatization showed a close association with the political dynamic. This in turn supports an element offered but less discussed by Czarniawska and Joerges (1996) which is the process of translation can be bolstered by willing political agents. However, the Libyan case

presented political agents as hinders and at the same time (as we have seen in the social authorization) can be facilitators. Therefore, the association between the idea of IB and the local context where the idea is adopted constitutes another feature that can be added to the characteristics that enabled the idea of Islamic banking to travel increasingly in time and space. In other words, the local Muslim context seems to be an attractive and supportive environment for the emergence of the idea and its implementation.

Individualizing

According to Røvik (2002) the sixth observed feature in organisational recipes is Individualization. The three management ideas scrutinized by Røvik have something in common which Røvik says is that the messages of these organisational recipes are described as *beneficial for all organisational members*. Organisational recipes travel faster when they become individualised (Hoeyer, 2009). Røvik (2002) who cited Meyer and Jepperson (2000) depicted two waves of *individualism* in Western thinking. The first movement toward individualism as observed and rightly expressed by Scott and Meyer (1991) has commenced with the arrival of “*The Heroic Individual*”. The second strong wave of individualism, which was gathered momentum in the USA and Europe since 1970s and it is widely apparent in “*politics, economics and religion*”. As a result, Røvik (2002) tells us that organisational actors acquired more education and better rights, which in turn required organizations to cope with new situations where human actors became more mindful of their careers and individual development.

One important feature in Røvik’s identification of individualisation of organisational recipes is that, as stated above, it is more observed in religion. Since Islamic banking offers financing recipes based on Sharī‘ah principles, it is no surprise, therefore, to find the concept of *individualisation* of IB as we will see below, is derived from religious inscriptions, mainly from the Quran and Sunna. Both, the concept literature and our real data show a perfect match to Røvik’s assumption that idea travels faster when it contributes to the conviction of individuals and organisational development. Therefore, the individualisation of IB, as suggested in Islamic economics and banking literature, is always promising the welfare of not only individuals in organizations but also the wider Muslims communities. In other words, individualisation of IBF tends to have a more societal orientation than presented in organisational recipes.

Therefore, the Sharī‘ah concept encapsulates the principles of an overarching framework of Islamic finance. According to Kettell (2010: 98) the objectives of Sharī‘ah are summarised in the following writings of Ibn Qayyim al-Jawzīyah and Al-Ghazali respectively :

“The basis of the Sharī‘ah is the wisdom and welfare of the people in this world, as well as the hereafter. This welfare lies in complete justice, mercy, wellbeing and wisdom. Anything that departs from justice to oppression, from mercy to harshness, from welfare to misery and from wisdom to folly has nothing to do with Sharī‘ah.”

“The very objective of the Sharī‘ah is to promote the welfare of the people, which lies in safeguarding their faith, their life, their intellect, their posterity and their property. Whatever ensures the safeguard of these objectives serves public interest and is desirable.”

In fact, as we shall see, searching the role of Islamic banking and finance reveals the extent to which such *financial recipes* are individualised toward the society. Individualisation of IB exceeds to a very high degree the individualisation of organisational recipes described in Røvik (2002) and also Christensen et al. (2007). For example, it has been incessantly claimed that IB can contribute to personal or social development in not only Muslim but as also non-Muslim countries. For example Wajdi Dusuki (2008) stated that Islamic banking should contribute to sustainability and social welfare, as well as alleviating poverty. Also Abedifar et al. (2016) in a report using data from 22 Muslim countries, with conventional and Islamic banking systems, highlighted a sharp positive relationship between the market share of Islamic banks and the development of financial intermediation, financial deepening and economic welfare.

However, Røvik (2002) illustrated an analogical account of TQM in American-English literature and Scandinavian literature. He pointed out that the Anglo-American culture shown in the literature of TQM is characterized by greater concern with individualization than its Scandinavian counterpart. Røvik, drew on this core cultural difference to state that

“The recipe’s capacity to flow depends, among other things on the extent to which they correspond to basic norms and values in society. Yet, the probability of an organisational recipe to obtain popularity and wide dissemination increases if it is individualized.” (2002: 140)

Having emphasised the asserted concern in Islamic banking literature about individualisation, our data reveals compelling evidence to support Røvik's statement. It seems that the correspondence between the idea of IB and basic norms and values of Libyan society made the idea spread quickly. The following scripts from the field data show to what extent Libyans are longing for Islamic banking.

For example, a front-line actor who are worked closer to people and presumably had a sense of what is customer need at the Murabaha (Sulaf or Credit) departments commented

“The state and the people are fed up and worried because of the Riba's story. Many people including bankers have refused to apply for Sulfa Ajtmaia or mortgage because of the Riba. They say We will not take loans— There are also citizens who have applied to acquire Sulfa Ajtmaia but when they found out thatit includes Riba, theysaid No.. I do not want it.”

The correspondence between the idea and local norms and values as well as the belief of people became strongly notable. Whenever, interviewees talked about the idea and its implementation in Libya, they always involved a mixture of societal and cultural elements. Whenever participants began to reflect upon why the LBS went through a process of transformation, there was always an interference between religious and societal concepts, emphasising the relationship between the adopted idea and basic norms and values in the society. This was in the following example when the senior manager used specific Arabic words تواق phonetically Tawaq and متعطش Mutatesh to describe the nostalgia of Libyan people as he assumed towards the religion in general. He said:

“Libyans are Muslim people, and they are longing for Islamic banking business ...Islamic banking existed everywhere around us, especially in Arab countries. Libyan people are eager for any Islamic thing. They are Muslims and they are seeking that by nature, because they are Muslims.”

Therefore, the above discussion emphasises Røvik's claim that *individualisation* of ideas increases their dissemination through time and space. However, a further suggestion may be derived, which is that the travel of the idea might be faster in the case of IB than it has been described in relation to organisational recipes or management ideas in Western managemnt literature. This is because of, the idea of Islamic banking is mainly embedded in religion and certainly the latter contributes to its popularity. Fianally, the above analysis of the individualization of IB raises an important question, which is whether

individualisation is an endogenous characteristic of the idea under analysis or a part of the commodification of organisational or financial recipes.

Commodification

Røvik's (2002: P.142) final proposition is that "the capacity to flow increases if the organisational recipe is commodified, that is, if it is transformed into something resembling a product."

Mehralizadeh and Safaemoghaddam (2010) noted that commodification follows the assumption of Czarniawska and Joerges (1996) that the idea must be objectified, transformed from an idea into an object in the form of routines, actions, handbooks, etc. According to Røvik (2002) the phenomenon of commodification is mainly derived from marketing theory. He assumed that such a general proposition can be applied to observe the flow of management ideas and organisational recipes. The three general propositions of marketing theory as stated by (Røvik, 2002: 130) are:

- The idea or recipe should be designed as an easily communicable message.
- The recipe should be presented as a user-friendly product.
- Potential customers should be assured of an effective output in proportion to the costs and efforts of implementation.

Whether commodification is assumed as a marketing concept or a pure translation concept as travel of ideas in Czarniawska and Joerges (1996), Islamic Finance appeals to both logics, which are well articulated in translation literature. Warde (2000: 7.8) noted that Islamic finance is defined in many ways from the very narrow (interest free) to a broad conception that includes financial operations conducted by Muslims and "no definition of Islamic finance is certainly satisfactory." Indeed, as we mentioned precisely most of IB theory is based on religion commands and controls as well as moral and ethical principles governed by Sharī'ah laws. However, Islamic finance has attracted the attention of people regardless of their faith (see Smolo & Mirakhor, 2010).

(Røvik, 2002) suggests that communicability means organisational and management ideas are communicated as a general message that attracts and appeals to wider customers. Therefore, he emphasized that even organisational recipes and management ideas formulated in complex technical language, the message must be simple and

confined to a few words or even in one word. A great pattern of commodification can also be depicted in the diversity of IB's financial recipes, which are designed to serve various financial demands, ranging from state to small individual loans. Nevertheless, indeed IB reflects similar characteristic related to the language. For example, while the process of Murabaha are sometimes complex and, the idea is communicated through the noun Murabaha. The word Murabaha is derived from the arabic word "Ribh" which literally means profit (Visser, 2013). The mechanism of Murabaha or as translated in English (Markup) is a trade contract which in banking involves three parties (seller, buyer and the bank); the latter works as a mediator (Schoon, 2016). However, Visser (2013: P.57) further explains Murabaha as follows

"A Murabaha contract is a trade contract stipulating that one party buys a good for its own account and sells to the other party at the original price plus a mark-up."

To communicate the idea, IB offers a wide range and different types of Murabaha and they are commodified toward consumer needs. Nevertheless, the use of simple message to diffuse the idea seems to be in apply to Murabaha. Although, the details of Murabaha are very complicated and its terminology is situated in language that is very difficult for non-Sharī'ah specialists to understand, the content of Murabaha including the process or procedures is translated into words and steps. With regard to the role of language, Røvik, (2002) pointed out that TQM and MBO differ from the Scandinavian idea of Development Dialogue. The latter confronted difficulties in crossing the language barriers, which made it travels at a slower pace compared to its Western counterparts (TQM & MBO). Similar to the spread of TQM and MBO, Islamic banking as it appeared in financial literature seems to enjoy a wide dissemination (Zaher & Kabir Hassan, 2001; Uppal & Mangla, 2014).

Although the vast majority of words and terms used in IBF are derived from the Quran and Sunna (Warde, 2000), the translation of the idea is unified contracts with the same meaning contributes to the unprecedented diffusion of the idea.

In this context, Davies (1991) in his discussion to Rethinking Knowledge: Islamization and the future emphasized the development of discourse requires distinctiveness of terminology used in the literature. According to his view, packaged ideas are

distinguished by concepts used to communicate the idea, because that is what they are. This observation is in line with Røvik (2002) theory on the three management ideas. He persuasively pointed out that acronyms, for example, have facilitated the diffusion of MBO and TQM because there is no need for them to be translated to new phrases or words. Therefore, based on our study it could be claimed that the fixation and standardization of Islamic banking terms through many worldwide organizations and regulatory bodies, has indeed contributed to the diffusion and communicability of the idea. In this regard Baba (2007) analytically revealed at least 23 global centres of Islamic banking which are working to develop the idea through innovating Shari‘ah compliant financial products and standardized regulations.

User-friendliness is the second criterion used to judge the communicability of an organisational recipe. As Røvik (2002) explains, it denotes a marketing principle known as “ready-to-wear”. It is about the simplicity of implementing the organisational recipe through translating the idea into a set of programmes and actions that promise to generate benefits for the organization.

As Røvik pointed out, in concept literature of management ideas, authors advise organizational actors to follow particular steps and well detailed processes to enable the implementation of management ideas. This phenomenon can be remarkably observed in the literature of Islamic banking. Worldwide organizations and regulatory bodies, as well as academic writings on IBF are keen to emphasise how conventional banking should be transformed to Islamic Shari‘ah based banks. However, despite the apparent dearth of such studies we managed to obtain some which claim to shed light on issues of transformation in Islamic banking. For example, Sole’s (2007) paper, introducing Islamic Banks into Conventional Banking Systems published by the International Monetary Fund, contains very specific sequential steps and stages describing convergence of conventional banking institutions to a Shari‘ah based model. Also, Arshad et al. (2016) highlighted the non-existence of a comprehensive framework, and argued that crucial issues such as stability, regulation, existence of different schools of thought and sensitivity towards the role of religion in the commercial and financial sector are key to solving many problems facing the transformation of conventional banks to Islamic. Shafi et al. (2016), concentrated on issues and complexities facing conventional banks intending to transform to Islamic, their review of both literature and national case studies

recognised the complexity of these processes. Alternatively, they advised intending organisations as follows:

“The study suggests that the conversion process should be looked at as a comprehensive process of all components of the economic and financial system. Banks intending to convert to Islamic banks should follow the format for financial statements suggested by AAOIFI in general and Sharī‘ah standard number 6 (conversion standard) in particular.” (2016:1021)

Shafi and colleagues advised banks to follow the standard of Sharī‘ah issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), implying that among other agencies has no shortage of resources to guide such processes of transformation. Yet, our documentary analysis to the Libya’s case found that the CBL has directly recommended banks to apply standards and guidelines of both AAOIFI and the Islamic Financial Services Board (IFSB) (see CBL, 2010). These results indeed confirm Røvik’s (2002) analysis that for the purpose of facilitating the implementation of organisational recipes, authors and agencies turn to describe the idea as friendly by describing very detailed and particular steps to be followed throughout the processes of implementation.

The third judging criterion for judging commodification of organisational recipes as articulated by Røvik (2002) is the *prospect of returns*. From Røvik’s point of view, consumers of organisational recipes have to be convinced of the output of implementing a management idea. When we examine the idea of Islamic banking in the light of this feature both the literature and our real data revealed compelling evidence indicating the cogency of Røvik’s theory. Although, as with other organisational or financial recipe it is debateable, the literature of Islamic finance illustrates ample evidence to show that the use IF is beneficial for banking institutions. Issues like viability, efficiency, performance, and increasing customer satisfaction are central to the literature and the field data alike. In fact, both sources of data seem to be in favour of IB over its conventional counterpart or traditional banks. According to Saif-Alyousfi et al. (2017: 97) their analysis of Shareholders’ Value of Saudi Commercial Banks,

“Our results indicate that Islamic banks in Saudi Arabia contribute more to the shareholders’ value than conventional banks. We find that higher capital

ratio and credit risk lead to a decline in shareholders' value of the conventional banks but this is not true in the case of the Islamic banks. We also find that a higher level of loans decreases the conventional banks' shareholders' value but increase the same in the case of the Islamic banks."

