Thesis submitted in partial fulfillment of the requirements for the degree of D.Phil. in Management

God at Work: An Institutional Perspective on the Impact of Religion on Organizations

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Michaelmas Term 2016

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ABSTRACT

The dissertation presents an institutional perspective on the role of values and meaning for organizations focusing on the institutional logic of religion. At its core are Chapter III, a conceptual paper, and Chapters IV and V, empirical papers based on an in-depth two-years long ethnographic case study on the founding process of the first Islamic Bank in Germany. They are framed by an introductory chapter and a conclusion that address the overarching research question of how diverse institutional demands are managed within and beyond the boundaries of organizations, as well as a general literature review chapter that embeds the papers within the wider institutional theory literature.

Chapter III presents a conceptualization that integrates religion, specifically Islam, with entrepreneurship along three interconnected pillars: the entrepreneurial, socio-economic/ethical and religio-spiritual; and outlines how Islam shapes entrepreneurship at the micro-, meso- and macro-level. It suggests the institutional logics perspective to further analyze the impact of religion on organizations, which the subsequent papers build on. Chapter IV extends theory on organizational hybridity by outlining polyphony and polysemy as two mutually reinforcing organizational responses, that allow competing logics to coexist without structurally separating or blending them, and that produce elastic hybridity, showing how hybrid organizations can accommodate competing logics that are both central and incompatible. Chapter V shows how organizations collectively and dynamically co-generate and co-resolve institutional complexity through four combinatory mechanisms: pushing, pulling, clarifying and tolerating. These are subsequently integrated into a framework based on their desired versus required and actual versus perceptual nature. Overall, this dissertation contributes to a better understanding of how organizations manage diverse institutional demands including religion.

Long Abstract

This dissertation presents an institutional perspective on the role of values and meaning in and across organizations and how these can be managed. I focus on religion, specifically Islam, as an institutional logic that offers a source and system of meaning. The core of the dissertation consists of three papers in chapters III, IV and V. These papers are framed by an introductory chapter and a conclusion that address the overarching research question of how diverse institutional demands are managed within and beyond the boundaries of organizations, as well as a general literature review chapter that embeds the papers in particular within the wider institutional theory literature. Chapter III is a conceptual paper entitled "Entrepreneurship from an Islamic Perspective". Chapter IV "'God at Work': Responding to Competing Institutional Logics through Elastic Hybridity" and chapter V "The Formation of an Islamic Bank: Resolving Institutional Complexity through the Co-Generation of an Institutional Template" are empirical papers based on an in-depth two-years long ethnographic case study on the founding process of the first Islamic Bank in Germany and the Eurozone.

The first paper offers a conceptualization that integrates religion, specifically Islam, with entrepreneurship. It responds to the research question of how religion (Islam) and entrepreneurship can be combined conceptually. Entrepreneurship from an Islamic perspective consists of three interconnected pillars: the entrepreneurial, socio-economic/ethical and religio-spiritual. I outline how Islam shapes entrepreneurship at the micro-, meso- and macro-level, indicate how Islam may be considered an entrepreneurial religion in the sense that it enables and encourages entrepreneurial activity, review research streams interlinking Islam with entrepreneurship and management and outline promising research approaches. In particular, I mention an institutional logics perspective to further analyze the impact of religion on organizations, which the subsequent papers in this dissertation build on.

The second paper extends theory on organizational hybridity and the combination of multiple institutional logics. It addresses the question of how the conflict of multiple contested institutional logics in an organizational hybrid can be mitigated without structural separation or blending. It highlights two novel organizational responses: polysemy, an organization's judicious use of concepts and/or artifacts that have

simultaneously multiple meanings – or logics; and polyphony, individuals' judicious use of time, space and/or language to enable simultaneous but separate enactments of multiple meanings – or logics. Polysemy and polyphony are mutually reinforcing mechanisms that help organizations to accommodate diverse institutional demands and to reduce conflict of central and incompatible institutional logics. This advances and dynamizes the theoretical framework by Besharov and Smith (2014). Polyphony and polysemy produce an organizational state of elastic hybridity and thus increased viability, resilience and sustainability – leading to unity in diversity, to bend without breaking.

The third paper highlights how organizations co-generate and co-resolve institutional complexity. It explains how organizations collectively, pro-actively and dynamically engage with institutional complexity. Examining the development of products and structures of the Islamic Bank, that confirm to both market regulation and religious obligation, the paper develops four combinatory mechanisms for engaging with institutional complexity: pushing, pulling, clarifying and tolerating. Subsequently the paper develops a framework for these mechanisms. Pushing and pulling actually stretch, while clarifying and tolerating perceptually shift institutional logics. Pushing and tolerating are required and pulling and clarifying desired mechanisms.

Overall, this dissertation contributes to a better understanding of how organizations manage diverse institutional demands, including in particular but not exclusively religion. Empirically, I have chosen the distinct and revelatory setting of the first Islamic Bank in Germany. Theoretically, the dissertation offers a conceptualization of combining religion and entrepreneurship, novel organizational responses that induce elastic hybridity, and a dynamic, pro-active and collective dimension to organizational engagement with institutional complexity.

Keywords: Entrepreneurship, Hybrid Organizations, Institutional Complexity, Institutional Logics, Institutional Theory, Islam, Meaning, Organizational Sociology, Religion, Religious Logic, Values

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My college 'home' at Christ Church also deserves my gratitude for providing me with a social and interdisciplinary sphere of exchange, and Magdalen College for the opportunity to work as a Lecturer in Management. I am heavily indebted to the Oxonian ecosystem of intellectual curiosity, academic excellence and passionate purpose, which permeates bricks and minds alike.

In dedication

To my family, my wife, my son.

In love and thankfulness.

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“Perhaps a great deed is belittled by an intention. And perhaps a small deed, by a sincere intention, is made great.”
– Abdullah ibn Mubarak

FOREWORD

What brings more tranquility to the heart and more excitement to the mind than having found one's scholarly calling? My doctorate of philosophy, codified through this manuscript, was a journey into the outer academic realm and towards my inner self. Academic progress and self-discovery were intimately entangled. The professional pursuit into the literature, data, method, theory and scholarly community was intertwined with a personal pursuit: becoming aware of my own values and my potential humble scholarly contribution towards society.

The false dichotomy between the public and private, the professional and the personal underlies a deep desire to structure and categorize, to identify and delineate boundaries in a complex modernity. These socially constructed boundaries enable and constrain us concurrently. They are double-edged swords. The predominant scholarly pursuit for parsimonious explanations as well as the increase of scholarly specialization has lead to jurisdictions within our very own professional communities as well as the partitioning of the objects of inquiry. Even more so, I believe that this theoretical partitioning has permeated the very phenomena to an extent that theory does not simply explain, but rather forms reality.

While theoretical parsimony is of utmost use to the trained mind – and I am a fierce proponent of scholarly quests – lived parsimony may be enormously harmful. Academics wish to restrain the world through theory. Yet it is a ferocious beast. Rather, as a saying attributed to Oscar Wilde, a former student at Magdalen College, states: "Everything in moderation, including moderation." It is reasonable to use reason in reasonable quantities.

Towards the end of this DPhil journey I feel excited about the academic path in front of me and grateful for those steps I was allowed to walk so far. Indeed, as T.S. Eliot (1942) pleasingly phrased it in Little Gidding: "We shall not cease from exploration – And the end of all our exploring – will be to arrive where we started – And know the place for the first time." Even now at this intermezzo in life and work, I see the start of my scholarly pursuit with a different lens.

What I study in this DPhil – and this is very much retrospective sensemaking – is the complexities and intricacies of organizational reality. While the reason was unbeknownst to me at the beginning of the DPhil endeavor, I believe, I have chosen a phenomenon, which reflects my scholarly caring in multiple ways. While I have observed many quests for systemic change, I care very much for the individual agentic ability to change. Rather than revolutionizing a system, I wonder, how can the individual and collectives of individuals in and through organizations transform themselves and to some extent society? These insights do not require authority from the top, they can offer change from the bottom, from the niche, from the periphery of seemingly societal non-existence. Organizations are ever-present, yet their heterogeneity allows theoretical insights, which can be applied nowhere and everywhere. In this regard, studying organizations may offer a prescriptive pathway for change.

Entrepreneurial ventures are entities in emergence. They are unsettled, in flux and present themselves along a discernible process of creation. For the researcher, they offer settings from non-existence into establishment, presenting fascinating pathways in their entirety and sometimes novelty – which may very well be a hybrid nature.

Hybrid organizations disclose empirical insights into the complexities and intricacies of organizational reality. While not all organizations are hybrids, I believe that individuals are hybrids and their hybrid identity forms are pressing into organizational function. I also conceive societies as hybrids. The hybrid identity pursuit of individuals in societies is artificially partitioned into organizational expressions. The organization is hence the meso-structure in-between hybrid structure and hybrid agency. They may connect the macro and micro either through a pluralist divisioning between organizations or a plurality within organizations. As what we do shapes who we are and who we are is what we do, humans may require hybrid organizations to channel freely their individual complexities.

I also think, that this is an essential topic for our global societal agenda. As (wo)mankind is increasingly interconnected, our values spheres mix. Heterogeneity may create contention. We can observe this struggle in contemporary debates about physical and intellectual boundaries. However, I think, that this heterogeneity offers intellectual flourishing; it offers a better comprehension of our own complexities and possible organizational and other means to build individual tranquility and societal cohesion.

How than do we create unity in diversity? Organizational hybrids are a key observable in this quest. They re-combine and unify diverse elements. Their struggle is an exemplar of current societal concerns providing insights to organizations, which wish to follow suit. More so, they offer us as individuals and as societies means to reflect on our own hybrid individual and societal being.

"Man cannot stand a meaningless life."
– Carl Jung

"To 'institutionalize' is to infuse with value beyond the technical requirements of the task at hand."
– Philip Selznick

CHAPTER I

INTRODUCTION

At the heart of my research are issues around people, organizations and societal values. My underlying understanding is that people have diverse metrics and measures of how they value and evaluate, prescribe and pursue thinking and action. Organizations are vehicles and arenas enabling, constraining and transforming those activities and processes. As they are a pervasive feature of modern societies (Scott & Davis, 2006: 2), comprehending their functioning and role becomes of particular relevance for researchers and practitioners alike.

The market logic, functionalism, individualism, positivism, rationalization, utility maximization, positivism, a belief in progress and growth have permeated modernity – they are the very ingredients of modernity. As Weber (2009: 155) already highlighted exactly 100 years ago at a lecture in Munich: "The fate of our times is characterized by rationalization and intellectualization and, above all, by the 'disenchantment of the world.' Precisely the ultimate and most sublime values have retreated from public life either into the transcendental realm of mystic life or into the brotherliness of direct and personal human relations." When examining my own environment as a researcher, the market logic is prevalent in business school teaching and research (Khurana, 2007) – with an engrained prescriptive force. More so, we can observe that the private spheres have increasingly also witnessed a course of disenchantment. This process is what Habermas (1987) coined the "colonization of the lifeworld".