Similarly, in Libya Kumati (2008) study shows that 98% of banking customers were in favour of shifting their bank accounts from conventional banks to Islamic institutions. This implies the viability of an Islamic Sharī'ah based system to the Libyan banking system. Issues like liquidity, return on assets, and capital to total assets (Gafrej & Abbas, 2017:see) also seemed to be in line with prospect of returns as Røvik (2002) accurately suggested.

Similar results are also found in both the field data and our analysis in Chapter 3, indicating that adoption of the idea of IBF in Libya is meant to be beneficial for banking organizations. In Chapter 3 it was shown that historical developments in Libyan banks were significantly shaped by the influence of political regimes. Consequently, the outcome of excessive reliance on centralised socio-economic policies led the LBS to be highly cash liquid and lack sufficient corporate culture. As a result, Islamic banking became necessary to engage reluctant population. The following quotations from the field data are typical, they point out that Libyan banking actors are convinced of the positive outcome of adopting the idea of IB. A regional director of the JB asserted

"There is a growing demand for dealing with Islamic Murabaha and Islamic partnership, it rises every day.

He further emphasised

"Frankly it was favoured by most of our customers.... since, the bank started to pursue IB most of the costumers opened new accounts in our bank."

The Assistant of Audit Department in the Regional Head quarter also described the adaption as profitable

It is better than the conventional banking, our experiment will be a pioneering, and that's why our bank called the leading bank because in fact we are a leading bank."

Islamic banking in Libya without doubt was preferred, not least because of the sense or probability of return, but as shown above seemed to be promising to solve the long-time historical problems of the sector. These findings indeed correspond to Røvik's (2002)'s analysis that commodification of organisational recipes increases the travel of idea.

5.2 Summary

In this chapter I have attempted to apply Røvik's model to the idea of Islamic banking. The analysis revealed that the seven characteristics of organisational recipes can be successfully applied to understand the unprecedented fast dissemination of IB. However, in regard to every single feature, insights from both IB literature and our field data show the peculiarity of the idea and strongly demonstrate that the Sharī'ah based model has gone through robust social authorization due to distinctiveness of the context and its relation to the idea. Compared to management ideas studied in translation literature, adaption of IB appeared to be more associated with cultural and socio-political elements, as well as performance problems. The latter feature is stressed also in translation literature, where management ideas are often described as panaceas. Yet as we have seen above, socio cultural factors have remarkably intensified social authorization of the idea. Therefore, similar to organisational recipes, also the idea of IB has undergone universalizing.

IB is heavily shaped by this feature and it is claimed that the Islamic model can be the panacea for Libya's banking problems. Furthermore, even for global financial issues, the literature presents a great tendency to portray IBF as a solution. The idea also was remarkably timely. However, a subtle difference was highlighted whereby the time horizon of the publications, of IB was longer than that mentioned in organisational recipes. Stories about IF travel date back to the early practices of Muslim civilisation. Similar to organisational recipes, IB also was shaped by great harmonization. Both the literature and our field data demonstrate compliance evidence denoting compatibility between the idea and Muslim culture. Commodification was also a noticed feature of the Islamic-based model, which appeared in the diversity of its financial recipes, designed to serve various financial demands. Dramatization was also present in Islamic banking literature and our field data. Stories dramatize its origins and pioneering leaders and organizations. Finally,

the idea of IB is individualised and again due to its association with Muslim contexts, the idea is presented as beneficial not only for organizations but also for the whole society. This tendency is mainly driven by apparent social commitment to religious principles. Having reflected on the idea itself and why it was adopted, the next chapter analytically, looks at the change process and how the idea of IBF has been translated into banking practices.

Chapter 6 Copying the ubiquitous-translating the Idea and Technological Change

In the previous chapter, the first step was taken toward answering the research question, which concerns how change towards Islamic finance has been constructed and translated in the three banking organizations in Libya. The chapter attempted to answer the question why IBF was needed and why gained such importance in Libya. Based on Røvik (2002)'s seven propositions, the chapter outlined why the idea of Islamic banking has travelled fast and widely in Libya. In this chapter, in light of our analysis and based on the literature review of organisational change and translation outlined in Chapter 1, I will continue narrating the story of IB in Libya, with a focus on how the idea has been translated, de-contextualized, disembedded and re-embedded in the local context.

As articulated by Czarniawska and Joerges (1996) in their study of *decentralization* processes in Swedish municipalities, interviewees gave different accounts about where this idea came from. The only thing common in those accounts was a *plot* which recounted the *spread* of the idea. Similarly, in the implementation of IB in Libya, there were also different accounts of where the idea of IB came from. Some mentioned state policies, as the Head of Murabaha department answered:

“It is a state policy, after the deflation and the overthrow of Gaddafi’s regime it became possible for our country to adopt IB.”

Some thought that the idea already existed but it was politically hindered. An example on this is the member of Shari‘ah Advisory Board (SSB), who believed:

“The Idea started in 2008. Of course, of course it existed before this date. However, for political reasons the former regime delayed its emergence in Libya.”

Some have attributed the embracing Islamic finance to the change in the legal system. In their views, the transformation is seen as irreversible, as the Assistant Manager of Auditing department commented

“It started in 2009 and after the law no 1 of 2013 there became only one option for banks, which is then carry on its duties through generating alternative products with Islamic formulas.”

Another example of the different accounts attributed the idea to global domains and Shari‘ah, as well as preceding global and local experiments as the following quotations of two Murabaha managers show:

“It is a global concept, which entered the Libyan market, everything was taken from Prophet Muhammad’s hadiths (PBAH), from Shari‘ah, as well as from the Quran and Sunna.”

In their view, the Islamic banking actually was actually nothing new

“However, the application would have not happened, unless they had seen the idea first, they did not come with anything new. They saw some countries such as Kuwait. They have similar system as the one implemented here.”

However, some had no idea where the Murabaha contracts came from, as was the case with the Assistant Manager of one of the three branches who stated:

“I have no idea, maybe the SSB.”

Given, the variety of the above points of view, the most common *plot* in those account precisely confirms the *ubiquity* of the idea and more importantly the act of copying the ubiquitous, regardless of origins, as the following quotation of the Assistant Manager of Islamic Banking Division emphasises:

“It is ubiquities and its sources are well-known.”

As argued by Czarniawska and Joerges (1996), ideas are materialized. Materialization involves turning an idea into objects (Sturdy & Grey, 2003). Therefore, to become institutionalised, ideas must be *disembedded*, *decontextualized*, isolated from their context and turned into images, *models*, *books*, *transparencies* or maybe *labels*, *prototypes* and texts (Czarniawska-Joerges & Sevón, 2005). The process of translation as outlined by Czarniawska and Joerges (1996) involves the *re-embedding* of the imported idea to become institutionalised in a given time and space. Therefore, the process of translating IB, as we shall see, ideally confirms the translation approach and the use of the translation perspective in exploring how the idea of IB has been translated and materialized into daily banking practices. However, in this context, as has already been argued, the idea has been turned into contracts that allow the practice Islamic finance to take place.

Therefore, as already stated (see Chapter 2), different Islamic schools of thoughts have different interpretations of conducting IBF transactions (see Rafay et al., 2016). In respect of this (Iqbal, 1997) while noting encouragement of differences between Islamic schools of thought, stated that even identical IB transactions become the subject of different interpretations. Different camps have different interpretation of Sharī‘ah’ principles. Accordingly, as the translation literature illustrates, what becomes important is the local context, that vary a cross Muslim regions. In Libya where the Maliki *madhab* (doctrine) dominates the religious landscape (Rafay et al., 2016), the priority for translators of the idea is to make sure that the imported idea is consistent with its principles. Consequently, imported contracts must be *decontextualized* and *re-contextualized* in the light of the school of the imam Malik, as the following quotation by Sharī‘ah board member illustrate:

“As the Sharī‘ah Supervisory Board, we usually adhere to the prevailing doctrine first.”

The participant continues:

We intended to approximate the differences in order for people not to deem differences between the different schools of thoughts as easy because the differences in application are eminent.”

However, as the above quotation clearly show, the process seems to be not a literal translation from the various sources of Islamic knowledge. Rather, Sharī‘ah translators, despite the strong emphasis upon local doctrine and social context, maintain sufficient degree of elasticity.

Therefore, one ideal example of *decontextualizing* the idea is demonstrated in a Sharī‘ah –compliant mode of finance known as ‘*Tawarruq*’, a financial technique that is widely recognised as the most controversial and problematic mode of finance in IB (Siddiqi, 2007; Fisol et al., 2017). Even its definitions differs between advocates and opponents. However, as our focus here is to demonstrate the *decontextualizing* of the idea, the following quotation provide an overview on Tawarruq. According to Mohamad and Ab Rahman (2014: P.485) this mode of finance means :

“One of the Sharī‘ah -compliant modes used for cash-based financial instruments due to the nature of the Tawarruq mechanism, that is, to provide cash liquidity. Therefore, the concept suits most of the facilities

provided by conventional banking, such as deposit, loan, bond and money market instruments. This mode of cash-based instrument, which is widely known in the Gulf Region, has recently become popular in Malaysia as an alternative to bay' al-'inah 'sale' or contract of sale', which was adopted in the early days."

The Maliki doctrine, tends to be cautious on Tawarruq. Our interviewees, especially Shari'ah specialists claimed that contracts must be cleared of any suspicions of Tawarruq, as the following Shari'ah scholar commented:

"As you may know, Tawarruq is a controversial issue. It is permissible in some countries and forbidden by others. It is a jurisprudential matter. However, in Libya it is impermissible. Therefore, we have to make sure that Murabaha contracts do not allow for such practices."

The participant further explained:

"We have translated the idea in the light of our local legal context as well."

Another example of *decontextualizing* the idea is illustrated in what has been known in Shari'ah based finance practices as Al- Wa'ad, which means promise.

In banking transactions, therefore there are various complex types of Shari'ah based contracts. For example *binding* contract means customers who intended to buy commodities will promise to purchase a certain commodity beforehand (see Kamarulzaman & Madun, 2013). Therefore, the bank will guarantee the sale of commodities based on *unilateral promising* or *wa'ad*. The contract can be seen as *a contract of pledge and guarantee* (Abdullah et al., 2011). On the other hand, *non-binding* contracts means the buyer has the choice to fulfil or decline the contract even after the bank has placed the order and raised the pledge fee (Arbouna, 2007). While this case is similar to *Tawarruq*, widely recognised as a matter of debate and disagreement among the different Islamic schools of thought (Moghul & Ahmed, 2003), in Libya translators of IB have chosen *non-binding* contracts because it is largely consistent with the local context and the prevailing Islamic school of thought as the following Shari'ah board member elucidate:

"Sometimes, defect in application of IB can happen because the contrast in juristic opinions such as the well-known case of binding contract. While it is permissible in some countries and some Islamic schools, which have some evidence from juristic reasoning, here there should be an adherence to Fatwa

or opinions issued by Dar Al-Ifta and the Sharī'ah Advisory Board at the Central Bank, which both have made contracts as non-binding.”

The case of *decontextualizing- disembedding* of *wa'ad* was also recognised by many other interviewed bankers some of whom have participated in training programmes held in other countries. The following quotation compares the practice in Jordan and Libya. The Assistant Manager of the Sharī'ah Auditing Administration tells us:

“Besides, the advancement of the practice in Jordan, there are some differences in the application of Murabaha especially in relation to wa'ad, They use binding contracts while in Libya the contract has been made non-binding.”

Also, an Assistant Manager of an Islamic Banking Division has stressed the de-contextualization and the importance of the social local context. He firmly pointed out to the non-literal copying of contracts as follow:

“Of course, there are some issues that are strongly linked to the society. Things which are accepted in Malaysia and Saudi Arabia are not applicable here. Therefore, we did not literally copy others. The process is not a copy-paste, we have to modify the idea in order to make it appropriate in the local context. Here we are firmly associated with Dar Al-Ifta. For example, while in Jordanian banks, practising binding purchase contract is permissible, such practices are not endorsed in Libya.”

This clearly shows that the translation processes are carried out in the light of the local context and, furthermore, is bounded by different social and institutional powers whose their effect inevitably shapes the disembedding and re-embedding of the idea.

In line with Røvik (2002) proposition in respect of the role of social authorization, in the previous chapter it became evident that social authorization is considered to be a steering power that may foster the spread of organisational recipes. In this context, the idea of IB in Libya gains its power from the religious authority, which is Dar Al-Ifta. Accordingly, this social power not only has a great influence on the contract, which forms the outcome of the translation processes but also it extends to legitimize and delegitimize certain practices.

In the following discussion, first our analysis will elaborate upon *local* and *global* social authorities that inevitably affect the *decontextualizing* and *re-contextualizing* of IB in Libya. Second, we consider how contracts of Murabaha transactions, surprisingly, have

been framed by only one organization and then circulated in the organisational field. Consequently, more *homogeneity* is expected to prevail in the organisational field. However, it should be emphasised that there is a very subtle degree of heterogeneity in practising IB, which will be explained later. Therefore, this study, in line with other studies including Wæraas and Sataøen (2014) and challenges a very common assumption constructed by translation literature, which is that heterogeneity and variation is the common feature of translation (See Czarniawska & Joerges, 1996; Sahlin-Andersson et al., 1996; Morgan & Sturdy, 2000; Czarniawska-Joerges & Sevón, 2005; Morris & Lancaster, 2006; Lounsbury, 2008; Sahlin & Wedlin, 2008; Boxenbaum & Pedersen, 2009; Pipan & Czarniawska, 2010; Wæraas & Sataøen, 2014; Wæraas & Nielsen, 2016).

6.1 Translation process- conformism and traditionalism

The above discussion highlighted that translation of IB is bounded by different social powers and actors, as well as requirements related to the prevailing Islamic school of thought. Influential organisational powers include Dar Al-Ifta, the Central Bank of Libya (CBL) and the political and legislative bodies. More importantly, social context and religious doctrine have over time shaped and reshaped the processes of translation.

In line with Sahlin-Andersson et al. (1996) therefore, we should expect more *conformism* and *traditionalism* in shaping the processes of translating IB. According to our interviewees, standards and regulations produced by the above mentioned social authorities established the institutional order of translating the idea of IB. For example, in IB resolutions circulated by the CBL, the financial authority ordered in very extensive details how all field members should implement Islamic Banking. The CBL (2010), includes direct orders in relation to various aspects in terms of structure, accounting, technologies and Shari'ah personnel. Besides, it orders banking organizations to follow the best practices of global actors such as the Accounting and Auditing Organization for Islamic Financial Institutions (AAIOFI) and The Islamic Financial Services Board (IFSB). Furthermore, the CBL has established a special committee to serve the interest of IB and made its decisions and recommendations mandatory for banking institutions.

This emphasis on *conformism* and *traditionalism*, as well as the so-called best global practices also can be seen in several themes that emerged from the analysis of the interviews. For example, one important theme is the *local* and *global standards*, which the Shari'ah board member in one of the three organizations expressed as follows:

“We refer to the Supreme Committee at the CBL and what they have so far in terms of the Sharī‘ah standards. In addition, we take into account international accounting standards.”

Another Sharī‘ah Advisory member also emphasised:

“The Sharī‘ah Board at the CBL ensures consistency and unification in the reasoning and Jurisprudence of SSBs within commercial banks because each of them has its own autonomous SSB. Therefore, if each of them referred individually to the Fiqh, there would be a defect in the application of the idea.”

In the light of the above quotation, such social authorities require banking organizations not only to comply with standards but furthermore to unify the practices of IB in order to ensure consistency with local requirements including adherence to the predominant Islamic school of thought. This increases the likelihood of seeing not only similar but sometimes identical practices among members of the organisational field. However, it should be emphasised that although the above quotations of Sharī‘ah board members suggest that Murabaha contracts are institutionalised by central authorities. In fact, practically, our data reveal, this is far away from reality.

What’s happened in the process of translating the idea is that there was only one organisation that has had a head start, even before the idea was institutionalised at the macro level. Al-Jumhouria bank, according to the vast majority of our interviewees, as well as an ample documented evidence, was the first to practise Murabaha transactions in parallel with conventional banks as early as 2008. Consequently, as the following quotation show the bank became an *exemplary* organization. The Sharī‘ah Advisory member who and also holds a senior position in the national committee of IB at the CBL comments as follow:

“Of course, the pioneering initiative belongs to the JB. They started as early as 2008.”

Others, without exception, emphasised the advancement of the bank in turn it became clear that even circulated contracts, as our analysis show, were first produced by the exemplary organization and copied by others. This finding confirms assumptions articulated by Sahlin-Andersson et al. (1996: P: 78) as follows :

“Organizations seldom have direct experiences of the organizations or practices they imitate and refer to. What they imitate are rationalizations – stories constructed by actors in the exemplary organization, and their own translations of such stories. What spreads are not experiences or practices per se, but standardized models and presentations of such practices.”

Accordingly what becomes clear is that early adopters have a decisive role in the process of circulating local prototypes. However, while many institutionalists have paid considerable attention to the role of early adopters, it is evident that such a term is quite obscure in the translation literature. (See Hinings et 1986 cited in Tolbert & Zucker, 1983; Zucker, 1987; Greenwood & Hinings, 1996).

In this context, while Greenwood and Hinings (1996) assert the recognition of “*earlier movers, late movers, and non-movers*” (Czarniawska-Joerges & Sevón, 2005: p 131-132) commented on the Importance of diffusion model used in fashion studies as follow:

“Many observations concerning fashion made a hundred years ago might be still valid, but not all, and the duty of organisational theorists is to put them to test. Indeed, the importance of the above quoted studies of management lies in just that: in confirming that the diffusion curves tend to be bell-shape and that one can distinguish innovators, early adopters, early and late majorities, and laggards (Roger, 1962) if one so wishes. Further, now like before, there are several reasons that certain ideas, forms and practices spread more and quicker than others. ”

In line with the above quotation but with greater emphasis on the role of early adopters Ansari et al. (2010) emphasise, earlier adopters lead imitating processes. Similarly, as is the case with the study at hands Hinings et al 1986 in Zucker (1987) explicate how “*templets*” of change are derived from earlier adopters. As Czarniawska and Joerges (1996) persuasively noticed, ideas are often materialized in a written formula. Our analysis to trace the first written formula of Murabaha contract reveals that the first Fatwa (religious ruling) issued by Dar Al-Ifta, was requested by Al-Jumhouria Bank, as the following translation of the original document shows:

In the name of God, the Most Gracious, the Most Merciful *

The Subject: Alhamdulillah Rabi Al 'alamin, Wassalatu wassalamu 'ala saidina Muhammad in ashraf mursalin, WA 'ala alihi wasahbih ajma'in

We are the signed below Al Sadiq Abd-Alrahman Ali Al Ghariani and Osama Muhammad al-Sallabi.

We have been shown the contract of sale of cars and computer devices by the means of Murabaha transactions that has been issued by AL Jumhouria Bank and its subsidiaries in Libya.

We have found that it has met the conditions required in Murabaha including the most important element which is the promise of purchase as non-binding by giving the right to the promisor after the bank's acquisition of the commodity. In addition, we found that this contract is free of Gharar (uncertainty), Jahalah (ambiguity) and any kind of gambling.

Therefore, the mentioned contract is one of Al Shari'ah permissible bonds, and it is permissible to deal (sale and buy) with the bank

(Alghariani & al-Sallabi, 2008)

These contracts became, in Czarniawska-Joerges and Sevón (2005) words, the *vehicle* in which the idea travels within local contexts. Yet as Nielsen and Salomonsen (2012) noted *memetic* forces upsurge when *best practices* produced in an *exemplary* organisation gain legitimate status. Translation literature has gone far in exploring the phenomena of *imitation* in the organisational field, but this pheromone is beyond the scope of this study. However, even when imitation is obviously observed, translation literature stresses heterogeneity and variation as the prevailing norm. Sahlin-Andersson et al. (1996) in their example of the success stories of *science parks* pointed out that distance between the source of the idea and the imitating organizations allows room for different translations.

Therefore, the majority of our interviewees insisted that the process of changing conventional banking practices is mainly a process of copying global or local experiments. The following quotations illustrate the emphasis of participants on the act

of copying. Consider, for example, the The Head of a Murabha unit who described the process as follows:

“It is all from Sharī‘ah and international experiments such as Kuwait, Bahrain, and Saudi Arabia. It is a global concept. However, they did not apply it till they have saw the idea. They did not bring anything new. They have adapted Kuwait’s model. It is the same as ours.”

Although, the Member of WB’s SSB denied that local banks were copying each other, he referred to the process as simulation and borrowing, which are both indicate kinds of copying others.

“I do not say imitation or copying, I think it is a kind of simulation. I do not know why the JB has made their documents available for others to benefit from. The NCB has benefited from the JB, they took their documents and started to introduce the transactions.”

However, he added the following description which confirms that the JB’s contracts were the main source of others’ acts of copying, as follows:

“They are the same contracts which originally were formulated by the JB then transmitted to the NCB. It was approved by Dar Al-Ifta and SSB of JB which includes the Grand Mufti and then transmitted to the two other banks.”

Similarly, in spite of denying the act of copying an Assistant Manager of IBFD at the WB justified that because the idea itself is ubiquitous.

“Of course this is not a copying, it is ubiquitous and its sources are well-known. We take the headlines from the market and all are following Dar Al-Ifta.”

However, others openly acknowledged the role of earlier adopters and how their experiments became a source of copying as was the case with the Assistant Manager of a WB branch who in a quite mocking tone, pointed out:

“I think the three banks are similar but some banks have had a head start. All banks in Libya are the same there is a kind of cloning between not only the biggest banks but also private banks. All have taken similar steps.”

B. Ok, if there is a copying process, who is copying whom in the sector?

“Usually from the preceding bank, the JB of course [Laughing]... they started first to introduce Islamic Murabaha. Look at the NCB and the WB, they have started to sell Murabaha now. JB started sales Letters of Credits, soon you will find others following them. It is as simple as that.”

The above quotations highlighted that there was only one source of contracts, which has been copied by the others. Therefore, as a consequence, if we think of the outcome of translation on the level of the idea itself, indeed we will find variation between the local and global idea. Hence, as we have seen above the local version is translated in the light of local context as the evidence of *Tawarruq* and *wa'ad* clearly revealed. The *disembedding* and *decontextualizing* of the idea in Libya implied the clearance of the source from any suspicions of *Tawarruq*. However, in contrast to the mainstream tradition of translation literature, the case of *Murabaha* on the level of peer organizations or the organisational field of the public sector validates the claim that translation may produce homogeneity rather than heterogeneity and the space for variance and differences becomes very narrow.

Our finding here seems to be inconsistent with a very limited fresh orientation among translation scholars who perceived that the field of Scandinavian institutionalism is fragmented and divided. More recently, the consensus among different camps of translation writers has begun to change. For example, Wæraas and Nielsen (2016) pointed to various studies, including, Mazza et al. (2005) and Kirkpatrick et al. (2013). While the former, although it underlined a low degree of homogenizing, emphasised different translations of the American MBA model in European universities, the latter showed that the translation of a *generic hospital management model* produced different meanings in England, France, Italy and Denmark.

In contrast, a study by Wæraas and Sataøen (2014) demonstrated striking similarities and homogeneity in structural components of translating reputation management. Consequently, the authors challenged not only mainstream Scandinavian institutionalists' assumptions that translation leads to the emergence of local distinctive versions, but also questioned the seminal model of translation as follows:

“Generally, the Scandinavian approach to translation shares the view of Latour that every translation is unique and leads to heterogeneity within

organisational fields. However, the recent development within Scandinavian institutionalism of emphasizing translation rules and practices may shift the focus towards homogeneity rather than heterogeneity as the outcome of translation.” (2016: 249)

Also, in as appeared as more subtle findings, Mampaey (2016) argues that homogeneity and heterogeneity *co-occur*. More specifically, the study distinguishes two levels where homogeneity or heterogeneity occurs in higher education institutions. In the first level, homogeneity is associated with the compliance of organizations with *highly endorsed institutionalized values*. In the second level, he found heterogeneity occurs in the meanings of these values. This shift in translation research towards understanding the process of translation as subject to *conformism* and *traditionalism* might at first glance seem surprising. However, (Sahlin-Andersson et al., 1996) has already remarked that case of the imported prototype of the *science park* when they emphasised that what was imitated was not the Silicon Valley, but the story constructed around its success. Therefore, the case of IB in Libya on the level of the idea itself exactly reflects similar patterns of change as it has been demonstrated in the case of *wa'ad* and *Tawarruq* when local translators maintained a distance from such global archetypes.

However, the organisational field of IB in Libya, as we have already argued, reflects strong *conformism and traditionalism* in adapting to institutional demands. Translation in this context tend to be bounded by the social and institutional powers mentioned above, including the CBL and Dar Al-Ifta which both as we shall see further in the upcoming analysis have exerted power on field members. Consequently, we agree with the recent development that may shift translation from its mainstream assumption about heterogeneity and variation toward more homogeneity and a low degree of heterogeneity and otherness. The latter could be more apparent on the level of practices. In this respect, as we shall see in the last part of this analysis, the data clearly showed different practices were invented by different banks mainly to legitimize Murabaha transactions and therefore gain customers' trust. The following discussion will show how the outcome of translating components of IB, particularly structure and technology, became homogeneous due to coercive institutional powers and contextual factors, including hierarchical control.

6.2 Organisations' response to change

The above discussion has highlighted the utility of the translation model in understanding how on the level of the idea, translation means transformation through decontextualizing and re-contextualizing mechanisms. Nonetheless, the analysis has shown that the outcome of translation on the level of the organisational field was shaped by a greater level of homogeneity, rather than the heterogeneity assumed by translation studies. There was only one source of IB contracts, “templates of change”, which was been copied by the other two organizations. This finding challenges the selected approach, because heterogeneity and variation as, shown in the literature review are taken for granted as core building blocks in translation and Scandinavian institutionalism, based on the premise that organisations react differently to institutional pressures.