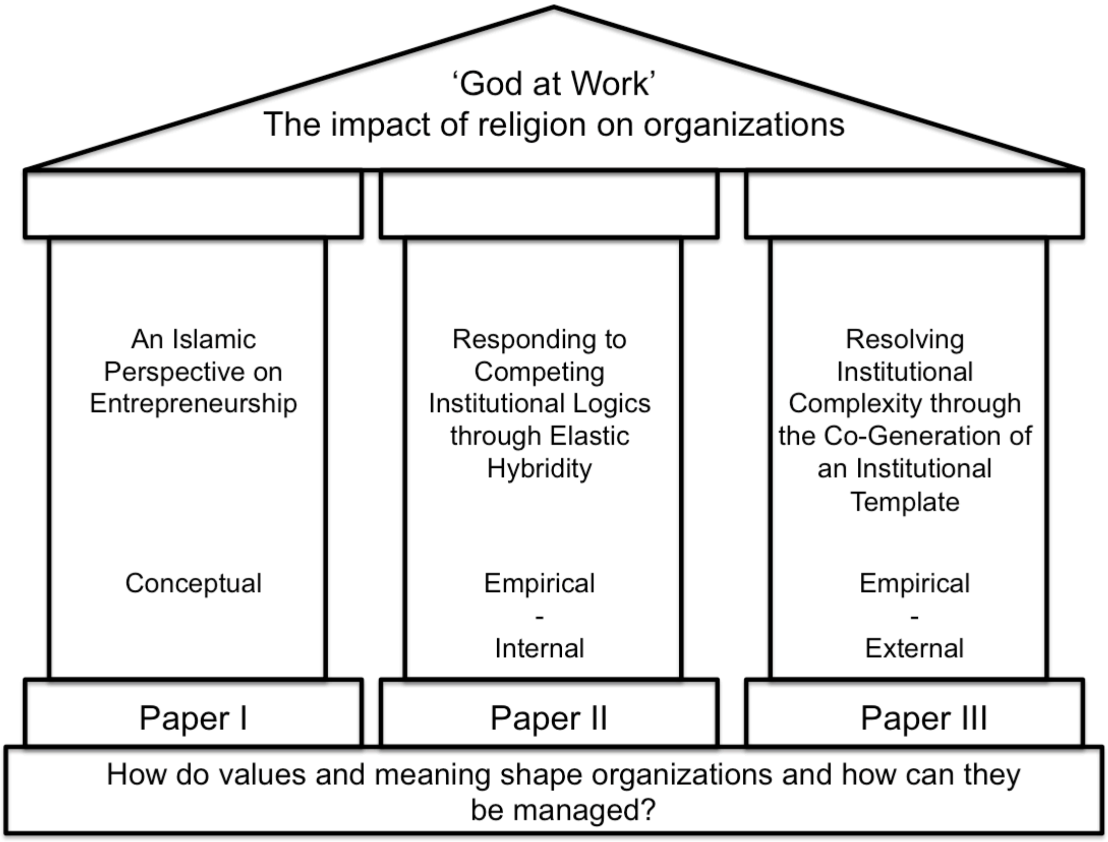
These analytical observations in combination with a negative assessment about their societal impact has led to the prescriptive urge to bring society back in (Friedland & Alford, 1991). This is to acknowledge the importance of both societal and social context, i.e., the significance of soci(et)al context. Organizations can hereby be conceived as the backdoor vehicle to do so. They "not only are pervasive but also have largely redefined modern society" (Zucker, 1983: 1). I hence join a group of scholars for whom "[n]eo-institutional approaches to organizations are part of a much wider intellectual endeavor that problematizes modernity, and questions the social origins of the whole constellation of institutions and at the same time seeks to grasp not the universal laws that generate social practices, but the social practices that generate universal laws and, in organizational theory, attendant management prescriptions" (Dobbin, 1994: 123). This approach looks at people, organizations and societies to infer applicable and appropriate theory.

Organization of dissertation

My research is guided by the general question: How do values and meaning shape organizations and how can they be managed? Specifically within this thesis, I have examined the role and integration of various institutional logics as specific sources and institutional orders for values and meaning in and across organizations.

This dissertation is structured as follows. The present chapter provides an introduction into the overall dissertation including the research questions, methodology and contribution. Chapter II presents the general literature review, which frames the three core papers of the thesis. Chapter III, IV and V entail the three core research papers of this dissertation (cf. Figure 1.1) and chapter VI finally concludes.

Figure 1.1
Dissertation papers overview



Chapter III is the first paper entitled "Entrepreneurship from an Islamic Perspective". It presents a conceptual analysis that combines religious (Islamic) and market (entrepreneurship) concerns. Specifically, the paper outlines a model based on three interconnected pillars: entrepreneurial, socio-economic/ethical, and religio-spiritual. It highlights the impact of the Islamic religion on entrepreneurship at the micro-, meso- and macro-level of analysis and presents promising research approaches. Paper one thereby sets the scene for the other two papers, as it concludes that institutional logics offer a useful perspective in approaching the combination of market and religious concerns in organizations.

Chapter IV and V are empirical papers based on a 24months longitudinal multi-method case study of the establishment of the first Islamic Bank in Germany. Paper two entitled "'God at Work': Responding to Competing Institutional Logics through Elastic Hybridity" zooms in on the internal dynamics of the Islamic Bank. It depicts two organizational responses that mitigate conflict between contested institutional logics: polysemy, an organization's judicious use of concepts and/or artifacts that have simultaneously multiple meanings – or logics; and polyphony, individuals' judicious use of time, space and/or language to enable simultaneous but separate enactments of multiple meanings – or logics. The paper shows that polysemy and polyphony are mutually reinforcing through their organizational/individual interplay resulting in elastic hybridity, and decrease conflict between central, incompatible logics by making and taking spaces, which flexibly render competing logics less central (polysemy) or less incompatible (polyphony). The organization is institutionally bending, without organizationally breaking. This advances and modifies insights on organizations with central and incompatible institutional logics. While existing literature highlights that these organizations are prone to conflict, polysemy and polyphony in fact offer means to accommodate diverse institutional demands.

Chapter V is the third paper entitled "The Formation of an Islamic Bank: Resolving Institutional Complexity through the Co-Generation of an Institutional Template". I examine the development of products and structures of the Islamic Bank. This is a process the Islamic Bank undertakes in close and continuous interaction with field-level actors. Together, they co-create and co-resolve institutional complexity. I identify four combinatory mechanisms towards managing conflicting institutional logics: pushing, pulling, clarifying and tolerating. They are categorized in a framework based on their desired versus required and actual versus perceptual nature.

The thesis concludes with chapter VI, which highlights theoretical contributions as well as policy and practice implications of this dissertation. It also presents a research outlook based on the insights that emerged through this research endeavor.

Research Question(s)

My research has become guided by the general question: How do values and meaning shape organizations and how can they be managed? Organizations and people face a plurality of values or what Isaiah Berlin would describe as value pluralism (Berlin, 1969). These values are differently understood, sometimes commensurable, prioritized and enacted. They shape what Stinchcombe (1997) would call the substance of institutions, which are in Selznick's (1957) words "influse(d) with value beyond the technical requirements of the task at hand". The field has a modest understanding of the performing role of ethical and moral values in the creation of institutions (Kraatz, 2009). Particularly neo-institutional theory has focused rather on symbolic or technical properties. This may be because institutional theorists appear to avoid studies, which can be perceived as normative (Chandler, 2014; Heugens & Scherer, 2010). However, organizational life is neither merely symbolic nor technical, but also (or: especially) values-centered (Suddaby, Elsbach, Greenwood, Meyer, & Zilber, 2010). Recently, institutional scholars have re-focused on values particularly but not exclusively drawing from Selznick (Kraatz, Ventresca, & Deng, 2010; Kraatz & Flores, 2015; Suddaby et al., 2010), and through the institutional logics perspective, whereby each logic entails not only regulative and cultural-cognitive but also normative components (Thornton, Ocasio, & Lounsbury, 2012).

Organizations and actors more generally draw their rules, cognitive views and values from wider macro-level transrational systems (Friedland & Alford, 1991). Rather than conceiving structures, practices and processes as more or less rational, they can be regarded as anchored in orders of diverse and contested rationales. Scholars have categorized these in different ways.

In the book on the sociology of religion first published in 1920, Max Weber (2009) identifies six so-called value spheres: aesthetics, economy, erotic, intellectualism, politics and religion, which have an Eigengesetzlichkeit, i.e. autonomous underlying rules and principles. Later, Friedland (2013: 15) describes these as "a way to conceptualize institutional logics". Published in French in 1991 Boltanski and Thévenot (2006) describe what they call economies of worth and worlds. Boltanski and Thévenot identify six worlds, namely the inspired, domestic, civic, market, industrial and world of fame. Drawing from Giddens' (1979, 1984) notion of social systems, one year later Whittington (1992) outlines five activity systems. He calls them communal, economic, domestic, political and intellectual. Originally published in German in 1984, Luhmann (1995), using the biological concept autopoiesis for self-(re)production in Greek, formulates that an autopoietic system reproduces self-referentially its own elements on the basis of these own elements. He differentiates modern society into several functionally-separated societal subsystems such as arts, economy, law, politics, religion and science. In 1991 Friedland and Alford introduced the concept of institutional logics to organizational institutionalism in a chapter in the book "The New Institutionalism in Organizational Analysis" edited by Walter W.

Powell and Paul J. DiMaggio. They named five institutional logics, namely the capitalist market, bureaucratic state, democracy, nuclear family, and Christian religion. This was later revised to seven logics, namely family, community, religion, state, market, profession and the corporation (Thornton et al., 2012).

One source, system and rationale of values in most of these classification schemes is religion. The social is not secular. According to Habermas (2001), we live in a post-secular society. The metaphysical is thus a social truth. However, the intersection of religion and organizations generally, and the religious logic more specifically has been rather neglected (Chan-Serafin, Brief, & George, 2013; Gümüsay, 2015; Lounsbury, Tracey, & Phillips, 2014; Tracey, 2012). Yet religion may be of particular relevance, as the essence of religion can be conceived for some as being an "ultimate concern" (Tillich, 1957: 5), which thereby raises questions about its potential precedence or preference as well as its co-existence with other sources and systems of meaning.

Meaning is at the core of my research pursuit. I concur with Geertz (1973: 140) who states that: "The view of man as a symbolizing, conceptualizing, meaning-seeking animal, which has become increasingly popular both in the social sciences and in philosophy over the past several years, opens up a whole new approach not only to the analysis of religion as such, but to the understanding of the relations between religion and values. The drive to make sense out of experience, to give it form and order, is evidently as real and pressing as the more familiar biological needs." My own need in this regard is to comprehend meaning. I conceive humans as meaning-seeking, which offers, as Geertz (1973) pointed out above, new endeavors for the analysis of religion. Meaning matters both for my object of inquiry as well as for myself.

My engagement with multiple literatures, theories and empirical data has first drawn and consequently convinced me that institutional theory offers a good explanatory perspective for the observed phenomena. Scott (2001: 48) summarizes: ”Institutions are social structures that have attained a high degree of resilience." This dissertation builds on the significance and pervasion of resilient social structures and their constitution of our social reality.

While the institutional theory literature in general and the institutional logics literature in particular allowed me to conceptually grasp and frame the phenomena, I also realized two specific shortcomings. First, the literature neglected the religious logic, particularly religions other than Christianity. This is despite the fact that almost 6 billion people representing 84% of the world population consider themselves religiously affiliated (Pew Research Center, 2012). The second largest religion with 1.6 billion adherents constituting 23% of the world population is Islam expected to grow to 2.3 billion or 26.4% of the world’s population by 2030 (Pew Research Center, 2011). The meaning and impact of the religious logic, particularly the Islamic logic, required research attention. This gap that surfaced through an exploration of existing literature is further elucidated in the general literature review chapter and paper one.

Second, existing theory did not explain the specific internal and external mechanisms that I observed in the field. Within the bank, I inferred mechanisms that did not structurally separate or fuse institutional logics, yet allowed mitigation of contest. These are novel organizational responses for hybrids. I also realized that institutional complexity did not simply try to be resolved by the bank, but was actively and together with other field-level actors co-created and co-resolved. This sheds more light on the complexity of institutional complexity. These insights are very much the foundation of papers two and three.

These considerations and observations lead to the overarching thesis and individual paper research questions, which are listed in Table 1.1.

Table 1.1
Research questions

General research question	*How can diverse institutional demands be managed within and beyond the boundaries of organizations?*
Research question for paper one	*How can religion (Islam) and entrepreneurship conceptually be combined?*
Research question for paper two	*How can hybrid organizations reconcile central and incompatible logics when their structural separation or blending is not an option?*
Research question for paper three	*How do organizations proceed to resolve institutional complexity?*

Methodology

I 'believe' in the tradition of engaged scholarship (Boyer, 1990; Pettigrew, 2001, 2005; Van de Ven, 2007). This is a participative process of research incorporating multiple key stakeholders. It connects theory and practice, academia and practitioners along the entire research journey. It values not only outcome, but also the process, which is full of passion, respect and meaning. Finally, it wishes to give back, to have a social impact and practical relevance, to matter to wider society beyond the individual value of the publication for the academic. Ethical and moral concerns fully underpin my research purpose (Amis & Silk, 2008).

Epistemologically I feel inclined towards an objective ontology and a subjective epistemology. I adopt a critical realist (Bhaskar, 1979; Bhaskar & Lawson, 2013) perspective, in the sense that there is a real world out there, but our attempts to comprehend it are limited and rather approximations. While critical realism is a middle ground between positivism and relativism (Collier, 1994), as a researcher, I also have some pragmatist tendencies (Dewey, 1998; Peirce, 1998), as I value theories not only along a true-false continuum, but also as instruments for prediction along a better-worse continuum.

For me, scholarship is about mind, body and soul, or reason, cognition and values: how we as well as our objects of inquiry comprehend, perceive and appraise the world. Interpretation is a process of reasoning, cognitive reception and normative appraisal. While institutional theorists might deliberately circumvent a normatively perceived approach of inquiry (Heugens & Scherer, 2010), such a "reluctance to engage with the foundational role of values is not inconsequential, carrying implications for research into institutions, but also for our understanding of organizations more generally" (Chandler, 2014: 3). We and more generally the "social sciences risk becoming ideologies of the institutions they study" as well as "of only elaborating the rationality of the institutions they study, and as a result become actors in their reproduction" (Friedland & Alford, 1991: 260). This thesis hence delves into a subject area, which is very much at the core of the institutions we study, I believe, but still somewhat at the periphery of scholarly engagement in management and organization theory.

For paper one I used a conceptual approach to generate theoretical insights. Paper two and three are based on a multi-method single qualitative case study to generate theory (Eisenhardt, 1989; Yin, 1994). In an inductive process I delved into the field and collected manifold data. I cannot claim that I had no preconceived mind, but I attempted my prior experiences and theoretical perspectives not to cloud my data gathering, but rather noted down observations broadly, collected multifaceted data and conducted extensive interviews. While in and out of the field during the data gathering stage, I continued immersing myself into multiple literatures. During the open-ended process of data analysis I ventured back and forth between data, literature and theory (Locke, 2001) This allowed me to inductively develop "grounded theory" (Corbin & Strauss, 2015; Glaser & Strauss, 1967; Lincoln & Guba, 1985). Arguably, there are also some abductive tendencies in the sense that data and theory are mutually considered and reflected (Mantere & Ketokivi, 2013). For both papers, I used the so-called Gioia methodology of coding, categorizing and progressively developing more aggregate theoretical abstractions and dimensions (Corley & Gioia, 2004; Gioia, Corley, & Hamilton, 2013).

The Case Study

Paper two and paper three, chapter IV and chapter V respectively, are based on ethnographic case study work on the pre-foundation period of what became the first Islamic Bank in Germany. Over two years I had exclusive access to the organization. The case is uniquely positioned, as the in-vivo phase of observation is the pre-foundation period, which is much harder to capture than an established organizational setting, as organizations are less public and may fail in their pursuit. Also, the case is exceptionally suited to observe institutional struggles because it is an Islamic Bank in a non-Muslim majority country. I could notice how a novel hybrid built itself internally and explained and justified itself externally. The bank sought and ultimately became the first Islamic Bank in Germany and the Eurozone. The case hence offers a "particularly revelatory" setting (Eisenhardt & Graebner, 2007) for analyzing institutional processes and occurrences and to build and refine theory through rich case study research (Eisenhardt, 1989).

The collected data in total comprises over 70 days of observations, over 80 interviews and over 1500 documents. I immersed myself and retreated regularly from the setting to capture important developments while maintaining a form of distance, to constantly balance ontological familiarity with epistemological remoteness. The portfolio of research notes consists of over 450 pages of observations and reflections and 1200 pages of interview transcriptions and notes as well as over 18000 pages of documentary evidence.

The focus of the case study was the bank and its field-level surrounding. I examined both the unfolding of internal developments as well as the bank's external relationships and interactions. For paper two, I obtained in-depth insights into the bank's strategy, practices and processes as well as the multiple and diverse views of managers and employees. For paper three, I did not only observe the internal dynamics but also and especially the interaction of the bank with other field-level actors. This allowed me to observe the interactions with regulatory agencies such as the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin) and other field actors such as the Auditing Association of German Banks (Prüfungsverband deutscher Banken – PV), professional services firms, Islamic organizations and more widely society.

Contribution

The central underlying theme of this dissertation is the role of values and meaning in and around organizations and how these can be managed. Specifically, I have chosen to focus on religion – and within this category on Islam – as a source and system of meaning and a central institution that impacts organizations. Looking at entrepreneurial settings through an institutional lens, this thesis intends to contribute in re-focusing our research agenda on values and meaning through a largely neglected area of research in organizational studies: the role of religion (Chan-Serafin et al., 2013; Gümüsay, 2015; Lounsbury et al., 2014; Tracey, 2012). When religion has been taken as a subject of inquiry, the focus was primarily on Christianity and Judaism (Tracey, 2012). Within the scarce research of religion in organizations, this thesis hence also shifts the attention towards a disregarded religion within our field, namely Islam.

Each paper has its own theoretical contributions. The first paper is a conceptual article considering a scriptural perspective on entrepreneurship. It was published in August 2015 at the Journal of Business Ethics Vol. 30, Issue 1, pp. 199-208. I attempt to complement existing entrepreneurship theory by examining entrepreneurship from an Islamic perspective, conceptualized as being based on three interconnected pillars: the entrepreneurial, socio-economic/ethical, and religio-spiritual. I outline how Islam shapes entrepreneurship at the micro-, meso-, and macro-level, indicate how Islam may be considered an entrepreneurial religion in the sense that it enables and encourages entrepreneurial activity, review research streams interlinking Islam with entrepreneurship and management and present promising research approaches particularly with but not exclusive to institutional theory. It suggests an institutional logics perspective to further analyze the impact of religion on organizations, which the subsequent papers in the thesis build on.

The second paper is co-authored with Michael Smets and Tim Morris. It is based on qualitative data collected during the founding process of the first Islamic Bank in Germany and investigates how a hybrid organization mitigates conflict without structural separation or blending of institutional logics. It highlights two novel organizational responses: polysemy, an organization's judicious use of concepts and/or artifacts that have simultaneously multiple meanings; and polyphony, individuals' judicious use of time, space and/or language to enable simultaneous but separate enactments of multiple meanings. Polysemy and polyphony are mutually reinforcing mechanisms that allow us to dynamize the framework by Besharov and Smith (2014). Through these mechanisms the organization forms elastic hybridity to manage diverse institutional demands. This offers organizations more viability, resilience and sustainability.

The third paper is also based on the in-depth qualitative case study of the first Islamic Bank. The paper highlights how organizations may be dynamically and collectively engaged with institutional complexity both co-generating and co-resolving institutional complexity with other field-level actors. I develop four combinatory mechanisms – rather than outcomes – towards coalescing institutional logics, namely pushing, pulling clarifying and tolerating. These offer a toolkit for organizations, which can be strategically applied in the encounter of conflicting institutional demands. I classify them into a framework based on their required or desired and actual or perceptual characteristics.

Summary

This introductory chapter presented an overview of my research framing, the proposed structure of the thesis and anticipated contributions. The next chapter provides a literature overview, which frames the overall work. Chapter III, IV and V are the core three papers of the thesis. Chapter VI concludes the thesis with a summary of theoretical contributions, policy and practice implications and a research outlook.

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CHAPTER II

LITERATURE REVIEW

Organizations are ubiquitous and institutional theory is presently the predominant approach to comprehending organizations. Greenwood, Oliver, Sahlin-Andersson and Suddaby (2008: 4–5) define institutions as "more-or-less taken-for-granted repetitive social behavior that is underpinned by normative systems and cognitive understandings that give meaning to social exchange and thus enable self-reproducing social order." According to this definition institutions entail four components: stability and endurance, pattern and structure, sociality and collectivity, and values and meaning. Institutions are resilient social structures that are constitutive of our social reality. Institutional theory is hence underlined by the observation that there is "the tendency for social structures and processes to acquire meaning and stability in their own right rather than as instrumental tools for the achievement of specialized ends" (Lincoln, 1995: 1147). It takes into account the significance of wider social and cultural forces moving away from an overly instrumental as well as closed conceptualization of organizations.

While institutional theory has been employed as a conceptual framework since the mid-19th century, the study of organizations as distinctive social forms commenced rather recently. March (1965) dated the beginning of a distinctive academic concentration on organizations in between 1937 and 1947. From then on, the theoretical treatment of the interplay of organizations and institutions has well advanced. This literature review will concentrate on this scholarship, what may be termed organizational institutionalism (Greenwood, Oliver, Suddaby, & Sahlin-Andersson, 2008), and will also draw from the sociology of religion literature.

The aim for this literature review is to provide a framework for the three papers of this thesis. The papers either conclude with (paper one) or employ an institutional theory lens (paper two & three) to examine the impact of religion, namely Islam, in combination with other institutional logics on organizations particularly within entrepreneurial settings. Each paper has its specific and tailored literature segment. The first paper titled "Entrepreneurship from an Islamic Perspective" focuses briefly on the entrepreneurship literature. In the section "Management Theory and EIP" its outlook in terms of the literature is a recommendation to employ institutional theory, in particular an institutional logics perspective, to investigate the role of religion in organizations. The other two papers consequently build on this recommendation. The second paper with the title "'God at Work': Responding to Competing Institutional Logics through Elastic Hybridity" includes a literature review on institutional logics and organizational hybridity. The third paper "The Formation of an Islamic Bank: Resolving Institutional Complexity through the Co-Generation of an Institutional Template" engages particularly with the literature on institutional logics and institutional complexity.

This review broadly encompasses elements of old and new institutionalism, institutional logics, institutional complexity, organizational hybridity and the sociology of religion literature. It is not meant to be exhaustive or complete, but rather offers a wider frame for the papers building on more comprehensive reviews and insights on organizational institutionalism (DiMaggio & Powell, 1991; Phillips & Malhotra, 2008; Thornton, Ocasio, & Lounsbury, 2012) and the sociology of religion

(Clarke, 2011; Turner, 2010). The review thus embeds the overall theme of the role of meaning and values, particularly religion, in organizations from a predominantly institutional lens.

This literature review is structured as follows. The next section will focus on the role of values and meaning in institutions broadly along the chronological development in institutional theory from old to new institutionalism and recent developments of institutional logics. As the empirical setting is a hybrid venture, which faces diverse institutional demands, the next section will engage with institutional complexity and organizational hybridity.

Institutional logics and its recent developments provide a good theoretical anchoring for this research project, as the role of values and meaning has regained significance in this stream of institutional theory (Friedland & Alford, 1991). Yet, the literature has not sufficiently considered religion and particularly a non-Western centric view of religion (Tracey, 2012). I will thus engage with the literature from the field of sociology of religion under the subsequent section entitled "religion in society". Insights will be employed to enrich our understanding of religion within institutional theory. Bridging these sections, I will consequently focus on the religious logic, its position within the interinstitutional system and how it may be incorporated into theoretical considerations about institutional complexity and organizational hybridity. The final section summarizes this literature review with its contributions and provides an overview to its interconnection with the three papers in the thesis.

This review makes three primary contributions to the literature. First, it highlights that values and meaning are underemphasized in organizational institutionalism. Second, it identifies a particular disregard for one source of values and meaning: religion.

Islam, the second largest religion in the world, has been especially neglected and requires research attention. Third, the review outlines a literature stream conducive to address this gap. Specifically, the religious logic alongside other behavioral templates as part of an interinstitutional system can and should be employed and integrated to enrich our understanding of institutional complexity and organizational hybridity.

Values, meaning and institutions

Old institutionalism

The roots of organizational institutionalism may be traced back to a wide list of sociologists. Scott (2001) names Berger, Cooley, Durkheim, Hughes, Luckmann, Marx, Mead, Schutz, Spencer, Sumner, Cooley and Weber. Many of them, particularly Berger, Durkheim, Marx and Weber are also key contributing scholars to the sociology of religion. Both streams have thus certain common intellectual ancestors.

Old institutionalism focuses on conflicting interests, values and power (Clark, 1960, 1972; Selznick, 1949, 1957). Building on Merton (1936, 1957), Selznick (1948, 1949, 1957) formulated theoretical insights into the relationship between institutions and organizations. Selznick moved from an overly mechanistic view of organizations to a more organic one. He conceived organizations as the primary vehicles for the pursuit of social values. For Selznick (1957: 17, emphasis in original) to institutionalize is hence to "*infuse with value* beyond the technical requirements of the task at hand". Selznick (1957: 90) argues that organizations "embody" institutional values, which are built "into the social structure of the enterprise."

Institutional economists tend to stress externally enforced legal and rule-based systems, with an example of such a system being the nation state (North, 1990). On a more micro-level, March and Simon (1958) recognize cognitive controls in organizations. While maintaining a certain set of exogenously determined preferences, Simon (1945/1997) emphasizes the limits of humans' cognitive capacities leading to what he calls boundedly rational behavior. Choices in organizations are constrained and channeled by rules.

In contrast, sociologists such as Cooley, Selznick and Parsons emphasize normative controls. Parsons (1960: 20) links the organization with its environment, its "main institutional patterns". For Parsons (1960: 21) these wider patterns and normative structures "legitimize the main functional patterns of operation which are necessary to implement the values". Institutions are both internalized by actors and reinforced in social structures and situations. In Selznick's (1949: 256–257) words: "Because organizations are social systems, goals or procedures tend to achieve an established, value-impregnated status. We say that they become institutionalized." They are worthy to be preserved in their own rights. The concept of an organization shifts from an instrumental matter towards a distinctive character with unique values.

Old institutionalists link institutions to embedded and rationalistic actors, who hold specific interests as well as values and act upon them. Only if those in power retain their influence are their values preserved. Building on Selznick and the significance of values, as well as stressing the role of power and agency, Stinchcombe (1968: 107) defines an institution as "a structure in which powerful people are committed to some value or interest."

Old institutional theory concentrated on the organization and vested interests thereby neglecting more macro-level influences like widespread social understandings and legitimacy as well as cognitive aspects such as classifications, routines, scripts and schema (DiMaggio & Powell, 1991). New institutional theory zoomed out towards the wider institutional context. While some scholars have refocused and built on insights of old institutional theory (Chandler, 2014; Heclo, 2011; Kraatz, 2009; Kraatz & Flores, 2015; Kraatz, Ventresca, & Deng, 2010), new institutional theory, which we are turning to in the next section, dominates the research agenda.