Such findings may gain much support and better to be discussed in the light of institutional theory. Therefore, the idea of IB has led us to turn our attention to the idea of *isomorphism* articulated by Meyer and Rowan (1977) and DiMaggio and Powell (1991). The rationale for this can be depicted in Latour (2005: 23)' words:

“The task of defining and ordering the social should be left to the actors themselves, not taken up by the analyst. The best solution is to trace connections “between” the controversies themselves rather than try to decide how to settle any given controversy.”

Neo-institutionalism (DiMaggio & Powell, 1991) and the idea of model translation (Czarniawska & Joerges, 1996) are situated in two sharply contrasted theoretical assumptions, diffusion (Gabriel Trade) and translation Bruno Latour (see Czarniawska, 2008:770). Nevertheless, the two models share significant perspectives, as both are concerned with understanding organizational response to change (Boxenbaum & Pedersen, 2009).

According to the institutionalist perspective (Meyer & Rowan, 1977; Zucker, 1977; DiMaggio & Powell, 2000; Süß & Kleiner, 2008), organizations align their structures to gain legitimacy through compliance with institutional requirements. Similarly, Czarniawska (2014) stated that homogenising powers articulated by DiMaggio and Powell (1991) can best be described by the use of the metaphor *isomorphism* and its three types: coercive, mimetic and normative. According to her view, there is always a chance of seeing one of these kinds at play in the organisational field. DiMaggio and Powell (1991: 66) defined isomorphism as follows:

“A constraining process of environmental conditions. At the population level, such an approach suggests that organisational characteristics are modified in the direction of increasing compatibility with environmental characteristics; the number of organizations in a population is a function of environmental carrying capacity; and the diversity of organisational forms is isomorphic to environmental diversity.”

Accordingly, *deviationist* is a key to institutional analysis (Greenwood et al., 2013). According to this theme, avoiding conformity with socially expected values, norms or institutional demands become limited, because organisations that try to do so will be punished (Süß & Kleiner, 2008). Whereas, conforming to environmental requirements increases the likelihood of organizations to surviving, the opposite happens when organisations move away from institutional myths and institutional prescribed norms (DiMaggio & Powell, 1991). Institutionalists (see Oliver, 1991; Greenwood et al., 2014) are keen to give weight to and analytically accentuate such organisational behaviour.

In fact, according to our data, this apparently increases in the public banking context such as the Libyan one and when the subject of change is the idea of IB, which strongly attached to the system of faith and belief. This is indeed better to be interpreted in the light of the sector’s historical development and the outcomes practicing long-standing and intensive socio-economic policies. Hence, the Libyan case, as shown in Chapter 3, presents a unique setting because the banking sector is highly regulated and historically characterised by a high degree of political influence. Therefore, this resulted in a situation where public rather than private ownership has been the prevailing norm of capital structure of the Libyan banks. In parallel, overambitious, fruitless initiatives of de-nationalization, privatisation, and recently islamisation field to diversify the ownership structure of the sector. For these reasons the Libyan public banking sector can be regarded as a single organisational field. According to DiMaggio and Powell (1991:64.65) the organisational field is :

“Organizations that, in the aggregate constitute a recognized area of institutional life: key suppliers, resources and product consumers, regulatory agencies, and other organizations that produce similar services and products.

Based on this definition, the Libyan case exhibits an ideal organisational field as described above, not only because of the resemblances of its organisations or the inconsistency of its services or even the shared public ownership but to the high centrality

and overdependence on the central financial authority. More recently, as we shall see below, the notion of IB has made the Libyan banking system more likely to draw on religious authority. As our data has revealed, the intervention of Dar Alifita after the implementation of IB became more apparent and decisive. Therefore, the LBS is a hierarchal system because of the rigorous state ownership and the control of the central financial authority.

6.2.1 Emphasising the outcome of organisational field, homogeneity or heterogeneity

Wæraas and Sataøen (2014:2) point out that while neo-institutionalism emphasises that the field-level outcome of decoupling is increased structural homogeneity, its Scandinavian cousin predicts field level heterogeneity. Nonetheless, they have criticised the Scandinavian institutionalist perspective because of the lack of studies that address the outcome of such processes and the conceptual categories that help in understanding when and how heterogeneity and homogeneity can occur. Similarly, Haunschild and Chandler (2008) emphasised the importance of identifying the conditions in which homogeneity and heterogeneity are likely to occur. They succeeded in identifying such conditions by combining *in part* insights from learning theory with institutional analysis. In this context, it became clear, while neo-institutionalism has gone further to explain the outcome of the organisational field, translation literature seems to be silent on this matter. Here, the translation process of IBF in Libya presents one of the rare examples where two different types of organisational change have occurred and overlapped each other. To analytically investigate the process of change, the following discussion draws on a process philosophy approach mainly Greenwood and Hinings (1996) and their practical insights on two different types of organisational change, *radical* and *convergent* organisational change.

Radical and Convergent Change

To understand under what conditions the change to Islamic banking has produced a homogenous or heterogenous organisational structure, we will draw on this dichotomy, because it was illustrated in our data that change in Libyan banks has witnessed a radical shift in institutional arrangements (see Chapter 3). According to Greenwood and Hinings (1996:1024)

“Radical organisational change, or *frame bending* as it is sometimes evocatively known, involves the busting loose from an existing "orientation" (Johnson, 1987; Miller, 1982, 1990) and the transformation of the organization. Convergent change is fine tuning the existing orientation. It is radical, not convergent change in which we are interested.”

Similarly, Senior (2016) differentiates between radical and convergent change by explicating the scope and pace of this phenomenon. According to her view, radical change affects a wide range of organisational aspects such as systems, structures, values, missions and culture. On the contrary convergent change tends to be limited, small and occurs in a slow pace. In this context, transformation or the divergent in change process which happened in 2013 tends to be more radical; it might be better described as drastic, in which organisations faced losing core financial revenues. As Self et al. (2007) suggest, some changes may construct fundamental transformation rather than incremental. Therefore, we mean by organisational structure all internal organisational units that legally and institutionally required to be adopted by banking organizations, including management systems, Sharī'ah supervisory boards and their sub-units all of which were emphasised as necessities for transforming banking organisations to become Islamic.

In addition, institutional demands formulated by the central financial authority in Libya imposed a wide range of institutional and processual requirements, such as complete detachment between conventional and Islamic banking operations, autonomous management and distinct technological systems. The logic behind the full separation is embedded in a areligious commitment that forbids mixing sources and outcomes of Riba or banking-interest with Islamic banking operations (Sole, 2007; Khan, 2010). All of this has to be established by banks that seek to practise IB simultaneously with conventional banking (CBL, 2010). By drawing attention to the enactment of the law which forbids traditional banking practices, the peculiarity and bizarreness of this case can be revealed.

Therefore, the use of this dichotomy should not be seen as inconsistent with the ontological underpinnings of this study, which regard the process of change as emergent and continuous (Chia, 1999; Nayak & Chia, 2011). Rather, it intersects with processual analysis, because it captures the dynamic of the *event* (see Langley, 1999). As Pettigrew et al. (2001) emphasised, the importance of the *terrain* around the matter becomes crucial for understanding the enfolding of change.

In the context of IB, cases of incremental change can be seen on a wide scale including non-Muslim countries where banking systems become dual systems, simultaneously practising conventional and Islamic modes finance (see Shafi et al., 2016). On the other hand, radical change occurred in a few countries including Pakistan, Iran, Sudan (Iqbal & Molyneux, 2016) and more recently Libya. In the latter case, driven by major socio-political change the whole banking system drifted to radical change. Therefore, a distinction between incremental and radical change would help us to build robust devise between the outcome of translation processes and the dynamics underlying field homogeneity as opposed to heterogeneity.

This finding is in line with Weick and Quinn (1999) observation that this typology which is similar to first and second order change continues to inspire data collection and theorising about change. Therefore, according to Oliver (1991) strategic responses differs when the degree of choice and activeness is not assumed to be invariant. Also, Orlikowski (1993) made clear that organisational responses to innovation during incremental and radical change was different. Recently Senior (2016) echoed this distinction among several types of change. Her view on radical change indicates large *corporate transformation* that affects the whole organisational life. Nonetheless, what should be noted here is that this typology still emphasises the actor's choice. In contrast, the Libyan case exhibits limits on such freedom to alter the course of change or avoid institutional pressures.

To illustrate the difference between the two conditions in transformation to IB, consider the following accounts made by some of our interviewees. The Manager of Islamic Banking Division at Al-Wahda Bank stated:

“Of course, in establishing Islamic windows (IWs), JB was the first and preceded but our bank especially our strategic partner has insisted on a different strategy. They attempted to gain the first approval for complete Islamic branches. It was the first bank approved to open complete Islamic branches. The strategy was to form the components of a sub-group of the Arab Bank, which would follow agreement on opening two branches. This group would be separate from Al-Wahda and it will have its own management system.”

The above quotations clearly acknowledges variation between members of the organisational field. As stated by the participant, Al-Wahda bank, of which the

commentator is one of their senior managers in the field of IB, clearly planned for a distinctive approach to IB. During the time of incremental change, the bank through its strategic partner established plans for incremental large scale transformation. One major component of this plan was to split up the company into two independent organisations. According to our interviewees, the aim of this strategy was to increase its market share by benefiting from the experience of their foreign strategic partner. Al-Wahda bank has relied on its Jordanian partner to establish *a strong start*; the following quotation, by a member of IB committee at the CBL elaborates further on the bank's past plans:

"I was a member of the bank's SSB. There was a plan for stronger groundwork and readiness to change because the strategic partner wanted a powerful breakthrough and not merely a typical start up."

Therefore, with strong emphasis on groundwork, the Al-Wahda bank like the other two banks, was aiming to dominate the emergent market. However, all the previous plans changed when the revolution and political turmoil started in 2011. According to our participant, managers faced a difficult situation, which required them to approach Murabaha and applying Islamic finance without taking into account any of the existing plans. As the following quotation by the Assistant Manager of IB explains:

"However, everything changed after 2011 and now it is more affected after the enactment of the law no 1 of 2013. The bank has drifted to implement Murabaha without considering any of our previous strategic plans."

However, while Al-Wahda was struggling to cope with the vacuum left by the decampment of its strategic partner, Al-Jumhouria bank, was enjoying a healthier position. The bank, in contrast with Al-Wahda, merged with other local bank and became the largest financial group. Therefore, Al-Jumhouria's interviewees have emphasised a different strategy. Besides early adoption of IB, the bank established a different approach as the Assistant Manager of Auditing department commented:

Of course, our bank has taken a huge risk and approached this stage of transformation at an early time. There are deals in the market, we could see that and we must benefit from this opportunity. Our bank has introduced different types of Murabahas. We began with computer devices, home appliances and furniture. Now the bank sells construction materials and cars.

The participant continued

“Therefore, in terms of return, the outcome of these experiments are promising. We have seen increasing profits exceeding the outcomes of traditional banking.”

This clearly indicates that the bank relied on experimenting with small Murabahat, investing in retail marketing. Through this, the bank took a leading position and became more mature. As we mentioned above, the idea requires special institutionalising processes including the hierarchical structures. Therefore, the structure of IB constitutes the SSB and its oversight and auditing subsidiary units, both in Regional Headquarters (RHQs) and on the level of banking subsidiaries.

The subsidiaries of the three banks have all established the Islamic departments, or in some cases, have mobilized and modified the conventional structure (credit departments) to absorb Islamic transactions. However, *isomorphic* pressure imposes also specific requirements for organizations that adopt a dual strategy or incremental change. It requires banks to maintain complete *separation* between the two models of finance (Sole, 2007; CBL, 2010). Therefore, Islamic banks can maintain full *segregation* and accomplishing Sharī‘ah and institutional requirements through IWs (Ginena & Hamid, 2015).

Yet, as we have seen and we will see below as well, the transformation processes of IBF displayed different field level outcomes under two conditions. During the time of incremental change, when room for strategic manoeuvring was available, organisational response varied. In fact, this analysis denotes two important implications for studying organisational change. The first corresponds to Oliver (1991:145) as follows:

“Strategic responses that vary in active organisational resistance from passive conformity to proactive manipulation.”

The second corresponds to the translation approach, which also rests on the premise that organisational response to change will vary, heterogeneity rather than homogeneity is the prevailing norm of institutional response. (Czarniawska & Joerges, 1996; Czarniawska-Joerges & Sevón, 2005; Morris & Lancaster, 2006; Doolin et al., 2013; Wæraas & Sataøen, 2014; Cassell & Lee, 2016).

In this context, while one organisation adopted the idea of IB earlier, the other two banks followed. As a part of institutional demands, the bank established the first Sharī‘ah Supervisory Board (SSB) as well as formulating the first Murabaha contract which, as we

have noted was copied by others. Nonetheless, it is worth noting that we do not consider that strategic behaviour of the bank as passive conformity, as might be implied in some of the institutional analysis. Rather, this response can be considered as very active and driven by internal incentives of early adopters. However, neither the NCB nor the WB formed their SSBs. The Al-Wahda bank as the above quotation shows, formed a different strategy characterised by a strong desire to keep a larger share in an emergent market. According to their strategy, the bank intended to establish Islamic banks network as well as keeping their conventional subsidiaries. Most importantly, strategic manoeuvring demonstrated the NCB attempted to achieve two goals. First, the bank has avoided the establishment of the SSB and swiftly introduced Murabaha transactions without considering institutional pressures as the member of IBF's Affairs Committee at the CBL recalls

"I remember when I met the CEO of the NCB in present of the Grand Mufti who was dissatisfied and asked him how you began the implementation without establishing the SSB. The CEO replied, we took the contracts from a SSB (without specifying).