New institutionalism

Neo-institutional theory emerged notably out of three foundational papers (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Zucker, 1977). Responding to dominant functionalist reasoning Meyer and Rowan (1977) emphasize that for organizations not only organizational efficiency but also legitimacy is critical for survival. The latter is acquired by conforming to what they term institutional myths. Organizational structures thus "become isomorphic with the myths of the institutional environment" (Meyer & Rowan, 1977: 340). As these isomorphic pressures are not caused by efficiency demands of production and exchange, conformity is practiced only ceremonially. This leads to a decoupling of formal structures from the organizational core, that is its ongoing actual activities. In the same year in a more micro-level study Zucker (1977) ascertains through three experiments that institutionalization, understood as both objective and exterior, increases cultural persistence whereby "the moral becomes factual" (Zucker, 1977: 726).

Six years later, DiMaggio and Powell (1983) ask: what makes organizations so similar? They describe the specific isomorphic pressures of organizations defining three mechanisms leading to institutional isomorphism: coercive, mimetic and normative isomorphism. DiMaggio and Powell (1983) form an analytic typology associating coercive isomorphism with the state, mimetic isomorphism with the market and normative isomorphism with professionalization. Employing Bourdieu's (1984, 1993) concept of field as a social arena, they also shift focus towards the organizational field as a new unit of analysis, which DiMaggio and Powell (1983: 148) define as “those organizations that, in the aggregate, constitute a recognized area of institutional life.” The Weberian “stahlhartes Gehäuse” or iron cage of rationalization is revisited, as organizations are regarded as entities that do not only compete for economic but also for social fitness.

Various units of analysis, which attempted to incorporate cultural-cognitive, normative, regulatory, relational and structural components, were proposed, such as industry system (Hirsch, 1975) or societal sector (Scott & Meyer, 1992), yet the term organizational field has become most widely accepted and used. Scott (1994: 207f) explicates that the organizational field is "a community of organizations that partakes of a common meaning system and whose participants interact more frequently and fatefully with one another than with other actors outside the field." The identification of the applicable field or fields is hence important to be able to analyze and comprehend organizational activities.

Also important is the delineation of field boundaries. Laumann, Marsden, and Prensky (1992) propose two approaches: a realist perspective where the actors themselves define the boundaries, and a nominalist perspective where the investigator imposes a conceptual framework. Organizations may develop institutional strategies to form and transform fields (Lawrence, 1999: 167), or bridge field boundaries and exist across organizational fields (Greenwood & Suddaby, 2006). They may also shape these boundaries, which are fluid and changing. These activities and processes consequently have an impact on the institutional environment and organizations therein. We require more insights into the process of boundary change and the resulting overarching impact.

The institutional contexts provides specific "templates for organizing" (DiMaggio & Powell, 1991: 27), infused with a taken-for-grantedness. Institutionalization is then the process by which “social processes, obligations, or actualities come to take on a rule-like status in social thought and action” (Meyer & Rowan, 1977). Tolbert and Zucker (1983) suggest three indicators of institutionalized practices: they are widely followed, without debate and exhibit permanence.

Employing a more phenomenological and ethnomethodological (Garfinkel, 1967) lens, the scholarly field moved towards more cognitive frames and cultural frameworks rather than normative systems. Berger and Luckmann (1967), for instance, stress the creation of shared knowledge and belief systems rather than the construction of norms and rules. At the same time scholars also question the rational decision making concept, which is particularly linked to a neoclassical economic comprehension; but also shapes old institutionalism's perception of rationalistic actors, who are acting upon their interests – and also values. In old institutionalism the structural environment and cultural-cognitive aspects were largely ignored, while in new institutionalism actors became overly structurally-constrained mechanistic entities. Legitimacy is primarily pursued for efficiency or because an alternative is cognitively not conceived. Values as a specific normative driver are largely ignored.

Scott (2001) developed an inclusive analytic framework. He identifies three pillars of institutions, namely regulative, normative and cultural-cognitive. These institutions "provide stability and meaning to social life" (Scott, 2001: 48). The regulative conception is linked to an institutional economist approach to institutions, the normative conception to old institutionalism and the cultural-cognitive conception to new institutionalism. Institutions are hence “social structures that have attained a high degree of resilience” and contain cognitive, normative, and regulative elements (Scott, 2001: 48). They are both informal, i.e. flexible, cognitive and normative as well as formal, i.e. more rigid and regulative. The model thus offers a synthetic integration of these streams of research.

While old institutional theory privileged interests, values, norms and social commitments, new institutional theory stressed legitimacy processes, routines, scripts, classifications and schemas. It has been acknowledged that this is a simplified dichotomy and scholars have attempted to bridge the divide (Greenwood & Hinings, 1996; Hirsch & Lounsbury, 1997). Nonetheless, a shift away from values and meaning towards cognition and legitimacy particularly following the foundational papers around the 1980s can be noted (Zilber, 2008). For DiMaggio and Powell (1991: 15): "Not norms and values but taken-for-granted scripts, rules, and classifications are the stuff of which institutions are made." While such a focus on structured cognition is important, it should not act as a substitute but rather as a complement (Selznick, 1996). In fact, meaning was still at the core the foundational papers in neo-institutional theory, but was neglected later on (Zilber, 2008) Recently, we have thus seen renewed emphasis on the role of meaning (Meyer & Höllerer, 2010; Rao, Monin, & Durand, 2003; Suddaby, Elsbach, Greenwood, Meyer, & Zilber, 2010; Townley, 2002; Zilber, 2002).

Institutional logics

In the beginning of the 1990s various scholars focused on the diversity of systems and sources of meaning. These orderings conceptualized a framework for behavior. Whittington (1992) considered the notion of social systems, Boltanski and Thévenot (1991) orders of worth and Friedland and Alford (1991) institutional logics. Of those various approaches, the latter became the most prominent and widely used approach in institutional theory.

In 1991 Friedland and Alford introduced an interinstitutional system consisting of five institutional logics, namely the capitalist market, bureaucratic state, democracy, nuclear family, and Christian religion. Thornton, Ocasio and Lounsbury (2012) revised the interinstitutional system of behavioral templates delineating seven institutional orders and associated logics: family, community, religion, state, market, profession and the corporation. Building on Friedland and Alford (1991) as well as Jackall (1988) Thornton and Ocasio (1999: 804) define institutional logics "as the socially constructed, historical pattern of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality." These logics situate actors within a societal context, prescribing and proscribing social behavior.

Institutional logics offer actors common frames of reference, that is 'cognitive maps' in order to "guide and give meaning to their activities" (Scott, Ruef, Mendel, & Caronna, 2000: 20). They are broad belief systems, taken-for-granted social prescriptions representing shared understandings about what constitutes legitimate means and ends shaping cognition and decision making in a field (Ocasio, 1997; W.

R. Scott, 1994; Suddaby & Greenwood, 2005). While earlier neo-institutional theory concentrated on the distinct roles of coercive, mimetic and normative isomorphism, all three mechanisms are now less of an analytical focus, but rather conceptualized to potentially occur within each institutional logic. Similarly, specific cognitive frames as well as normative values become part of the vertical axis and are both incorporated into institutional logics. This is a significant analytical restructuring that generated a rich and growing body of literature; which is both flourishing (Lounsbury & Beckman, 2015) and has much further potential (Greenwood, Hinings, & Whetten, 2014).

Scholars have especially examined the market logic (Thornton, 2001) whose basis of norms is conceived as self-interest and basis of strategy as the increase of efficiency profit (Thornton et al., 2012). In many empirical settings, the observed market logic had gained prevalence and prominence (Glynn & Lounsbury, 2005; Thornton & Ocasio, 1999). More recently, work also examined further the community logic (Ansari, Wijen, & Gray, 2013; Lee & Lounsbury, 2015; Smets, Jarzabkowski, Burke, & Spee, 2015).

Researchers also have empirically engaged across a variety of fields, including cultural industries (Alexander, 1996; Glynn & Lounsbury, 2005), health care (Dunn & Jones, 2010; Reay & Hinings, 2009), legal systems (McPherson & Sauder, 2013), life sciences (Murray, 2010), manufacturing (Greenwood, Díaz, Li, & Lorente, 2010), medical device industry (Pahnke, Katila, & Eisenhardt, 2015), social enterprise (Dacin, Dacin, & Tracey, 2011), professional service firms (Lander, Koene, & Linssen, 2013; Lounsbury, 2007; Marquis & Lounsbury, 2007; Smets, Morris, & Greenwood, 2012), public schools (Rowan, 1982) and university departments

(Kodeih & Greenwood, 2014; Nelson, 2005). In these fields, organizations face and heterogeneously respond to a multiplicity of institutional logics (Greenwood et al., 2010).

The institutional logics perspective incorporate both the macro-level influences, disregarded by old institutional theory, as well as the role of norms and values, of underlying reasons for action, neglected by new institutional theory with its focus on cognitive legitimacy. It forms a symbiosis to what Selznick (1996: 276) calls "pernicious dichotomies" between old and new institutionalism. It includes both "deeper principles" (Stinchcombe, 1997: 6) as well as cognitive elements. Although Cloutier and Langley (2013: 4) rightly see still a downplaying of the moral dimensions and call this "moral myopia", this is not a conceptual necessity. In sum, while institutional logics may have certain analytical problems like the specific reasoning for the selection of currently seven institutional logics as well as their categorical overlapping, they offer a good theoretical anchoring for this research project. In the next section, we will hence focus on developments within the institutional logics literature, specifically institutional complexity and organizational hybridity.

Multiple institutions in and around organizations

Institutional Complexity

Organizations frequently face institutional complexity defined by Greenwood, Raynard, Kodeih, Micelotta and Lounsbury (2011: 357) as “situations where organizations experience a multiplexity of different pressures from a plurality of institutional logics” (p. 357). It is the encounter of "incompatible prescriptions from multiple institutional logics" (Greenwood et al., 2011: 317). Thornton and colleagues (2012: 57) explain that it is the "jurisdictional overlap of institutional orders that creates institutional complexity."

Organizations attempt to cope with the institutional landscape, potentially challenging and changing it. They develop strategic organizational responses. Building on Oliver (1991), Pache and Santos (2010) outline the repertoire of organizational responses to conflicting institutional demands. Strategies are acquiescence, compromise, avoidance, defiance and manipulation. Acquiescence is the “most passive response strategy” and may result from habit, imitation or compliance (Pache & Santos, 2010: 462). Compromise refers to partial conformity with the variety of institutional expectations based on balancing, pacifying and bargaining tactics (Alexander, 1998; Oliver, 1991; Pache & Santos, 2010).

Avoidance strategy is based on tactics of concealing, buffering and escaping, defiance strategy on dismissing, challenging and attacking and finally manipulation strategy on co-opting sources of institutional pressure, influencing norm definitions and controlling sources of pressure (Oliver, 1991; Pache & Santos, 2010). Decoupling, the symbolic endorsement of one practice which is operationally not implemented (Bromley & Powell, 2012; Meyer & Rowan, 1977) is such an avoidance strategy.

Recent empirical work has focused on the heterogeneous responses by organizations and individuals to manage complex institutional environments and to resolve institutional complexity. At the micro-level, McPherson and Sauder (2013) show how actors flexibly employed institutional logics at a drug court. Voronov, Clercq and Hinings (2013) conduct an investigation into Ontario fine wine and conclude that diverse scripts are employed when actors engage with institutional logics. At the organizational level, Durand and Jourdan (2012), for instance, found that film producers used alternative conformity to a minority logic to undermine a dominant logic. Organizations may also try to delay and reduce institutional complexity (Raaijmakers, Vermeulen, Meeus, & Zietsma, 2014) and sometimes organizational complexity may itself become embraced and institutionalized (Smets et al., 2015).

Overall, organizations are depicted as attempting to respond and resolve institutional complexity. In fact, the framework by Greenwood et al. (2011: 324) labels organizational activity as "organizational responses". This has three potential deficiencies. Organizations may not only merely respond but actively engage with institutional complexity, so that the arrow would point both ways. Their engagement with institutional complexity must not be an individual but can very well be a collective process. Their behavior within this organizational responses 'black box' consists of additional 'boxes' and requires further analysis, elaboration and insights. These aspects are addressed in paper three.

Organizational hybridity

In modern complex societies organizations are commonly embedded in pluralistic institutional environments. Hybrid organizations draw from and incorporate these diverse institutional demands prescribed by multiple institutional logics (Battilana & Dorado, 2010; Battilana & Lee, 2014; Jay, 2013; Mair, Mayer, & Lutz, 2015). Organizational hybridity has thus gained prevalence as an organizational form (Kraatz & Block, 2008). They have been examined in a variety of sectors such as microfinance organizations (Battilana & Dorado, 2010), banks (Almandoz, 2012, 2014), social enterprises (Ebrahim, Battilana, & Mair, 2014) and wind energy (York, Hargrave, & Pacheco, 2015) particularly with a focus on the combination of community and market logics.

Organizational hybrids are often arenas of contradiction, contest and conflict, as they attempt to cope with multiple institutional logics. Besharov and Smith (2014) develop a framework that categorizes organizations in terms of the logics' centrality and compatibility. They define centrality as "the degree to which multiple logics are each treated as equally valid and relevant to organizational functioning" (Besharov & Smith, 2014: 369). Compatibility is "the extent to which the instantiations of logics imply consistent and reinforcing organizational actions" (Besharov & Smith, 2014: 367). Accordingly, the more central and the less compatible logics are, the more they are prone to conflict. As hybrid organizations are those organizations that instantiate multiple often conflicting institutional logics within their core, they fit the contested ideal type in the framework by Besharov and Smith (2014).

Research suggests that hybrid organizations attempt to address challenges of conflicting institutional logics by either internally keeping logics separate (Pache & Santos, 2013) or reconciling them (Greenwood et al., 2011; Murray, 2010; Simsek, 2009; Tracey, Phillips, & Jarvis, 2011). Hybrids are hence classified into two types: blended and compartmentalized (Greenwood et al., 2011). Blended hybrids synthesize different logics within the same organization or organizational unit, while compartmentalized hybrids partition logics into separate segments or units. The existing identification of managerial and strategic responses as well as types of organizational hybrids are not exhaustive and ignore key mechanisms and structures of hybridity, that exist without structural separation or fusion. In paper two, focusing on the Islamic Bank as an organizational hybrid, together with colleagues I will delve into the intraorganizational dynamics and offer two analytically novel ways to resolve multiple contested institutional logics without structural separation or fusion.

The institutional logics perspective with its developments in institutional complexity and organizational hybridity offers rich concepts and tools to engage with the role and impact of religion in organizations and the wider institutional setting. At the same time, the institutional logics research stream requires more developments into the structural conceptualization and comprehension of institutional logics and their theoretical ordering. Currently, our theoretical understanding of institutional logics does not position them as mutually exclusive and collectively exhaustive and lacks tools and models to approach comprehensively intra- and inter-logic change.

Furthermore, although the institutional logics perspective acknowledges the role of religion structurally in its interinstitutional system, religion is not a particular focus in theoretical or empirical studies. As a next analytical step, I will zoom in on the religious logic. Before we can consider the religious logic, however, I will engage with its sociological fundament to obtain a better comprehension of the religious component. The next part of this literature review will refer to the sociology of religion literature to appreciate a more in-depth view on religion, on which I will build the following section on the religious logic.

Religion in society

Sociology of religion

The sociology of religion literature provides foundational analysis on beliefs, practices and organizational forms of religion. It employs tools and methods of the sociological discipline and addresses issues broadly around the role of religion in society. The literature is still much associated with those classical writers, who also influenced institutional theory. Marx (1843/1972) emphasized that religion and economics are interlinked and that religion conceals capitalist exploitation. Weber (1904/1965) noticed that the protestant ethic formed a capitalist spirit, which was driven by a notion of calling and the belief that hard work, discipline and integrity may lead to salvation. He also accentuated the idea that each religion associates with a primary status group which shapes societal culture (Collins, 2007). Durkheim (1912/1995) identifies four core features of religion, namely that it is a collective phenomenon, comprises of beliefs and practices, is not magic and distinguishes between the sacred and the profane.

Later prominent theories are the Church-Sect Theory (Troeltsch, 1911/1976), although Troeltsch actually distinguished between church, sect and mysticism, and Rational Choice Theory (RCT), which is sometimes also termed Religious Competition Theory. Dawson (2009) summarizes four differences between churches and sects: First, church members are likely to be born into their religion, whereas members of sects convert into them. Second, churches tend to be heterogeneous congregations and inclusive organizations. Third, they reflect and represent broader social values. Fourth, churches are more likely to be hierarchical and bureaucratic. RCT assumes that rational choices determine whether and which religion a person adheres to (Stark & Finke, 2000).

The sociology of religion literature offers insights illustrating that and how religion may be important in organizations. It entails tools to conceptualize the significance of religion inter alia through notions of calling or sacredness. The distinction in church, sect and mysticism may also provide insights into the role of religion in organizations and whether or not the particular form is, for example, heterogeneous and inclusive representing broader social values. Also, the literature highlights the variety within and between religions. To sum up, the sociology of religion depicts the significance as well as the characteristics of religion. Yet insights have to be employed with caution, as this stream of research has somewhat "stereotyped views of religion" given its "long tradition of skepticism toward religion" (Dillon, 2011: 6) the sociology of religion offers a level of sophistication and detail which can and should inform the institutional theory literature. Particularly, it may inform a conceptualization of religion, which generally entails as a belief in a higher being, a metaphysical component and a sacred scripture, and the impact of religion on organizational practices and principles.

Post-secular society

Scholars identified various reasons for a decline in religiosity. For Auguste Comte (1864) society progresses somewhat teleologically through three stages. It moves from the theological, via the metaphysical to the positive stage. The latter is characterized by a reliance of the scientific method for explanations and justifications. Durkheim (1964) developed a two stages model of differentiation. He saw societies based on mechanical solidarity shaped by shared religious and cultural beliefs, which emerge into organic solidarity associated with advanced division of labor. Durkheim acknowledged normative, but less religiously-connoted frameworks engrained in non-contractual elements of contract, collective sentiments and collective ideas. In Durkheim's (1895/1982) terms these are social facts.

Tönnies (1887/1963) develops two ideal types of social organizations: Gemeinschaft (community) and Gesellschaft (society). In the community, the relationship of people is determined by Wesenswille (natural will). In contrast, society is formed by Kürwille (rational will) typified by government bureaucracies, cosmopolitan societies and industrial organizations. In this society, rational self-interest weakens traditional bonds like religion. Human relations are rather indirect and impersonal, rationally constructed to serve efficiency considerations. Weber (1904-05/1965) develops this further in his analysis of the rationalization of society. Rationalization replaces emotions, traditions and values as motivators for behaviors. The world is considered calculable, predictable, and controllable (Wilson, 1976), trapping individuals in a stahlhartes Gehäuse, an iron cage of efficiency and bureaucratization of social order (Weber, 1904-05/1965). Weber demonstrates how the intent of certain Protestant theologies, particularly Calvinism, has shifted towards rational means. Salvation was linked to hard work and diligence. Weber argued that the rational consequence of this doctrine became incompatible with its religious roots. The economy ultimately lost its religious ethos (Weber, 1922). For Weber (1917-19/1992) the consequence was a disenchantment of the world.

Building on work by Durkheim, Tönnies, Simmel, Weber, secularization theories were developed most prominently by Berger (1967) Luckmann (1967) and Wilson (1969) in the 1960s. For Swatos and Christiano (1999) secularization means the decline of micro-level individual piety. In contrast Bruce and Wallis (1992) stress, that religion lost its influence on a macro-level vis-à-vis other systems such as the economy, education, family, law and polity. Leaning towards the latter, Dollbelaere (2009) defines secularization as "a process, by which overarching and transcendent religious systems of old are confined in modern functionally differentiated societies to a subsystem alongside other subsystems, losing in this process their overarching claims over these other subsystems." Secularization in that sense is a decreasing influence of religion in other subsystems. These subsystems are conceptually comparatively similar to institutional logics.

Classical sociologists identified processes of rationalization, differentiation, scientification, individualization and bureaucratization of society leading to disenchantment and a decline in religiosity. Later scholars termed this a process of secularization. More recently, however, scholars have questioned the predominance of these processes, the causal link to secularization and emphasized possible movements towards post-secularity, particularly but not exclusively outside Europe. Empirically, religion still matters with almost 6 billion religiously affiliated people representing 84% of the world population (Pew Research Center, 2012). For Stark (1999: 270) the secularization "doctrine" should be carried "to the graveyard of failed theories". Berger (1999: 2) formerly a prominent advocate of secularization theory has amended his view: “The world today, with some exceptions […] is as furiously religious as it ever was, and in some places more so than ever. This means that a whole body of literature by historians and social scientists loosely labeled “secularization theory” is essentially mistaken.” According to Habermas (2001) we experience a post-secular society.

The iron cage of impersonal rationalism weakens traditional bonds and sources of values. A sole focus on efficiency in that sense may deprive human existence of (subjective) meaning. The "great transformation" (Polanyi, 2001) meant economic activity is not anymore embedded in other societal spheres such as family, religion and politics, but rather independent and focused on obtaining profit. This moral indifference of economic activity, which is not anymore constraint by normative obligations from other social spheres. We may observe similar differentiations of other spheres whereby politics concentrates on power and academia on seeking truth (Luhmann, 1990, 2000). Societal spheres rationalize and optimize yet become disintegrated from the societal whole. However, as religion still appears to matter, it may be a significant source – and thereby explanatory variable – of values and meaning. Hybrid organizations then may be regarded as an institutional counter-development and manifestation of blending various institutional spheres, which become more prominent with increasing institutional complexity.

The religious logic within the interinstitutional system

This section of the literature review contemplates on the religious logic as part of the interinstitutional system. It will commence with a depiction of the religious logic, followed by two critical remarks. First, the religious logic has been largely neglected. King (2008: 220) points out that scholars are in fact encouraged towards spirituality rather than conducting research about and call the phenomenon religion. Second, if analyzed, it was generally from a narrowly Western perspective. I will reason, that a re-focus on religion and especially a non-Western approach is of particular relevance to advance our understanding of the role of religion in and around organizations.

As part of the interinstitutional system the religious logic is an institutional order entailing normative, structural and symbolic dimensions. Thornton et al. (2012: 73) outline the characteristic of the religious logic along a variety of categories. For them, the religious logic obtains its source of legitimacy through the importance of faith and sacredness in society, its source of identity through an association with deities, the basis of norms through congregational membership, its basis of strategy as an increase in religious symbolism and employs worship of calling as an informal control mechanism. The religious logic is the only institutional order with a reference to a perceived metaphysical other, a supernatural outside this world. It entails a metaphysical component, which inter alia for the three Abrahamic religions Judaism, Christianity and Islam comprises of a God, Hereafter and a sacred scripture. The religious logic has some unique attributes, as it refers to other logics like the family, market or state quite specifically, and may have precedence for religious people. For Tillich (1957) religion is unique as its focus is on "ultimate concern". Religion may be of particular relevance in a post-secular society.

Yet religion in general and the religious logic specifically has been largely neglected in management and organization theory (Lounsbury, Tracey, & Phillips, 2014). Tracey (2012: 105) underlines the importance to incorporate religion particularly into the new institutional theory research agenda: "Given the prominence of new institutional theory within the management literature and the rich empirical contexts that religious organizations offer, it is perhaps surprising that there has not been more empirical work in management that has sought to use an institutional lens to study religion and organization." Over twenty years after the book chapter by Friedland and Alford (1991) not a single paper identified by Tracey (2012) employed religion primarily from an institutional logics perspective. This is despite the fact that the institutional logics' concept evoked a rich research agenda, providing a valuable means to incorporate religion into an institutional perspective on organizations.

Tracey (2012) examined 21 scholarly journals that he considered to constitute the mainstream outlets for management research. He identified 86 papers which include a focus on religion dividing them into eleven subject categories while not classifying two. Unlike this thesis many papers concentrate on religious organizations or spirituality rather than religion in non-religious business organizations. Only three papers drew on neo-institutional theory, specifically those by Nelson (1989 & 1993) and Creed, DeJordy and Lok (2010). Yet, all three papers focused on churches. Not a single paper studied religion in secular business organizations from a neo-institutional theory perspective. Furthermore, none of these three papers looked at non-Christian religions. There is hence a wide gap both with regard to the role of the religious logic in business organizations in general and even more so with regard to the role of an Islamic logic in organizations.

This is unfortunate particularly as Weber (1904-05/1965) employs the concept of the iron cage, as a metaphor in his book with an explicit religious focus: “The Protestant Ethic and the Spirit of Capitalism”. While it was revisited by DiMaggio and Powell (1983), the religious angle was largely ignored. It can be concluded that the role of religion in organizations generally, and the religious logic more specifically has been rather neglected (Chan-Serafin, Brief, & George, 2013; Gümüsay, 2015; Tracey, 2012). This is particularly surprising as the very definition of institutional logics by Thornton and Ocasio (1998) refers to 'beliefs'.