However, the strategic manoeuvre of the bank was rejected also by the CBL and there was a period of struggle between managerial bankers and Shari'ah representatives. According to one of the bank's SSB members:

"It was problematic, the bank did not respond to our inquiries. We had to pause the transactions because the CEO objected our authority. Thanks, to the regulation, we are not a subordinate unit of the executive management, only technically we follow them."

The religious establishment represented by the Grand Mufti advised people not to engage with the NCB's Islamic transactions (see Al-Ghariani, 2010; 2013). As a result of such coercive institutional pressures, the bank confirmed the establishment and activation of the SSB (see Masarif, 2013). Thus, the case of the NCB during a time of incremental change has shown how some banking organisations select not to conform to institutional demands. Rather, their strategic response was differed. While one organisation swiftly adopted and conformed to institutional demands, one of the other two, showed an avoidance response and the other aimed at a more broad, comprehensive and distinctive response.

In another strategic manoeuvre, the NCB altered the margin of Murabaha with the aim of attaining a competitive market share, as the narrative of the Assistant Manager of Sharī‘ah Auditing department clearly demonstrates:

“At some point, there was a risk, especially when the CBL has imposed financial penalties upon our bank, which altered the margin of Murabaha and increased the number of instalments for longer period. It was an internal decision only for our bank and the bank was able to attract a segment of costumers from other banks.”

However, similar to the case of avoiding institutional demands, the act of altering the margin of Murabaha was considered by the CBL (2013a) as violation to rules and regulations governing businesses of Islamic banking.

The above discussion clearly shows that translation might not be considered as an open-ended process. On the contrary, the analysis presents an ample evidence that heterogeneity was a temporary phenomenon which may not last for long, due to the influence of institutional pressures exerted by central authorities.

However, the following discussion will concentrate upon another aspect of the change process, which is technological change.

6.3 Translating IBF- A trap of technological change

Another major theme that became dominant in the analysis of translating the idea of IB is technological change. However, what is more important the technology per se whether in Islamic or traditional banks, in translation and change is how to fit the new idea into the existing technological system. Based on the study’s findings the question can be posed as, how can traditional banks accommodate the new idea within their large, complex technological system? This is something cannot be predicted as linear or even planned change like those we reflected upon in our discussion in Chapter 1. Furthermore, even the literature of IB, which seems to be silent on technological change holds no answer to this dilemma.

Thematic analysis based indicated that processes of technological transformation are mostly complex, laborious and troublesome. Therefore, the aim of this analytical account is to elaborate upon technological change from the perspectives of users particularly how they struggle to accommodate technological change that facilitates the process of

implementing IB. Furthermore, the technological change enables banking organizations to comply with institutional demands exerted by the central financial authority. The latter has urged banking organizations to maintain complete technological separation between conventional and Islamic banking operations. Although, such a distinction might be imagined as an easy task, in practice our data revealed that technological change in this context is best interpreted as in Czarniawska and Joerges (1996:19) words as the “*nasty side of technological change*”.

Thus, based on translation derived from Actor Network Theory (ANT) chiefly founded by Michel Callon, Bruno Latour, and John Law (Horowitz, 2012) we gain some limited insights about the processes of technological change. The purpose here is not, however, to conduct a systematic ANT analysis based on very common assumptions or four moments of translation *problematization interessement, enrolment and mobilization* (Callon, 1984), because we could not see such articulation. Hence, the following views on technological change are derived from the perspective of the users or bankers in branches. Therefore, our aim here is to discuss our findings in terms of technological change in the light of the translation model.

As our data revealed, the findings of this study indicate that actors/organisations do not simply remove and install complete technological systems. This finding matches exactly Doorewaard and Van Bijsterveld (2001)’ observation. In addition as Holmström and Robey (2005) suggest, the subject of translation (technology) becomes in a state of constant transformation by social actors . As Latour’s words explain:

“The spread in time and space of anything – claims orders, artefacts, goods – is in the hands of people; each of these people may act in many different ways, letting the token drop, or modifying it, or deflecting it, or betraying it, or adding to it, or appropriating it.”

(Latour, 1986, in Czarniawska & Joerges, 1996:23)

This analysis of technological change in the Libyan banking context revealed that in the early stages of introducing the new idea, conventional banks in Libya searched for technological change, in order to obtain the best technological solutions for IB. Without exceptions, in the three cases, interviewees described contracting consultants to import technological solutions. The informants were in consensus about their banks had sought

technological change, as the following quotation by an Assistant Manager of IBF at the NCB commented

“We have the Flex cube core banking system for traditional banking operations. However, we have contacted the company but we are not seeing any outcomes. We shifted to other offers FACT, Temenos 24, and the last was ITS. The latter is the same system as operates at the Kuwait Finance House. We visited the company and we have reached an agreement but we did not reach any outcomes because of the current situation and some other issues I do not want to mention.”

Others gave similar accounts. However, at the Al-Wahda bank, it became evident that this bank as we have noted earlier is faced a greater struggle in dealing with technological change because of the break its strategic partner as the following account by the Assistant Manager of the IB division illuminates:

“The whole IBF project including the interconnecting system with the Arabic Bank was belonged to and was under the control of the foreign management. Yet our bank has lost communication with the company that operates the core technological system. Therefore, this caused a major vacuum. We have been trying to re-operate the system but there is also the decision of the transformation, which is not exclusive to our bank but for the whole sector.”

However, even in the exemplary organisation, the outcomes are not as expected. Consider the following comment by the Assistant Manager of Auditing department at Al-Jumhouria bank:

“We have been having some problems. We are working with four TSs. We need to unify these systems at a single one. As you know, we have one hundred and sixty branches, eighty of them operated with the old version. These are easy to shift to the version 12th and the rest of the branches are in need of more time to update their TSs.”

In this context, banks undergoing transformation from conventional to Islamic operations do not simply install a complete operating technological system. In fact the process is more complex and difficult. Existing technological systems themselves are complex and rooted in wider organisational networking. The Libyan case is further complex because of the centrality that the main financial authority places it on banking technological systems.

The CBL as a part of its strategic plan established in 2005 after the period of *Inftah* (see chapter 3) has created a unified technological system with technological relatedness regional branching. This process was not accomplished. Therefore many banks remained out of the new core technological system, as the following quotation by the Head of a Murabaha department explains:

“Branches of the bank are widely disseminated across the country. Therefore we have branches so far not connected to the unified electronic system. This is a major obstacle. This is one of the previous change projects started in 2010 or 2009. In fact, there are branches in the eastern province that have not been connected, they are working on old systems. This has created further complexities in establishing proper technological change.”

This development has led to further complications in technological change associated with the transformation to Islamic banking. Therefore, banks are working locally to find practical solutions. Consequently, “the nasty side of technological change” as briefly described in Czarniawska and Joerges (1996) became more apparent in the process of translating Islamic banking. Technological change involves communication negotiation between actors on the front line (users) and central regional authorities. As a consequence and according to our analysis, the most workable technological solutions to enable change are local modified tools. Those solutions are produced in “alignment” between “networks” of different actors, including actors on the front lines at the branches and central technological experts mainly working at regional headquarters, as the following comment by the head of the credit department at the Al-Jumhouria bank suggests:

“We have our technological support team and we usually collaborate with them. We provide them with our needs or information about obstacles. For example, they ask, what do you want to add to the system or to cancel? Sometimes they add some features from there and they ask us to provide feedback.”

Consequently, the existing system hosts both conventional and Islamic models and alternatively temporarily local modified software was created to integrate the new idea separately or within the standing system. For example at the Al-Wahda bank, the Head of Murabaha department stated:

“The bank has developed the Access Point System but it did not work. We have examined this program and we rejected it because it was too complicated. We found that the “Excel” software which was also developed

by our engineers was more efficient and easy to manage. Although it is a primitive system, it works well, through fast processing.”

Similarly, an assistant manager at the branch depicted:

“We do not have a sophisticated technological system for IB. There is a local modified system. Look, I will tell you something about the current operating system. We have been managing depositing customers’ salaries through a complementary and integrated system because the current system does not support operations of depositing customers’ wages.

The assistant manager of the branch continued:

“We established something else you could call as a “modification” to deposit salaries and then transfer them to customers’ accounts.”

However, in other cases, actors repeated turning back to traditionalism, for example, by increasing the number of personnel to fill the vacuum left by difficulties in obtaining appropriate technology. This was the case with the head of Murabaha at the NCB, who critically described:

“We are working through increasing the personnel to fill the gap of mechanization. The current system is not working, as it should be. In addition, the amendments that have currently been made did not keep up with the development of our work nor reach the desired level that we aspire to.”

Yet, technological change somehow is a processes of fitting and adjustment of both the idea and the activities (Czarniawska & Joerges, 1996). However, in such a situation where there is a lack of similar studies concerning technological change associated with transforming banking practices, the study of Doorewaard and Van Bijsterveld (2001) concerning analysing the integrated approach to IT management, to our knowledge is became the only study that we think may shed light and enables to understand the case of Libyan banks. The authors argue that:

“The process of translating the integrated approach to IT management resembles the process of osmosis than it does the process of cloning.”
(2001:55)

By *osmosis*, the writers show that new ideas are not simply imitated. Rather, new ideas must pass through existing networks of power and different organisational and cultural elements. Consequently, change to a new technological system does not happen at once. In contrast, the process revolves around *intermingling* and *re-interpreting concepts and*

practices. Therefore, through such ongoing processes, the organisation can begin to realize only some features of the implemented approach. However, it is worth noting that the above mentioned study has relied on an analytical framework rooted in ANT theory and translation that built on *alignment, enrolment, congealment and hegemonic power*. In the Libyan case, recognizing such translation processes would require interviewing actors involved in designing and producing technological change at the central technological authorities, which was beyond the sample of this study.

Therefore, the importance of this finding reflects how the three banks are trapped in technological change. The three organisations encountered a similar situation in terms of technological change. This finding in line with previous discussion, indicated that translation of IB certainly is more homogenous than it has been imagined by the set of assumptions derived and popularised by Scandinavian institutionalism.

6.4 Summary

Having reflected upon the process of change, this part of the analysis of empirical data begun by highlighting the importance and utility of the selected approach of translation to trace organisational change. The translation approach on the level of the idea evidently contains key instrumental analytical themes. These include the core building block of translation, which is the travel of the idea. Indeed, the importance of translation in this context lies in the emphasis of this approach on two important concepts of decontextualizing and re-contextualizing the idea that is the main subject of the change. On the level of process, the analysis revealed a key event in the process of changing conventional public banks to become Islamic, is that the process of change has been itself a subject of change. Herein, the main event (the enactment of new law) which moved the process from incremental to radical or frame-binding change consequently has had a significant impact on our understanding and interpretation of this change and more importantly translation. Surprisingly, it invites us to recall and consult institutional theory. The discussion created complexity in regard to translation and Scandinavian Institutionalists' assumptions. First and foremost, the finding of this study matches both branches of institutional theory, neo-institutionalism and Scandinavian institutionalism.

There was ample evidence that during the time of incremental change, the three organisations experienced different and competing strategies. This matches the underlying assumption of Scandinavian institutionalism which is that heterogeneity rather

than homogeneity is the outcome of translation. It also implied accentuating that organisational change is an open-ended process. However, this dynamic seemed to be a temporal outcome which did not persist for long. Moreover, even with this variance in organisational response to change, there has been significant evidence which signals that the process was also characterised by conformism, traditionalism and significantly copying the practices of earlier adopters. Through interpreting the data during times of radical and incremental change, we also found that the intervention of state agents, institutional pressures as well as contextual factors not only were visible but also had an active role. This resulted in reversing heterogeneous practices contrary to the assumption of translation, which stresses heterogeneity rather than homogeneity as the prevailing force of organisational change.

Consequently, while this calls into question the translation approach, it was evident that these findings were consistent with a rare, latest development in translation studies that has started to highlight regularities and indifference, challenging key assumptions of translation about homogeneity and heterogeneity. Therefore, invariance or variance in organisational response to change should not be understood as a static temporal feature of organisational change. Rather, the dynamic within the process of change may shift organisational response to a different direction. Further reflection on this issue will be presented in the following chapter in the last part of this analysis which concerns the unintended consequences of this change. In this chapter we will focus further on the outcome of translation and where exactly actors began to alter the course of translation through dealing with the unintended consequences of change.

Chapter 7 The Unintended Consequence of Change

This chapter continues with the analysis of the findings which pursue the answer to the research question concerning how change to Islamic banking has been constructed and translated in different banking organisations and with what unintended consequences. Previous analysis highlighted the spread of the idea of IBF in the Libyan context and how this idea has been translated and copied in organisational settings. The following discussion is an attempt to link the outcome of this change with the change process through concentrating on the unintended consequence of implementing the new idea. In the following discussion I will elaborate on the concept of unintended consequences and why this concept has become an important theme in the analysis of organisational change.