Since Tracey's (2012) overview of the literature, some scholars have engaged with the role of religion in management and organization theory. Notable are a recent article by Quattrone (2015), who examines historically the development of accounting in the Jesuit Order as well as an article by Peifer (2015), who analyzes historic Christian magazines. Both use an institutional logics perspective. The edited volume of Research in the Sociology of Organizations on Religion and Organization Theory in 2014 has put a particular focus on the interface of religion and organizations. The volume entails, for instance, a review of the management literature on religion (Dyck, 2014), and four papers connecting religion with institutional theory (DeJordy, Almond, Nielsen, & Creed, 2014; Friedland, 2014; Giorgi, Guider, & Bartunek, 2014) with Peifer (2014) as the only one who also includes non-Christian organizations, specifically Muslim mutual funds, in his analysis. Indeed, Ul-Haq and Westwood (2012: 229) assert: “Islamic management and organization knowledge (MOK) is relatively under- and mis-represented in the literature.”

The institutional logics perspective has still a strong Western focus. In their seminal book chapter, which triggered subsequent work on institutional logics, Friedland and Alford (1991: 232) specifically speak of "central institutions of the contemporary capitalist West" and refer to the "Christian religion", rather than religion in general. Scott (2005: 478) laments that: “An embarrassingly large proportion of our theoretical conceptions and empirical findings has been constructed by U.S. scholars based on data collected from U.S. organizations.” The data in this dissertation hence also contribute to an empirical diversification of our data sources.

An intra-religious logic diversification must also lead to a reexamination of existing constructs. For Thornton et al. (2012: 73), the source of authority of the religious logic is priesthood charisma. The concept of priesthood is closely related to Christianity. In other religions like Islam, the clergy has a different and often less formalized role of authority. They also specify the economic system of the religious logic as occidental capitalism. Occidental refers geographically specifically to so-called Western countries, thereby excluding inter alia its terminological antonym: the orient. The only reference to the Islamic religion in Thornton et al. (2012: 63) has a negative connotation stating that "the contemporary case of Islamic religion remains in conflict with market principles". As a contribution to refocus on religion and a faith other than Christianity, the three papers will zoom in on the role of religion in organizations with a particular focus on Islam.

Summary

This literature review has come full circle. The classical writers of sociology such as Marx, Durkheim and Weber have investigated both the role of religion and of organizations. Indeed, they have each published at least one oeuvre on religion and one related to organizations (Durkheim, 1912, 1964; Marx, 1843, 2006; Weber, 1904, 1964). This literature review thus reconnects organizations with religion – and more broadly values and meaning – through an institutional lens.

Old institutionalism connected institutional theory with organizations concentrating on their institutionalized values. New institutionalism attained explanatory richness on aspects such as cognition, the role of the wider field and the key concept of legitimacy, while it neglected normative aspects. However, organizations may be regarded as purposeful (Hollensbe, Wookey, Hickey, George, & Nichols, 2014), whereby values and meaning matter. Institutional logics incorporate old and new institutionalism by having ingredients of both traditions on the y-axis along each institutional logic. Yet, the institutional logics perspective underemphasized the role of religion, albeit present as a logic, as well as the variety of religions, i.e., their contextualized differences. I hence added a section on the sociology of religion which can enrich the institutional logics research agenda in its appreciation of the religious logic.

This literature review theoretically embeds the three papers of this thesis in the subsequent chapters III, IV, and V. The first paper is conceptual, the second considers internal dynamics and the third bridges internal-external complexities based on an empirical setting. While each paper has its own literature segment, they share a similar framing and context. Through these papers I examine how diverse institutional demands, including religion, impact and can be managed within and across the boundaries of organizations.

The literature review identified a neglect within the recent organizational institutionalism literature: values and meaning particularly in the form of religion are underemphasized. It argued that religion is distinctive in the sense that it is about "ultimate concern" (Tillich, 1957) and includes a metaphysical dimension through the conception of a supernatural being, a sacred source and a Hereafter beyond this world. As it is a significant social fact, we need to incorporate it in our theoretical advancements. More specifically, Islam, which is the second largest religion in the world, has been rather disregarded in the literature. This literature review argued that an institutional logics perspective is conducive to better comprehend the role of religion within the interinstitutional system and its impact on organizational hybridity and within institutional complexity.

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CHAPTER III

ENTREPRENEURSHIP FROM AN ISLAMIC PERSPECTIVE

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Abstract

Research about the role of religion in entrepreneurship and more broadly management is sparse. In this conceptual article we complement existing entrepreneurship theory by examining entrepreneurship from an Islamic perspective (EIP). EIP is based on three interconnected pillars: the entrepreneurial, socio-economic/ethical and religio-spiritual. We outline how Islam shapes entrepreneurship at the micro-, meso- and macro-level, indicate how Islam may be considered an entrepreneurial religion in the sense that it enables and encourages entrepreneurial activity, review research streams interlinking Islam with entrepreneurship and management and outline promising research approaches.

And when the prayer is ended, then disperse in the land and seek of Allah’s favor, and remember Allah much, that you may succeed. (Quran 62:10).

He it is who has made the earth subservient to you, so walk in the paths of it and eat of His provision. And to Him will be the resurrection. (Quran 67:15)

The Prophet Muhammad (peace be upon him) was asked what type of earning was best, and he replied: ”A man’s work with his hands and every (lawful) business transaction.” (Al-Tirmidhi)

Introduction

Research about the role of religion in entrepreneurship and more broadly management is sparse. Religion is like an elephant in the room: impossible to overlook, yet largely ignored. While entrepreneurial activities have inter alia been researched from economic (Casson, 2003), institutional (Battilana, Leca, & Boxenbaum, 2009), political (Schneider & Teske, 1992), psychological (Begley & Boyd, 1987) and social (Shapero & Sokol, 1982) perspectives, religion has been largely neglected with very few exceptions (Dana, 2010). A religious perspective on entrepreneurship is distinct, as it commonly entails specific and detailed narratives and practices, a defined scriptural source and a distinct meta-physical objective. A holistic approach to entrepreneurship research which incorporates religion may hence complement and enrich existing entrepreneurship theory and practice.

Habermas (2001) argues that we are in a post-secular society. Contrary to the conventional understanding of modernity as secular, religion continues to have a major role in society. Berger (1999: 2), formerly an advocate of secularization theory has shifted his view: “The world today, with some exceptions […] is as furiously religious as it ever was, and in some places more so than ever. This means that a whole body of literature by historians and social scientists loosely labeled ‘secularization theory’ is essentially mistaken.”

We may not exclude religion from our research attempting to analyze a secular social science, when the social is not secular. The study of science as a social activity through the sociology of scientific knowledge (Berger & Luckmann, 1967; Bloor, 1976; Kuhn, 1962) positioned science within a sociological realm. Science-related research is a social activity and management as a social science is research by, about and for people. As some of those people are religious, entrepreneurship specifically and management research and practice more generally need to integrate the meta-physical.

With 1.6 billion adherents constituting 23% of the world population, Islam is the world's second largest religion expected to grow to 2.3 billion or 26.4% of the world's population by 2030 (Pew Research Center, 2011). For many Muslims, religion has an important role in their life (Pew Research Center, 2012). In recent years various conferences such as the World Islamic Economic Forum or the Global Islamic Economy Summit concentrated on and thus raised awareness of the intersection of Islam and the economy. The market of Muslim customers is rising and entrepreneurs are developing (new) products to respond to demand. Given these trends, a reflection on the interaction between Islam and entrepreneurship becomes particularly pertinent.

The outline of this article is as follows: First, we critically reflect on the concept and conceptualization of entrepreneurship from an Islamic perspective (EIP). Second, we concentrate on how Islam shapes entrepreneurship at the micro-, meso- and macro-level of analysis. Third, we contemplate on Islam as an entrepreneurial religion. Fourth, we reflect on the thin literature on EIP. Fifth, we engage EIP with Management theories suggesting to connect it to the manifold core of research. Sixth, we contemplate on the future of EIP and finally conclude.

Entrepreneurship from an Islamic Perspective

Entrepreneurship from an Islamic perspective is a composition of two individually contested concepts: Islam and entrepreneurship. *Islamic* in its minimal core is the declaration of belief in the one God and that Muhammad (peace be upon him, pbuh) is the messenger of God. In a famous Hadith narrated by Al-Bukhari the prophet is asked by the archangel Gabriel about *Islam*, *Iman* and *Ihsan* and explains that Islam is the testimony that there is no God but Allah, that Muhammad is His messenger, to perform prayers, to pay Zakat, to fast in Ramadan and to make the pilgrimage if able to do so. Iman is the belief in Allah, His angels, His books, His messengers, the Last Day and divine destiny. Ihsan is to worship Allah as if you see Him, while not seeing Him, although He sees you. The attribute of Islamic in EIP is linked to this belief and submission to God.

The word entrepreneurship is derived from the French entreprendre and the German unternehmen. Both verbs translate to "undertake". In a way, the entrepreneur undertakes endeavors that others do not. The entrepreneur "is at once one of the most intriguing and one of the most elusive in the cast of characters that constitutes the subject of economic analysis" (Baumol, 1993: 2). Hébert & Link (1989) condense the taxonomy of economic theories on entrepreneurship into three key intellectual traditions – the Austrian, Chicago and German school. The proponents of the so-called Austrian school like Kirzner (1973, 1979) advocate that entrepreneurs exploit opportunities. The Chicago school (Knight, 1921) stresses the importance of risk-taking and the bearing of uncertainty. The German school, particularly known through the works of Schumpeter (1934), concentrates on the role of new combinations and creative destruction. A summary definition may be that an entrepreneur is someone who exploits opportunities often through the recombination of existing resources whilst bearing the uncertainty in the undertaking.

EIP is more than a simple summation of Islam and entrepreneurship. It is based on three interwoven pillars. The first pillar, based on the definition of entrepreneurship, is the pursuit of opportunities. The second pillar is socio-economic or ethical. Effectively, EIP is guided by a set of norms, values and recommendations. The third pillar is religio-spiritual and links people to God with the ultimate objective of pleasing Allah. These pillars are interlinked. Pillars two and three are not simply added. All three pillars shape each other. Furthermore, these pillars have specific scriptural sources as well as institutions and processes of interpretation. EIP thus contains its own methodology of approaching its understanding. It needs to be comprehended and analysed holistically containing entrepreneurial pursuit, religiously-shaped values, concrete Islamic obligations, community-influence, scriptural sources and an ecosystem of actors and institutions which provide an interpretation for this religio-spiritual lens.

Sometimes EIP is compared to and positioned against an unethical Western entrepreneurship. In response, one may say that entrepreneurship itself but especially social or cultural entrepreneurship is ethical, potentially combining the entrepreneurial and ethical pillars mentioned above. To allow for analysis, comparison and integration, specific Western measures of ethics and social responsibility (recently Roulet & Touboul, 2014) could be better connected to the intrinsic ethical objectives embedded in Islamic religious tenets.

Social entrepreneurship has received much recent research attention (Dacin, Dacin, & Tracey, 2011; Nicholls, 2006; Pless, 2012) institutionally manifested through newly established research centers such as the Skoll Centre, research programs and courses on social entrepreneurship. The definition of social entrepreneurship generally evolves around the combination of entrepreneurship and a social mission (Mair & Martí, 2006). Austin, Stevenson and Wei-Skillern (2006: 1) define social entrepreneurship as "entrepreneurial activity embedded with a social purpose." Some scholars have also focused on the intersection of ethics and entrepreneurship (Harris, Sapienza, & Bowie, 2009; Wempe, 2005). Yet, ethical, social and cultural entrepreneurship do neither have a religio-spiritual pillar nor religious scriptural sources on which the ethical foundation as well as concrete processes are based. EIP is thus not simply an ethical approach to entrepreneurship, although it incorporates ethical values and Islamic ethics are applied to the economy (Ramadan, 2009). It is rather distinct from ethical, social or cultural entrepreneurship, as it entails specific practices, scriptural sources as well as a meta-physical objective and relationship to God.

EIP may falsely be considered entrepreneurship in Muslim-majority countries or entrepreneurship for Muslims. While there is an institutional component to facilitate EIP and entrepreneurship in general, the country does not have to be a Muslim-majority country. The products and services also do not have to focus on Muslims. The entrepreneur or at least a part of the organization has to be Muslim to practice EIP, as EIP contains the religio-spiritual lens. While the practice of any entrepreneur may be in accordance with Islamic values, EIP also contains a belief in and practice for God which presupposes some form of religiosity.

This does not imply that EIP provides no insights for Non-Muslims. On the contrary, EIP provides an approach to critically reflect on entrepreneurship, e.g. by shifting the focus from individual entrepreneurship based on the pursuit of self-interest to family or community entrepreneurship. The practices of EIP may be adopted, values regarded as inspiration and certain beliefs may be substituted. EIP may and should allow us to reflect more broadly on the role of religion in entrepreneurship and how both a specific scriptural source as well as a meta-physical being provides guidance and recommendation. Furthermore, insights into EIP may help to engage better with religious entrepreneurs.