Unintended consequences of change have been for a long time a significant theme in organisational change literature (Jian, 2007). Czarniawska and Joerges (1996) criticised presentation of the planned organisational change approach as complemented by unintended consequences and further they questioned “where the unintended consequences come from”. Nonetheless, MacKay and Chia (2013) argue that the use of “unowned view of change” (see Chapter 1) elevates the unintended consequences arising as a result of deliberate choice. However, as we have seen in previous analysis, the process of change in this context is better described as *unowned process*. Hence, the influence of organisational actors is restricted by both social authorities and constraints driven by social context. However, our review of the literature on the unintended consequences has shown little agreement on how unintended consequences of organisational change should be analysed.

As Latour (1987 In Jian, 2007) suggests, a process that produces unintended consequences remains as a *black box*. In the same volume (Spabey, 1996) acknowledges that the aggregate of social actions produces unintended consequences that are difficult to monitor and predict. As a result, there is no disagreement on the inevitability of the unintended consequence of change. Certainly, in the context of transformation in Libya, as our data will show, Spabey’s view is applicable because inserting the idea of IB has increasingly produced a wide range of unintended consequences. Some of them have a direct relation to the idea itself, others stemmed from divergent in the change process, or changing the change (moving the change from an incremental to a radical form).

While this study is aware of a wide range of unintended consequences including financial losses, this part of the analysis will focus upon two main themes, which are legitimacy and legitimisation as main but not the only unintended consequences of transforming banking organisations to Islamic banks. The main reason behind this deliberate choice is because we can see something is emerging through actors' response to the unintended consequences.

Moreover, addressing the unintended consequences of social actions, creates further space for seeing different translation processes. More importantly, as we shall see, it depicts the dynamic, movement and the ongoingness of change (Englund & Gerdin, 2014). The unintended consequences can re-produce the chain of actors and yet as the idea of IB illustrates, actors' response creates room for supplementary but focal translation. Consequently the emergence of additional and sometimes voluntary practices becomes evident. This finding is in line with Giddens (1984) three scenarios in which a researcher could trace the unintended consequences of social actions. However, first and foremost (Giddens, 1984:13) is in agreement with Merton (1936) on the emphasis upon the *significance of connecting the unintended consequences with institutionalized practices*. Nonetheless, (Giddens, 1984) is keen to stress that these situations can be separated from each other only *analytically*. Thus, the three insuperable situations are summarised by (Jian, 2007:9) as follows:

One, research should identify the role of human agents in the sequences of events. Second, Giddens suggests that patterns or regularized behaviour from "a complex of individual activities" (p. 13) be studied. The emphasis should be on the intentional conduct of multiple players in the events. Finally, research should analyse how unintended consequences constitute system reproduction."

While I should acknowledge the difficulty of separating these contexts, previous analysis has produced core information to understand the roles of various actors, including the roles of social authorities in shaping the change process, as well as the wider social context which certainly is being shaped by hard debate over the legitimacy of IB transactions. Therefore, as Czarniawska and Joerges (1996) eloquently confirmed, the chain of translation does not end at the point of constructing and running the project. Yet, according to this view Scandinavian institutionalists depart from Latour (1986)'s point of view. The latter considers translation as *open-ended process* (Nicolini, 2010). The

analysis of translating IB reveals a threshold of dynamic interaction of the chain of actors that evidently emerges at the point when the idea becomes institutionalised. As we have seen in previous analysis, the idea of IB has passed through decontextualizing and re-contextualizing and clearance from suspicion of Tawarruq, Riba and possibly other features which are unwelcomed in the context to which it has been imported. Although, this does not guarantee a legitimate status, it shows that the idea became embedded and institutionalised in the new context. As Czarniawska and Joerges (1996) suggest, the idea acquired an action-form which later become an institution. Therefore, the idea became a part of the wider fabric of the organizing sitting including structure and processes, not to mention the important system of meanings and language.

Therefore, this analysis will begin by addressing where the unintended consequences in the context of transforming banking organisations come from. Simultaneously, the analysis will demonstrate how the insertion of a new idea has re-produced the chain of continuous practices following the institutionalisation of Murabaha transactions. Therefore, the following will discuss the theme of legitimacy.

7.1 Legitimacy

In the context of legitimacy, the work of Deephouse and Suchman (2008) “*Legitimacy in Organisational Institutionalism*” presented main affirmative definitions of organisational legitimacy. In this respect, the work of Weber (1978) who suggested that legitimacy is a about conformity with broad social standards and formal laws offers fertile ground for the growth of legitimacy research (Deephouse & Suchman, 2008). Following this, the work of earlier and new institutionalists including (Parsons, 1956; 1960; Dowling & Pfeffer, 1975; Meyer & Rowan, 1977; Pfeffer & Salancik, 1978; Czarniawska-Joerges, 1989) and many others including more recent work (Suddaby et al., 2017) have contributed to the development of legitimacy research. However, in spite of the rapid development of legitimacy, there is still little agreement about what legitimacy mean.

In the context, Deephouse and Suchman (2008:50) indorsed the work of Meyer and Rowan (1977) in making legitimacy central to the analysis of institutionalism and they attributed the following first *in-depth definition* to Meyere and Scott (1983)

“We take the view that organisational legitimacy refers to the degree of cultural support for an organization – the extent to which the array of established cultural accounts provide explanations for its existence, functioning, and jurisdiction and lack or deny alternatives... in such [n] instance, legitimacy mainly refers to the adequacy of an organization as a theory. A completely legitimate organization would be one about which no question could be raised. [Every goal, mean, resource, and control system is necessary, specified, complete and without alternative.] Perfect legitimation theory, complete (i.e., without uncertainty) and confronted by no alternatives (p.201).”

While Deephouse and Suchman (2008) noted the emphasis of this definition on “cognitive aspects” of legitimacy, which expressed in explanation, theorization, and the lack of alternatives, they emphasised its popularity among new institutionalists such as DiMaggio and Powell (1991). However, in presenting this definition Scott (1991) included a very important element, which is the notion of an “*increasingly complex and differentiated symbolic environment*”.

The second definition in Deephouse and Suchman (2008) is a cluster or aggregation of (Hirsch & Andrews, 1984:173-174) explanation of performance challenges facing organizations. They defined legitimacy as follows:

“Performance challenges occur when organizations are perceived by relevant actors as having field to execute the purpose for which they are chartered and claim support. The values they serve are not at issue, but rather their performance in ‘delivering the goods’ and meeting the goals of their mission are called into serious question ... Value challenges place the organization’s mission and legitimacy for existence at issue, regardless of how well it has fulfilled its agreed-upon goals or function. ... [Both] entail fundamental challenges to the legitimacy of an organization’s continued existence. Each places the target in an inherently more untestable situation than is addressed in comparative or longitudinal examinations of administrative efficiency.”

As the above quotations illustrate, both definitions stress “congruence” (Suchman, 1995) a broad correspondence between the organization’s goals, performance and social norms and values. Such a perspective corresponds to open system theory (cf. Scott, 1991). Another definition adopted by Suchman (1995:574) seems to be motivated more clearly toward the role of *audience* in evaluating the legitimacy of organizations and actions, as follows:

“Legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions.”

The latter definition has a clear focus upon the *action* of entity and the socially constructed system. In more recent work on legitimacy, interestingly Suddaby et al. (2017) did not combine the noun legitimacy with any adjectives or any organisational or institutional linguistic antecedents. Legitimacy in their current review, appeared alone. Therefore, although scholars have agreed on the centrality of the concept of legitimacy to management and organisational research, the conceptualization of this phenomenon has often been described as puzzling, delicate elastic and characterised by a plethora of definitions (see Suchman, 1995; Deephouse & Suchman, 2008; Suddaby et al., 2017). Similarly, typologies of legitimacy also have witnessed significant proliferation.

Scholars from various research traditions have underscored multiple and different typologies of organisational legitimacy including many types and subtypes of this organisational phenomenon (See Ashforth et al., 1990; Shuman, 1995; Zimmerman et al., 2002; Deephouse & Suchman, 2008). More recently, Suddaby et al. (2017) stated that legitimacy has been understood by the different camps in the research communities in three main archetypes, which they have termed as follow:

Legitimacy-as-property: legitimacy is a property, an asset or a resource – a thing - possessed in measureable quantity by some legitimacy object in relation to others.

Legitimacy-as-Process: legitimacy is viewed not as a thing but as an interactive process. From this view the term “legitimacy” is perhaps less revealing than the term “legitimation”.

Legitimacy-as-perception: studies, by contrast, see individual and collective cognition the fundamental mechanism through which legitimacy is constructed.

The following discussion elaborates only on legitimacy as process because, as we shall see it addresses exactly the case of IB. In this context, Suddaby and Colleagues suggest three questions to examine legitimacy. *What is legitimacy? Where does it come from and where does it occur?* Theoretically, in *legitimacy-as-process*, researchers adopt a social constructionist stance (Berger & Luckmann, 1966) whereby reality is understood as

socially constructed (Suddaby et al., 2017). Thus, different people construct different realities through the use of meanings (Burr, 2015). According to this perspective Suddaby et al. (2017:24) adopt the following definition of legitimacy:

“ A process by which cultural accounts from a larger social framework in which a social entity is nested are construed to explain and support the existence of that social entity, whether that entity be a group, a structure of inequality, a position of authority or a social practice” (Berger, Ridgeway, Fisek, & Norman, 1998, p. 380).”

One important stance in this definition, which is consistent with legitimacy in Islamic Banking, is the emphasis upon social constructed context. In IB this context rests on the dichotomy of halal /haram and this does not come solely from Shari‘ah professions who are supposed to work as accreditors but is an open debate and the role of the public in constructing legitimacy is widely recognised and influenced by various schools of thoughts and opposed religious opinions. For example, viewing the website of Dar Alifta (Religious Establishment) in Libya reveals thousands of fatwa (religious opinions) in regard of banking and business. Therefore, given the vivid debate about practicing Islamic banking transactions outlined above, IB can be viewed as an ideal socially constructed context. Consequently, as Suddaby and his colleagues suggest legitimacy in the light of the process view does not stem from institutional pressures but from socially constructed cultural context. This also seems consistent with Suchman (1995) emphasis on the role of “*audiences*” in evaluating organisational legitimacy. Similarly, Zimmerman and Zeitz (2002) noted the importance of legitimacy in new ventures which also addresses evaluation of aspects of legitimacy mainly by socially constructed context. According to their findings, legitimacy is a crucial dynamic for new ventures because it allows for building strategic choices to acquire resources and achieve growth. This view of legitimation as process consequently as we shall see, allows for seeing legitimacy not as a problem but also as an opportunity. With this stance, legitimacy creates an open space for social action, as the following three illustrative examples from the three banks show:

7.1.1 Legitimacy in Islamic banking – empirical evidence

Legitimacy has occupied a central position in the study of IB because as previous chapters elucidated, there is a strong association between the idea and people’s faith and belief. Furthermore, the relationship between customers and banks is delicate and crucial for successful implementation. The majority of interviewees stressed the complexity and

challenges that actors face in persuading customers that practices of IB are halal or permissible from a religious point of view. Above all, the study depicts the relentless effort of banks to acquire legitimacy. For example, remembering the earlier days of introducing the new products of Islamic finance, a head of Murabaha department in one of the three banks recalled as follows:

“We encountered a significant problem, real difficulties, customers are aware, and they deduce with proof. For now, this is the focal point. They are very keen on making sure and gaining assurance. They even go to religious scholars and they ask our colleagues as well.”

According to the core point in all the different definitions of legitimacy, which is *congruence*, there is not much difference between the concept of legitimacy of IB and its counterpart in Western contexts. Both Islamic banking and Western contexts share similar principles about the *congruence* of an organisation with social laws. The very subtle difference can be depicted in the nature of these laws, which differ in Muslim communities. In Islamic banking, legitimacy is strongly associated with religion and faith. People tend to be cautious towards accepting Islamic banking transactions if there is any suspicion about their conformity with the principles of Sharī‘ah. The latter, as has been continuously highlighted, is always interpreted in many ways. This creates the wider socially constructed context, which Suddaby et al. (2017) for example pointed out the place where legitimacy as process is likely to occur. Also, Suchman (1995) emphasised the consideration of the action of organization as being endorsed within a socially constructed system of norms, values, beliefs. However, in the context of IB, this socially constructed system seems to be more intense because of the dispute among religious camps. Hence, based on the interpretations of particular social groups such as religious authorities or individual clerics, people will decide to accept these transactions or reject them. Therefore, as the following quotation by the Assistant manager in one of the three branches encapsulates, the main questions being posed are, is this transaction halal or haram? Is there any suspicion of Riba or any other issues that may break the rules governing such transactions?

“The first question recently encounters bankers is the following. Is this transaction halal or haram, does it permissible under the Sharī‘ah or not?”

In addition, consistent with Deephouse and Suchman’s (2008) stress on the focus of (Hirsch & Andrews, 1984) on conceptualizing legitimacy in relation to questioning the

organisation, we could depict that not only the idea itself is under the attack of the audience (whether halal or haram) but also the way in which banks are delivering the transactions becomes critical in evaluating their legitimacy. Therefore, the actions, actors, and procedures of conducting the transactions are likely to be criticised as non-compliant with Shari'ah principles. The latter is a set of steps produced by Shari'ah professionals that must be followed in a sequential order. Accordingly, any neglect or misconduct to any step erodes the legitimacy of the whole and it becomes haram or unlawful. As the following quotation by the Manager of one branch pointed out:

“There are some who misinterpreted the Fatwa. Therefore, they thought that Murabaha could be conducted in any way, whatever you do is right. Bankers must be dedicated to the conditions of lawful Murabaha. Some do not adhere to the rules and conditions of the transaction. For example, they conduct the process of buying and sale simultaneously. They should first buy the car and own it, then they could sell it.”

The manager continued

“Not only this point, there are specific forms and contracts that we should stick to, but unfortunately, employees of Murabaha for many reasons do not follow required procedures. For example, they want to help customers by merging different stages or steps. Sometimes, they are in a rush to finish the transaction, to save time and get rid of the task. Thus, they give all the forms and contracts to the customer at once. This is wrong. They must adhere to the sequential steps described in the instructions of the SSB, which literally state that [Murabaha will be considered halal in accordance with Islamic Shari'ah if the responsible employees stick to the regulations stipulated in their guidelines and directives].”

In the same vein, the assistant manager of IB also commented on the role of bankers in affecting the legitimacy of organisations and Islamic banking transactions as follows:

“Sometimes a competent employee breaks the sequence of the steps by making the client sign the contract before the bank signs the buying contract from the car company. This is where the defect occurs. Sequentially has a role in the purchasing and thus the contract becomes questionable in terms of legitimacy.”

Another example, of how the legitimacy of banking organisations came under the attack of customers and the wider social context is illustrated in a crucial point which is the

possession of the item or commodity that is the subject of the contract. In respect of this, a member of the IB committee at the Central Bank tells recounted the following:

Murabaha was criticised and they said...how do you do that, you who bought and you who sol? The sale is permissible in accordance to the text of al-Imam al-Shafi'I's main book.

He further, narrated the manuscript, which permits and theoretically underpins Murabaha.

“If a person shows another person a commodity telling him: purchase this for me and I shall give you such and such profit margin, this deal is lawful. The person who offered the profit margin enjoys the option of either completing the deal and this is a legitimate text from al-Shafi'I's main book. Therefore, the sale is permissible.”

He went on to emphasis the legitimacy of the bank's acquisition of the items:

“The fact that, I (bank) owned the item whether it was for some days or some hours it doesn't matter, I have guaranteed the item and I am capable to sell it and make a margin of income. How do I do that? By converting the sale to a loan. Thus, I achieved the goal and I have made a profit. Simultaneously, I have acceded to your legitimate needs that you have required from the bank. Thus, I have owned, guaranteed and I have the right to make profit. Unfortunately, Murabaha was criticised, they said, you have made two deals on one sale. We have introduced it in an accepted formula in an inconvenient environment.”

Based on the above discussion, the findings of this study confirm that one of the most important unintended consequences of change and translation of new idea is legitimacy. Thus, legitimacy occupies a central position in the analysis of this change. Furthermore as the following discussion will elaborate, while Legitimacy and acquisition by organisational actors are considered to be problematic, the analysis of this study confirms legitimacy constitutes a space for *re-production*, where actors or translators become active players in responding to the challenge of legitimacy. In this context, also, I argue that translation process under the condition of radical and full-fledged Islamic banks reflects theoretical premises of heterogeneity and open-ended process at a point subsequent to the institutionalisation of the idea. The following section will discuss how different actors in the field of Libyan banks respond to the legitimacy challenge.

7.1.2 Legitimation and legitimacy as process

In this context, Suddaby and Foster (2017) outlined three key ways in which the legitimisation process occurs. Among other trends elaborated, they highlighted legitimisation as *persuasion/translation/narration* as follows:

“1. Persuasion/Translation/Narration: A significant group of researchers identify legitimisation as a process of persuasion and influence “grounded in language” (Nielsen & Rao, 1987, p. 523). In this view, legitimisation is a process of collective meaning-making that occurs through language (Searle, 1969; Zilber, 2006), communication (Suddaby, 2010b), and the translation of texts (Czarniawski & Jorges, 1996).”

Given the importance of the socially constructed system in Islamic banking and the debate about the legitimacy of its transactions, the following examples will show how legitimacy constitutes a space for new practices. Consequently, some patterns of additional or supplementary translation activities became more visible. In fact our observation to such practices show a very subtle degree of continuity and ongoingness of the translation and change.

The first empirical example illustrated below shows how one of the three banks engaged in legitimisation process. The assistant manager of IB described how the bank enacted additional practice to avoid the suspicion of Riba (usury) in Murabaha transactions and as follows:

“In order to keep away from doubts about Riba, which frequently happens as a result of employees’ errors, we reached an agreement with car suppliers to get a free charge for one week. During this week, there will be a sign on the car indicating reserved for the bank.”

In the second example, an assistant manager of Sharī‘ah oversight at another bank narrated how he and his team had suggested and implemented additional practices to reassure the customers that the transactions were permissible and halal.

“To avoid any suspicion of Riba and because we do not want people to say the bank doesn’t inspect the item our team in collective reasoning, established additional step which is appointing a Sharī‘ah auditing member to go out and scrutinize the item while it is still on the premises of the supplier. This step is not an obligation and not stated in the guidelines. We invented it to reassure our customers that their transactions are Sharī‘ah compliant.”

The participant also exemplified how this process was formed scratch and consequently, became an institutionalised practice, as follows:

“During a meeting with the SSB, as assistants we were asked what problems we had encountered. What sort of problems do customers present? Generally speaking, what are the problems within the domain of the central region? What do ordinary people say about Murabaha?”

The participant continued:

“We discussed this idea on the phone with our manager, he accepted and immediately we have put it in practice. Now we have usually one member assigned the task of inspection of cars in the presence of the buyer.”

The third example of how banks construct legitimacy is similar to the above once, especially in terms of where legitimacy occur. In the third illustrative case, the bank was dealing with the problem, of possessing the item or commodity, as explained in the above discussion. As a reminder, there is a strong taken-for-granted perception among the public that from the point of view of Sharī‘ah; items subjected to Murabaha contracts must be *pre-owned and possessed* by banks before being transferred to become the property of the customer. In this context, in the view of the majority of the interviewees, only one bank was able to overcome the issue of ownership and yet enhanced the legitimacy of its transactions. According to the assistant manager of the IB division at the regional headquarter:

“Our bank has implemented a Sharī‘ah based solution to overcome the issue of ownership. Now we are the only bank that buys wholesale cars. Through this, all items became possessed by the bank.”

Interestingly, this tactic was closely monitored by other banks. In fact many discussions in relation to this initiative came from rival banks. Consider the following accounts by rival actors:

“They were able to get out of this problem in a way that instead of buying car by car, the bank will buy a large number of cars - which is a good step.”

Another example:

“There is not much difference between us and the Al-Jumhouria, the only thing that they have as a difference, which I have to admit is a kind of invention; is that they buy large number of cars. Therefore, they have

managed to solve the dialectic issue of legitimacy of Murabaha and its compliance to the requirements of Islamic Banking.”

The above three examples show how legitimacy has created new space for social actions. Consequently, seeing legitimacy as process denotes very important implications for translating organisational change and implementation of new ideas. First and foremost, this analysis supports the main ontological stance that underpins this study, which is of change as fluxing reality that unfolds in changing world. As (Tsoukas and Chia, 2002, p. 570) eloquently put forward:

“Drawing on process-oriented philosophers and ethno methodologists we argue that change is the reweaving of actors’ webs of beliefs and habits of action as a result of new experiences obtained through interactions. Insofar as this is an ongoing process, that is, to the extent actors try to make sense of and act coherently in the world, change is inherent in human action.”

Without such an understanding of change one may easily mistakenly assumes that discussion about legitimacy might be the end point of the process or the active interaction of the chain of actors. Instead, as the above examples show, the challenge of legitimacy generates actions through implementing core or additional practices. As Czarniawska and Joerges (1996) point out, the chain of translation does not stop after launching the new ventures. This opens the door to grasp the continuity of change processes embedded in interactive social contexts. In addition, recognizing legitimacy as interactive process highlights the importance of seeing the dynamic within translation processes. The second observation derived from the above empirical examples is consistent with the main Latourian premise cited by Wæraas and Sataøen (2014:3) as follows:

“Actors (or “actants”) modify constructs differently at different stages of the diffusion process, “letting the token drop, or modifying it, or deflecting it, or betraying it, or adding to it, or appropriating it”

Ideas are in people’s hands and different actors may practise ideas in different ways or, as the aforementioned examples clearly illustrate, this constitutes a new threshold in change processes. Here, the three cases share similarity in relation to where legitimacy occur which of is as we termed “within interactive social context”, The following examination will give closer look at the differences of the additional practices implemented by bankers to enhance the legitimacy of Murabaha transactions. In the first example, the Al-Wahda bank, as a response to the religious debate of halal and haram,

which weakness legitimacy of the transactions, has chosen to solve the problem through contracting with car suppliers by reaching a one week free-of-charge agreement for the bank to fulfil the purchase. Furthermore, the bank asked car dealers to label the cars as “reserved for the bank”. According to the participants, from the point of view of Sharī‘ah, the bank becomes the owner of the item, thus, complying with Sharī‘ah rules.

In the second example, the interactive process was more obvious. The participants explained how the process of legitimization happened. In this context, what becomes obvious is the role of *audiences*, exemplified in the street discourse or what people say about the legitimacy of the transactions. The main concern of this discourse is that people do not trust the legitimacy of the transactions. The bank used this discourse to create the solution. Such a debate also reflects the change in the relationship between banks and customers, which also seems to have shifted toward a more haram/halal-based discussion. This indeed was not the case before introducing IB. Therefore, the bank has appointed a Sharī‘ah member to accompany customers while contracting with the car dealer and also carrying out the necessary inspection stipulated in Sharī‘ah requirements.

In the third example, Al-Jumhouria bank has developed a more expensive but ultimate solution, as it was described by the interviewees. Although, certainly, it does not end constant Sharī‘ah disagreement over the legitimacy of the transaction, it addresses the problem of ownership and possession of the commodity in question. However, it should be highlighted that the above examples were only some of many other practices that as we have emphasised, highlighted the continuity of translation and change. Therefore, the above practices indeed demonstrate that seeing legitimacy as a process means taking into account social discourse as well as the role of agency or actors.

Summary

The above discussion began by highlighting the inevitability of unintended consequences of change. By drawing upon the importance of viewing legitimacy not as a concept isolated from translation and change processes, this chapter made clear that, legitimacy's discourses constitutes a central venue in the research of translating new idea. The importance of this discussion lies in seeing legitimacy as process, which implies, the recognition of the continuity of change and translation. In fact, this result opens the door for embracing the role of legitimacy not as a distinct concept but on the contrary, as a threshold of change where actors begin to shape the translation process and building up networks and collective work to embed new organisational actions. Such actions which have been less visible in analysing organisational response to institutional pressures, in legitimacy, became highly observable and recognized. The following discussion presents the conclusions derived from the analysis of organisational change, with the aim of understanding how organisational change was constructed and translated within the Libyan Banking context.

7.2 Conclusion, Implications and Directions for Future Research

The final part of this thesis draws conclusions from all the previous chapters. The chapter interprets what has been learned from the story of translating Islamic Banking and Finance in Libya. The key contribution of this study can be seen in its significant examination of the change process. The findings of this study unveiled the utility of employing a process-oriented approach and translation to explore the travel and translation of the idea of IBF. By drawing on translation and process philosophy, organisational change can be seen as an ongoing process. Significant implications of employing translation also can be seen in the recognition of the unintended consequences of organisational change. A key finding in this regard is that unintended consequences of change constitutes the foundation of the continuity of translation.

The point of departure of this study was my impatience with the representation of organisational change as planned process. Therefore, two theoretical approaches have inspired a search for explanation. The first is process philosophy, which represented an ontological base for exploring the change process. The second theoretical approach reflects insights from both translation and new institutionalism. This might be seen as deviating from the core theoretical foundation of this study which is translation since translation for a long time has been viewed as a rival to institutionalism. However, digging deeper into the origin of the Scandinavian brand of institutionalism reveals some surprising arguments that deny the distinctiveness of translation from the international literature of institutionalism. In this respect, one cannot disregard a well-founded argument by Boxenbaum and Pedersen (2009) who pointed out that it seems paradoxical to claim Scandinavian Institutionalism has been immune from the isomorphic pressure of institutional theory. Therefore, the critical engagement of this study with institutional perspectives became inevitable.

Consequently, the different theoretical traditions have been embraced to explore the translation of IBF in Libya's banking system. Thus, the main questions underlying this study were formulated based on the idea itself and the process of change. Here, I will try to link between approaching this topic as ongoing change presented by processes advocates and the selected epistemological approach to investigate the change in the Libyan banks.

In the first part of the analysis, this study found that there are strong similarities between the success of management ideas and the success and spread of IBF. Indeed, a vital question in this context is what is the relation between management ideas and religious-based and finance ideas such as the IBF model. In this respect, it could be argued that both are human-made ideas and therefore, share similar properties in terms of being concrete concepts that are in need of translation to be transformed into organisational practices. Furthermore, the dearth of studies concerning the travel of the idea of IBF indeed invites us to search translation literature to communicate a feasible theoretical framework.