Yet, EIP has not re-engaged with the entrepreneurship literature but has rather concentrated on adopting and adapting entrepreneurship for Muslim-majority countries. This development of an Islamic lens on economics, business and finance is very much linked to the Islamization of knowledge movement in the 1970s and 1980s, particularly through the International Institute for Islamic Thought. The underlying assumption was that much research and thought has a theoretical and empirical focus on the West and may not be applicable to other parts of the world. Concepts such as Islamic economics (Chapra, 1992, 2000; Naqvi, 1994; Siddiqi, 1981) and Islamic finance (Usmani, 2002; Zaher & Kabir Hassan, 2001) provided a contextualized lens and became part of a strong value-based development agenda. Scholars of EIP need to reconnect with both academic and religious sources to rethink and reflect on the future of EIP and to make it more relevant for entrepreneurship theory and practice in general.

We also need to reconsider the terminology and critically reflect on its genesis. Islamic entrepreneurship has become the established term similar to Islamic economics and Islamic finance to describe an Islam-based approach towards certain business and finance practices. A more correct formulation may be entrepreneurship from an Islamic perspective. Islam arguably does not offer a concrete theory of entrepreneurship – nor finance or economics – but rather a foundation and framework to develop a plurality of models of finance, economics and entrepreneurship. In that sense, it is rather a perspective or grounding. Islamic entrepreneurship as well as Islamic finance and economics may thus be misleading terms. To come from the scriptures through their interpretation to a religious conceptualization of entrepreneurship is an intense and complex process. Entrepreneurship, economics and finance from an Islamic perspective may be more accurate expressions.

However, Islamic entrepreneurship clearly is more memorable and easier to use in marketing. Islamic entrepreneurship appears to be a marketing-based construct rather than an academically rigorous and theologically appropriate one. We will thus need a reflective-critical engagement with the term – with both caution and a critical understanding and discourse of what it is and what it is not. At least in the academic context we would suggest to use the alternative and more accurate terminology of entrepreneurship from an Islamic perspective.

An Islamic Role in Entrepreneurship

The role of Islam in entrepreneurship is based on the interlinkage between the textual sources and contextual setting. The primary sources are the Quran and Sunnah. For Muslims the Quran contains the words of God in 114 surahs (chapters) with over 6000 āyāt (verses; singular: āyah) gradually revealed over a period of 23 years around 600 AD. The Sunnah is the deeds, sayings and silent or tacit approvals of the prophet Muhammad (pbuh). Secondary sources and practices are Ijma' (Consensus) and Qiyās (Analogy). Ijma' is the unanimous agreement amongst a certain group of people like religious scholars or the entire Muslim community depending on the Madhhab, that is the specific school of jurisprudence. Qiyās is a form of analogical reasoning, somewhat contested amongst scholars. For some scholars, there exist potentially certain tertiary sources such as the value of public good.

These sources may affect extensively the various levels of entrepreneurship shaping the entrepreneur, the organization and its immediate and wider ecosystem. At the micro-level, the individual entrepreneur may be motivated by religion (Audretsch, Bönte, & Tamvada, 2007) with a distinct entrepreneurial pursuit potentially as someone who may be termed a homo islamicus in contrast to the homo economicus. For such an entrepreneur, success is not defined simply by material reward, although business success is an integral part, but also a socio-economic and metaphysical achievement – which is both in this world as well as in the hereafter. This achievement is sometimes termed falah, implying a state of both material and spiritual well-being (Beekun, 1997: 1).

The entrepreneur is not only affected by embedding work in his religious life of inter alia praying and fasting but rather in all kinds of activities. He sees work as a religious duty, a form of 'wor(k)ship' to seek Allah's bounty as mentioned in the Quran in chapter 62 verse 10. His worldview may change fundamental concepts such as a different understanding of risk, with God as protector, or work, with a threefold reward structure of material, socio-economic and spiritual gains. Actions are shaped by both socio-economic considerations to wider society and ethical considerations in the employer-employee relationship and the interaction with business partners. The Quran states for example: "O you who believe! Do not devour your property among yourselves wrongly; but trade by mutual consent…" (Quran, 4.29). In a Hadith the prophet Muhammad (pbuh) said: "None of you is of complete imān until he loves for his brother what he loves for himself" (Bukhari, Muslim). In another Hadith he mentioned: "Give the worker his wages before his sweat dries" (Tirmidhi; Ibn Majah).

In chapter 11 verse 85 God gives explicit guidelines on trade such as giving just measure and weight. Nature is mentioned manifold times in the Quran and various Hadiths advocate what may be summarized as sustainable practices towards animals and the environment. One Hadith mentions how the prophet saw Sa'd ibn Abi Waqqas taking ablution and said to him: "O Sa'd, how wasteful you are!" Sa'd asked if water could be wasted in taking one's ritual ablution. The prophet responded: "Yes, even if you are using the running water of a river" (Ahmad). In another Hadith (Al-Bukhari, Muslim) the prophet tells a story of how Allah rewarded a man and forgave him his sins because the man climbed down a well, filled his shoe with water and holding his shoe between his teeth climbed up again to give a very thirsty dog to drink some water.

In EIP final ownership lies with Allah (Quran 24:33) with humans as caliphs, trustees or viceregents (Quran 2:30; 57:7). Even immediate ownership is not with the entrepreneurs. Not only is hoarding of wealth prohibited (Quran 3:180; 9:34) they also need to purify their wealth by giving Zakat (Quran 9: 103), as there is a right for the beggar and the deprived in their wealth (Quran 51:19). Wealth entails obligations. Zakat must be paid each year by morally-responsible Muslims who possess the zakatable minimum (Nisāb) beyond immediate needs and debts. The Zakat rate for most goods and assets is 2.5%. Muslims believe that this giving does not decrease but increase wealth as the prophet stated "Sadaqah does not reduce property" (Muslim).

At the meso-level, Islam shapes the organization in multiple ways, as all areas of a business such as strategy, organization, human resources, finance, marketing are impacted by an Islamic perspective. The strategy is expected to be not only profitable but also in line with worldly socio-economic welfare as well as spiritual growth. Certain products such as pork (Quran 2:173), alcohol or gambling (Quran 5:90) are forbidden. Certain practices such as false measuring (Quran 55:9; 17:35) or lying (Quran 6:152; 33:70; 17:36) are not allowed and others such as fulfilling contracts are obligatory (Quran 5:1). Religious activities like the five daily prayers or fasting may shape the organization e.g. through a prayer room, specific working hours during Ramadan or festivals.

The financial side of the business is very relevant for entrepreneurship. Islam denominates specific prohibition in the financing and investment of a business activity. In a four steps process Allah gradually emphasized that riba, the taking of interest, is forbidden. In a first verse (Quran 30:39) God stated "That which you give in usury [riba] in order that it may increase on people's property has no increase with Allah..." The second verse (4:161) says: "And (because) of their taking usury when they were forbidden it…" In the third revelation (3:130): "O you who believe do not live on usury, multiplying your interest many times over..." Finally, verse 2:275 established that: "…Allah has permitted trade and forbidden usury…" The Quran even entails a declaration of war against those who use usury (Quran 2:279). Other prohibitions are gharar and maisir/qimār. Gharar refers to the uncertainty or ambiguity due to the lack of clarity on the price or subject matter in an exchange or contract. Maisir or qimār relates to games of chance such as gambling.

Islam encourages certain (entrepreneurial) financial partnerships such as Mudārabah and Mushārakah. In a Mudārabah partnership one party, the rabb-ul-māl, provides capital and the other, the mudārib; entrepreneurial labour. In a Mushārakah the various parties provide capital and some also engage in the management side. Financial loss is borne by the capital provider in proportion to financial contributions, while the entrepreneur effectively loses time and effort invested in the project. Profits are shared according to pre-agreed ratios.

A relatively new form to provide financial services is called microfinance. Microfinance is the provision of financial services such as small loans to rather poor micro-entrepreneurs (Armendariz, 2010; Khavul, 2010). A key feature is group lending to jointly-liable clients and the involvement of the borrower's local community. Linked to the microcredit movement microfinance developed particularly from the 1970s onwards in Asia and Latin America. It became increasingly popular within the last decade and is reaching over 200 million people as of December 31, 2010 of whom over 80% are women (Maes & Reed, 2012). Muhamad Yunus, founder of the Grameen Bank Bangladesh, won the Nobel Peace Prize for developing and pioneering microfinance to foster economic and social development. Microfinance, however, is based on loans financed by interest rates and scholars and practitioners have endeavored into an approach to Microfinance from an Islamic perspective. Islamic Microfinance has certain distinct characteristics vis-à-vis conventional microfinance such as Islamic financial instruments, targeting families and incorporating religious work incentives (Ahmed, 2002; Rahman & Rahim, 2007). It may thus modify within religious boundaries the provision of financial capital particularly targeting Muslim micro-entrepreneurs.

At the macro-level Islam affects a variety of institutions like the state and market. The specific roles of these institutions from an Islamic perspective are subject to academic debate with a long history of scholarly engagement (El-Ashker, 2006). Islamic economic thought developed in the last 1400 years through various phases or waves by scholars such as Abu-Yusuf, Mawardi, Ghazali, Ibn Taimiyyah, Ibn Khaldun, Shah Wali Allah, Muhammad Iqbal, Muhammad Baqir Al-Sadr, Chapra and Siddiqi (Siddiqi, 1992). Islam provides extensive guidelines for an economic system and regulatory framework through the creation of offices such as the Hisbah, a form of ombudsman who supervises the market, as well as certain legal and ethical implications such as inheritance or welfare regulations. Potentially an Islamic economy is “defined within the parameters of its own ethical system” (Naqvi, 1994: 80). The state and the market thus shape the institutional ecosystem of entrepreneurship.

Islam as an Entrepreneurial Religion

Islam itself may be considered an “entrepreneurial religion” (Kayed & Hassan, 2010) in the sense that it enables and encourages entrepreneurial activity, i.e. opportunity pursuit, risk-taking and innovation. Both the Quran and Sunnah emphasize the pursuit in this world. In verse 77 of chapter 28, it reads “But seek the abode of the Hereafter in that which Allah has given you, and forget not your portion of the world, and be kind even as Allah has been kind to you, and seek not corruption in the earth; for Allah loves not corrupters.” The prophet stated: “Work for your worldly life as if you were going to live forever, but work for the life to come as if you were going to die tomorrow” (considered a weak Hadith). A saying of the prophet narrated by Ahmad, effectively endorsing both entrepreneurial and sustainable practice, recommends: “Even when the day of judgement approaches, if anyone has a plant in hand, he should quickly plant it.”

When the term ‘entrepreneur’ had been introduced to economic theory by the Irish economist of French descent Richard Cantillon (1755), he perceived an entrepreneur as a specialist in risk taking. While the worker has an insured wage, the entrepreneur incurs a profit or a loss at the end of the business activity. The concept of risk is closely related to the concept of rizq (sustenance or wealth) – not only in its orthography. For a Muslim, rizq ultimately is granted by Allah. An entrepreneur thus needs to have tawakkul, trust in Allah. In that sense, risk is 'outstored' and risk taking is made easier. On the financial site, it is even a form of obligation due to the prohibition of interest. Wealth itself is not allowed to generate wealth. Investment must be linked to risk and the investor becomes an entrepreneur himself and helps entrepreneurs through investing in their business endeavors.

Yet "[i]n the dominant academic discourse on entrepreneurship, Islam has been negatively related to successful entrepreneurship". Regulations shaped by Islam are made partially responsible for less economic development. Kuran (1989, 1996, 2011) argues that certain Islamic legal institutions had an inhibitive character to development. Ul-Haq and Westwood (2012: 244) state that "[t]his work repeats familiar orientalist topes and implied binaries related to stagnation, backwardness, lack of civic society, lack of truth, dysfunctional values and failure to modernize." For Kayed and Hassan (2010: 8–12) Westernisation is somewhat conceived as a must for modernization. Scholars such as Rodinson (1974) argue that Islam is not impeding economic activity. Empirical data on Muslim practice both in terms of fatawa rulings and entrepreneurial practices may suggest otherwise. This, of course, has a category bias, as it would attribute to Islam what may also be attributed to culture, geography or politics. Rather what halted development according to Turner (1984)) are the four missings: the middle class, city states, political freedom and revolution.

An often misread Hadith is sometimes mentioned to indicate the discouragement of innovation and entrepreneurship. The Hadith narrated by Abu Dawud and at-Tirmidhi states that every innovation (bid'ah) is misguidance. What is meant in this Hadith is a divergence from the scripture and religious matters, as this is considered to have happened with other religions, rather than innovation in business activities. More broadly a distinction between good or praiseworthy bid'ah and bad or blameworthy bid'ah is made by Imam Al-Shāfiʿī and others so that innovation is classified along the five categories of Muslim law (aḥkām): necessary, recommended, permitted, disapproved and forbidden innovation.