In this respect, Røvik's (2002) seven propositions, in contrast to management fashion, represented a strong theoretical foundation for understanding why such an idea has rapidly and widely travelled across particular contexts. The use of these theoretical premises elevates the power of human agency, which could be considered as a main driver of the inventing and thus the spread and success of the idea. Consequently, the outcome of analysing the travel of IBF confirms that the travel of the idea increases if the idea is intrinsically interconnected to the religion, faith and belief of the host context. Therefore, the study contributes to our understanding of the travel of the ideas by adding an extra element, which is the degree of interconnection between the idea and the host context. In other words, the extent of interconnection between the idea and the social fosters the travel of the idea. This finding may be in need of further exploration, since it seems unnoticed in Western contexts. One possible reason for this is that what has been investigated by translation scholars or institutionalists is management ideas. Therefore, applying a translation perspective to study a religious-related idea raises sharply the importance of social elements (faith and belief) and their relation to the idea under translation.

Following that, the process of change, the translation process has been analysed. The driving force behind this ambition was an attempt to answer the research question which is, how was change into IBF has been translated and what are the consequence of this change? Findings of this study were frequently in state of conflict with the translation approach.

Accordingly, when it comes to ideas and how they travel, translation means transformation drift and variation, even between often similar contexts characterised by

robust interconnection to religious conviction. In Libya, as has been discovered, the idea of IBF is ubiquitous and indeed was copied from somewhere. However, IBF, was not immune from alteration and change, drift and transformation. In fact the idea was altered to fit the specificity of the host context, which is characterised by the prevailing influence of a particular Islamic school of thought. In this context, two main empirical evidences were demonstrated. The first one was that *Tawarruq* is impermissible in Libya and yet actors who translated the idea insisted that one of the main features of the local version of IBF has been the amendment of the idea through eliminating any suspicion of Riba. Likewise the Sharī‘ah based finance practices known as Al- Wa‘ad or “binding contract” which is widely practised in other countries is not unpermitted in Libya. Therefore, the main and strongest theoretical foundation of translation found in such a situation is that ideas must be decontextualized and re-contextualized when they travel between different contexts. Even ideas which we do not know where they have been copied from must be materialized, translated and transformed.

However, when it comes to processes, process philosophy and new-institutionalism represented more conceivable theoretical foundations. Hence, the findings of this study in relation to how change has been translated were consistent with the representation of process philosophy and new-institutionalism. Thus, in contrast to the translation approach, the change process might not always be interpreted as a heterogeneous and open-indeed process. Although, space for heterogeneity can frequently be found, but it is widely constrained by structural components. What is more, historical developments and inherited structure may also affect the prospect of any change. Such constraints are likely to stem from the imprinted influence of the founding conditions of the organisations as well as contextual factors such as the broad political and social change associated with the examined translation processes. Consequently, this study supports the most recent development in Scandinavian Institutionalism research, which questions not only the translation model but also its core philosophical underpinning, which found in Latour’s original translation. More importantly, these findings invite us to see the translation approach not as competitive with institutionalism as has evidently been illustrated and sometimes explicitly or implicitly stated in the literature. Rather, translation should be seen as a part of the wider institutional theory. To elaborate further, whether translation and institutionalism are seen as competitive or complementary, a new way of looking at processes can certainly benefit from the integration of these strong theoretical

foundations. In this context, for example, one findings of this study is that the process of translation or change was begun in one bank before the others followed.

Therefore, the phenomenon, which is obviously well recognized as early and late adopters is well established in institutionalism as a means to explain the diffusion of technology or innovation. However, as Scandinavian Institutionalism is embedded in a different theoretical assumption which of translation, this area seems to have been overlooked. Consequently, given the peculiarity of the Libyan case and as the early and late adopters were well recognised, I suggest integrating those theoretical assumptions may help to find new and different insights for studying change.

In terms of technological change, the study confirms that transforming banking organisations to become Islamic may lead banks to the trap of technological change. These findings are consistent with the translation model, which presents technological change as somehow a processes of fitting and adjustment of both the idea and the activities. Finally, technological change in accordance to our findings raises more homogeneity than heterogeneity. Hence, all members of the organisational field in accordance to our data were relatively in a state of seeking technological change, none of the three organisations has so far endorsed a particular technological system. On the contrary, each has been going through extreme experiments and several attempts to find the best technological solutions.

Nonetheless, change in the change process itself, such as the enforcement of new law may, alter the course of change and transform the change process to become a frame-binding process. As a result, the outcome of such radical change can reverse the previous variation and heterogeneity of the organisational field. Such a situation may suggest that the process of change can best to be understood as unowned processes, where actors have less control to alter the course of change or to affect the way that such processes occur in real time and space.

The final part of this study addressed the unintended consequences of this change. The predominant theme that was discussed in this part was “legitimacy”. According to the findings of this study, even if an idea is in congruence with particular the societal and cultural aspects of the host context, legitimacy remains a problem for organisations that adopt the new idea. However, on the other hand, legitimacy or more accurately, legitimization “legitimacy as process” creates new room for translation. These findings

support the translation model, which gives emphasise to the continuity of the chain of actors. Nonetheless, in accordance with perspectives derived from this study, this does not imply the same view that might be obtained from applying translation model in a Western context where the often narrow, voluntary and supplementary translation supports the perspective that heterogeneity may become the prevailing force, the scope and range of these activities of translation are very limited. In this context, it might be argued that homogeneity and heterogeneity co-exist in different organisational change processes.

7.2.1 Limitations of the research

Every research has its limitations and in this study many of these limitations have been pointed out in various chapters. However, the following discussion will further elaborate those points and highlight some of the constraints that may have limited the credibility and reliability of this study.

Based on my stance as a social constructionist, I assume that the realities described by informants are in state of creation and recreation, existing and co-existing with often conflicting accounts. Therefore, such realities are created, established and shifted by interactions. This stance, opposes the concept of a fixed independent reality often advocated by objectivism and positivism. Whilst, the contributions of objectivism and quantifiable methods have certainly advanced organisational studies in general and organisational change research in particular, the use of subjectivism and social constructionism obviously produces different insights that would be difficult to depict through the use of a numerical survey or quantitative analytical techniques. However, the constructionist research stance also has its own drawbacks. One of its limitations is that the view reality is in state of changing and shifting. For example analysing the discussion of the interviewees is a time consuming and laborious. An example, of the struggle in analysing the data was highlighted in part 2 chapter 4, particularly when I highlighted what has been described by organisational change scholars as death by data, asphyxiation.

In this context and on a large scale scope, I recall difficulties in finding similar research concerning the transformation of conventional banks into Islamic banking institutions. Scarcity of research in this area seems to be very high in management studies. This issue has frequently been addressed all the way through part 3 and the main consequence of

this lack of research is the difficulty to comparing the current findings with similar or even contrasting findings in the field of organisational research.

Appendices

Appendix A

Interview Protocol

1.1 Individual Interview

Asalam Alikom, Mr (x), thank you for your time, as we have discussed on the phone. I am here to have a conversation about transformation into Islamic banking in Libya. I believe your experience will help this study to understand the process of change in Libya's Banking sector.

- I'm planning to audio record this interview. Do I have your permission to do so?
[Press [Press "record" on the audio recorder. State name, date, and context.]

1. At the beginning of this conversation, I would like to ask you when the process of change started and how it was started?
2. How is the three banks (Alwahda, Al-Jumhouria and AL-Tijari bank) have enabled the idea and transform it into daily practices?
 - 2.1 Do you mean transformation was encouraged by the merger of the two banks?
 - 2.2 Does the Sharī'ah Supervisory Board (SSB) a necessity to start the transformation?
 - 2.3 So, in addition to the establishment of SSB, what other steps that might have been taken to enable the transformation?
3. Do you think is it a process of imitation?
4. Do all banks have started the transformation in 2010?
5. From your point of view, what are those competences which the three banks have put them in place to accomplish the transformation?
6. Can you tell me more about any measures, plans, preparations or procedures which might have been employed to enable the transformation in the three organisations?
7. How the idea has been transformed into an Islamic financial product?
 - 7.1 who are they "the ancients" ?
 - 7.2 did these types of transactions occur during the ancient Islamic times?

The Participant: Usually, this question should be asked in another way... Let me say it in another way.

Were there any Islamic banks during the era of the prophet Mohammed [PBUH]?

8. So, what are the sources that used to invent an Islamic financial transaction?

9. Was this issue extensively discussed among the SSB?

10. Did the SSB issue any guidelines, written instructions, or any publications?

11. So, why the Al-Jumhouria bank has taken further steps ahead of the rest of the sector?

12. How do you know the bank has advanced ahead?

Finally, is there any comments or say that you would like to add or address?

So, thank you for accepting to participate in this interview and the last thing before finishing this interview, I will be happy if you could suggest anyone from whom you do think may will add to this study. Especially, those who are working at the three mentioned banks.

RESEARCH ETHICS COMMITTEE

CONSENT FORM – For Institutions/Organisations

(to be completed by the person legally responsible) (delete italics before use)

.....
I..... of.....
.....

Hereby give permission for.....

to be involved in a research study being undertaken by Bashir S Alzawawi

and I understand that the purpose of the research is: **To understand organisational change process and transformation of Libya’s banking from conventional into Islamic banking**

and that involvement for the institution means the following:-

I understand that

1. the aims, methods, and anticipated benefits, and possible risks/hazards of the research study, have been explained to me.
2. I voluntarily and freely give my consent for the institution/organisation to participate in the above research study.
5. I am free to withdraw my consent at any time during the study, in which event participation in the research study will immediately cease and any information obtained through this institution/organisation will not be used if I so request.
3. I understand that case studies will be used for research purposes and may be reported in scientific and academic journals, non academic publications and the internet.

I agree that

4. The institution/organisation MAY / MAY NOT be named in research publications or other publicity without prior agreement.
5. *I / We DO / DO NOT require an opportunity to check the factual accuracy of the research findings related to the institution/organisation.*
6. *I / We EXPECT / DO NOT EXPECT to receive a copy of the research findings or publications.*

Signature: Date:

The contact details of the researcher are:

Bashir. S. Alzawawi

Misrata, Libya

Mobile no: 00218926171175

Emails: B.S.ALZAWAWI@2013.hull.ac.uk

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The contact details of the secretary to the HUBS Research Ethics Committee are Amy Cowling, Hull University Business School, University of Hull, Cottingham Road, Hull, HU6 7RX.

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Appendices C



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Ref: HUBSREC 2014/60

8 June 2015

Dear Bashir

Re: Translating organisational change: a case study of transformation in the Libyan banking sector.

Thank you for your research ethics application

I am pleased to inform you that on behalf of the Business School Research Ethics Committee at the University of Hull, Dr Joanne Cook has approved your application on 4 June 2015.

I wish you every success with your research.

Yours sincerely,

Hilary Carpenter
Secretary,
Research Ethics Committee



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Appendix D

Consent Form:



Business School

RESEARCH ETHICS COMMITTEE

CONSENT FORM: INTERVIEWS

I

Hereby agree to participate in this study to be undertaken by Bashir Alzawawi and I understand that the purpose of the research is:

To understand organisational change process and transformation of Libya's banking from conventional into Islamic banking

I understand that

1. Upon receipt, my responses will be coded and my name and address kept separately from it.
2. Any information that I provide will not be made public in any form that could reveal my identity to an outside party i.e. that I will remain fully anonymous.
3. Aggregated results will be used for research purposes and may be reported in scientific and academic journals (including online publications).
4. Individual results **will not** be released to any person except at my request and on my authorisation.
5. That I am free to withdraw my consent at any time during the study in which event my participation in the research study will immediately cease and any information obtained from me will not be used.

Signature: Date...

The contact details of the researcher are:

The contact details of the secretary to the HUBS Research Ethics Committee are Amy Cowling, Hull University Business School, University of Hull, Cottingham Road, Hull, HU6 7RX. Email: a.cowling@hull.ac.uktel. 01482-463410.

Appendix E

Original fatwa inaugurated IBF in Libya

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

الموضوع:

فتوى شرعية عن بيع المرابحة الذي يجريه مصرف الجمهورية لبيع السيارات وأجهزة الحاسوب.

الحمد لله رب العالمين والصلاة والسلام على أشرف المرسلين سيدنا محمد ﷺ وعلى آله وصحبه أجمعين وبعد.

فقد عرض علينا نحن الموقعين أسامة الصادق بن عبد الرحمن الغرياني وأسامة محمد الصلابي العقد الذي أعده مصرف الجمهورية وفروعه العاملة في ليبيا لبيع السيارات وأجهزة الحاسوب عن طريق المرابحة للأمر بالشراء وقد وجدناه مستوفيا للشروط التي يتطلبها عقد المرابحة والتي من أهمها جعل الوعد غير ملزم بإعطاء الخيار للواعد بعد تملك المصرف للسلعة، كما وجدناه خاليا من الغرر والجهالة وأكل المال بالباطل.

وعليه فالعقد المذكور من العقود الجائزة شرعا، ويجوز التعامل به مع المصرف بيعا وشراء، ولا حرج في ذلك، والله تعالى أعلم.

حررت بتاريخ 12 من ذي القعدة 1429 هـ

الموافق 2008/11/10 م

التوقيع

أسامة محمد الصلابي

أسامة محمد الصلابي

التوقيع

د. الصادق بن عبد الرحمن الغرياني

د. الصادق بن عبد الرحمن الغرياني

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