It is important to note, that a religion is per definition based on a certain inalienable core and proposes certain immutable practices and values. The question is less, whether this is the case, but to what extent and whether there are processes which allow change and innovation to be incorporated into the religion. The process of Ijtihad serves to distinguish between good and bad innovations. Ijtihad incorporates both text and context and allows for "entrepreneurial" interaction. A closure of the doors of Ijtihad would then create some form of inertia. Islamic regulations are theoretically not static but may rather both in its content as well as process be termed entrepreneurial or entrepreneurship enabling and encouraging.

Management Theory and EIP

Management research has benefited from incorporating a variety of disciplines into its research agenda. Scholars developed insightful theories building on economics (Williamson, 1985), psychology (Weick, 1969), ecology (Hannan & Freeman, 1977) and sociology (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Selznick, 1949) to name a few. Management exhibits fluid boundaries. It sometimes transcends boundaries. The combination of theology and religion studies with management may very well add to these enriching interdisciplinary approaches. Given the size of the global Muslim population and the scholarly neglect an engagement with Islam and management is particularly important.

While religion has a profound impact on contemporary societies, management researchers surprisingly have not engaged more comprehensively with the interrelationships between religion and management (King, 2008) or religion and organization (Chan-Serafin, Brief, & George, 2013; Tracey, 2012). Religion has not substantially entered the management research agenda. When scholars have researched the role of religion in business, religion was primarily considered from a marketing (Rinallo, Scott, & Maclaran, 2013; Temporal, 2011) best practice, work and ethics perspective (Gundolf & Filser, 2013). Institutionally, at the Academy of Management, a Special Interest group "Management, Spirituality, and Religion" has formed, but it is just over a decade old and not yet a division.

The disregard may very well stem from the sensitivity of the concept of religion in the business sphere. The closest some scholars tackle religion-linked phenomena is through the concept of spirituality which has produced a growing body of literature (Karakas, 2009; Mitroff & Denton, 1999; Neck & Milliman, 1994; Steingard, 2005). King (2008: 220) points out that researchers are encouraged towards spirituality and away from religion. According to Ashforth and Pratt (2003) spirituality comprises of transcendence of the self, holism and harmony and growth. As this definition shows, spirituality does not cover the role of more organized belief and value constellations.

The sociology of religion literature provides a research stream which could be linked to management research. This stream offers foundational analysis on beliefs, practices and organizational forms of religion, albeit largely neglecting scholars inter alia of the so-called Golden Age of Islam such as Ibn Khaldun. It also contains what is classified as Orientalist tendencies and biases (Said, 1978). Weber (1904) saw Islam as an obstacle to capitalist development and also accentuated the idea that each religion associates with a primary status group which shapes societal culture. The literature is hence in need of critical engagement.

Nonetheless, in its core the sociology of religion literature provides rich insights for an intellectual engagement between business, economics, entrepreneurship and religion. Within this literature, classical sociological scholars retain a prominent role. Marx (1843) emphasized the interlinkage of religion and economics and that religion masks capitalist exploitation. Weber (1904) noticed that the protestant ethic formed a capitalist spirit, which was driven by a notion of calling and the belief that hard work, discipline and integrity may lead to salvation. Durkheim (1912) identified four core features of religion, namely that it is a collective phenomenon, comprises of beliefs and practices, is not magic and distinguishes between the sacred and the profane. A critical engagement with the sociology of religion literature and the integration of an Islamic perspective may offer new insights. The aforementioned concept of 'wor(k)ship', for example, illustrates that the relationship between the sacred and profane is not a simple dichotomy, but may be rather much more complex and intertwined.

Research on Islam and management in general as well as EIP in particular is thin, peripheral and negatively connotated. Ul-Haq and Westwood (2012: 229) assert: "Islamic management and organization knowledge (MOK) is relatively under- and mis-represented in the literature." Research on Islamic management and EIP is almost absent from mainstream management journals. Scholarly work focuses primarily on Islamic Business Ethics or Islamic work ethics (Arslan, 2001; Darwish A. Yousef, 2001; Possumah, Ismail, & Shahimi, 2013; Rice, 1999; Uygur, 2009). Tracey (2012: 113) notes: "At the core of this work [on religion and business ethics] is the question of whether people who hold religious beliefs are more or less likely to behave ethically than people who do not hold such beliefs. As one might expect, there is evidence to support both positions.” Fewer scholars have concentrated on other topics related to management such as Islam and business (Wilson, 2006) or Islam and leadership (Beekun & Badawi, 1999).

There is a significant amount of research on religious organizations in social psychology and sociology (Greil & Davidman, 2007; Ysseldyk, Matheson, & Anisman, 2010). Yet the role of religious identity in and between secular business organizations remains under-researched. Religion is an integral part for many entrepreneurs as well as their organization and its ecosystem. Few scholars have empirically engaged with the intersection of Islam and entrepreneurship (Adas, 2006; Basu & Altinay, 2002; Kayed & Hassan, 2010; Roomi & Harrison, 2010; Sloane, 1999) . Yet the meta-physical in the social sciences becomes for the researcher at least a social fact, when the actors belief in and act according to it. We need to integrate religion into the research agenda and particularly EIP needs further attention, as there are many Muslim entrepreneurs who actively seek to incorporate their religious beliefs with their business activities and both merit empirical analysis and scholarly engagement.

Future Research on EIP

Religion does not only affect ethics and values, but the whole political, economic, social, legal and environmental sphere. While much research in the neoclassical tradition, has an undersocialised view of human action (Granovetter, 1985), we need not only incorporate the broad range of linkages in our research, but also broaden or add to the concept of social itself. Human action is not only social, it is spiritual/religious, too. Religion as a social phenomenon means that a spiritual/religious relationship to God shapes social practices. The social sciences of management and entrepreneurship research will have to take into account the religiosity of actors. EIP research hence requires analysis of the entrepreneurial, socio-economic/ethical and religio-spiritual pillars and their interactions.

The inclusion of the religio-spiritual pillar may also help us to reflect on the conceptualization of the entrepreneur and actors more generally as complex beings of heart/soul, body and mind (Guemuesay, 2012). Activity has an intra-actor component and a multifaceted actor-environment interaction. Some contemporary Islamic philosophy thinkers such as Muhammad Iqbal, Fazlur Rahman or Naquib Al-Attas have very much emphasized the physical, intellectual and spiritual human development. This understanding of a human being allows for a different approach towards the identity, role and activity of the entrepreneur away from a simplistic homo economicus concept. The religio-spiritual is a factor both in the individual and social realm which lacks research attention.

As EIP delves into an area between religion and business, future engagement with EIP requires collaborative and interdisciplinary research designs and projects. Economists, sociologists, management and business academics need to seek cooperation with theologians and scholars of religions to enable a co-production of knowledge through a collaborative research processes and outcomes. This is a challenging endeavor which requires crossing disciplinary boundaries and building bridges where fragmented, loose or no interaction exists in terms of communication, institutional linkages or research outlets.

There are various relevant research streams which may link with EIP. National Innovation Systems (Freeman, 1995; Lundvall, 1992) could particularly focus on the development role of EIP (Kayed & Hassan, 2010). Economic theories may wish to reflect on concepts such as satisficing or moral hazard and the role of religion on information asymmetry and human interest. Religion can offer an interesting resource in the Resource-Based View of the firm (Barney, 1991) and a component when considering sensemaking (Weick, 1995) or organizational identity (Albert & Whetten, 1985). From a strategy perspective, religious obligations may be perceived as additional constraints to organizations possibly becoming a competitive disadvantage. On the other hand, there may be potential benefits such as a religious community (Dodd & Gotsis, 2007; Dodd & Seaman, 1998). Finally, entrepreneurs and managers may actually not judge themselves on their profit-maximisation ability through their competitive advantage, but rather on some form of rizq (sustenance) increase. Such strategy in practice would be very different from much strategy textbook readings.

A very promising endeavor for EIP and more generally religion and management is Neo-Institutional Theory. Religion, both as a social as well as a metaphysical phenomenon, has much to contribute to concepts such as legitimacy and meaning. Friedland and Alford (1991) introduced an interinstitutional system consisting of five institutional logics, namely the capitalist market, bureaucratic state, democracy, nuclear family, and Christian religion. Building on Friedland and Alford (1991) as well as Jackall (1988) (Thornton & Ocasio, 1999: 804) defined institutional logics "as the socially constructed, historical pattern of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality." Organizations face a multiplicity of institutional logics (Greenwood, Díaz, Li, & Lorente, 2010) and select from a repertoire of organizational responses (Oliver, 1991; Pache & Santos, 2010). This leads to institutional complexity which Greenwood, Raynard, Kodeih, Micelotta and Lounsbury (2011) define as “situations where organizations experience a multiplexity of different pressures from a plurality of institutional logics” (p. 357), and possibly (practice-driven) institutional change (Smets, Morris, & Greenwood, 2012). In this interinstitutional system, religion is (already) a key component – albeit very much neglected. The impact of religion is interdependent of its exchange with other logics, the field, organizational attributes and the resulting responses as well as the recurrent constant reconsiderations of these incidents. The role of religion needs to be considered within this web of relationships. Scholars on Islam and management as well as EIP may enrich our understanding of the role of religion through a neo-institutional lens.

Both religion and entrepreneurship are dynamic concepts. The theory and practice of EIP is thus manifold dynamic. EIP research needs to advance and integrate advances in both scholarly work on religion as well as entrepreneurship and not try to Islamize knowledge at a certain point in time. Similarly, entrepreneurship research needs to take religion seriously. Religion matters in practice – it should also in theory. Theologians advance and contextualize our understanding of Islam through reason (aql) and transmission (naql). Entrepreneurship scholars similarly contextualize and advance our understanding of entrepreneurship. EIP needs to include progress in both fields and proceed as an approach in itself whilst at the same time feeding back into the individual fields.

Conclusion

The role of religion on business is becoming quite prevalent in our post-secular society. The metaphysical is becoming a social truth and scholars should not shy away from it, but rather consider it as an important phenomenon in both management research and practice. EIP is a complex and contested concept based on three interlinking pillars: the entrepreneurial, socio-economic/ethical and religio-spiritual. It is distinct from ethical entrepreneurship, as it entails defined practices and scriptural sources as well as a distinct meta-physical objective. As the specifics of EIP have to be drawn and interpreted from the scriptures and applied to context, we prefer to refer to entrepreneurship from an Islamic perspective, although common usage and practical marketing interest favor the constellation of Islamic entrepreneurship.

EIP affects the micro-, meso- and macro-levels of analysis in multifaceted ways by shaping the individual, the organization and the variety of institutions such as the states and markets. This complexity needs to be incorporated into holistic models which yield explanatory richness whilst not neglecting the value of parsimony. In fact, Islam itself may be analysed in terms of its entrepreneurial character. Both its interpretative processes and content may be called entrepreneurial. Ijtihad allows critical reasoning and contextualization. The emphasis on hard working and the prohibition of interest, for example, strengthen entrepreneurial pursuits.

As EIP is growing both empirically and intellectually it requires much more scholarly engagement. Islam is very much under- and somewhat mis-represented in the literature. Research on EIP is thin and peripheral and needs to be incorporated into mainstream management and entrepreneurship research by inter alia linking it to strategy, human resources, finances and organizational theories. While research on EIP is sometimes very recommendatory and value-judgement is important, we nonetheless need to be methodologically rigorous and separate description from prescription. Rather than Islamizing some kind of Western knowledge, knowledge needs to be critically contextualized. In this process, EIP is not simply a peripheral phenomenon but a core activity within the global entrepreneurial landscape. It is also not a static but rather a multiple-dynamic concept transforming as context changes, our understanding of entrepreneurship progresses and the interpretation of scriptural sources advances. EIP is in need of interdisciplinary research – a very entrepreneurial pursuit indeed.

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CHAPTER IV

'GOD AT WORK': RESPONDING TO COMPETING INSTITUTIONAL LOGICS THROUGH ELASTIC HYBRIDITY

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Keywords: Hybrid Organizations, Institutional Complexity, Institutional Logics, Institutional Theory

Abstract

Based on a 24-months ethnographic case study of the opening of KT Bank, the first Islamic bank in Germany and the Eurozone, this paper makes three contributions to the literature on organizational hybridity: First, it outlines *polysemy* and *polyphony* as organizational responses to institutional complexity which straddle organizational and individual levels, mutually reinforce each other, and allow competing logics to coexist without structural separation or blending. Second, it explains the state of *elastic hybridity,* the joint product of *polysemy* and *polyphony,* which makes organizations more resilient vis-a-vis competing institutional pressures by allowing them to bend without breaking. Third, it shows how hybrid organizations can accommodate logics that are both central and incompatible – arguably the most conflict-prone instance of institutional complexity.

Introduction

Initially, 'institutional complexity', the confrontation of incompatible rules and expectations, or 'logics', was assumed to be externally imposed and problematic, as in the managerialization of healthcare or craft industries (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011; Reay & Hinings, 2009; Thornton, 2002). Recently, though, a growing number of organizations, such as social enterprises, deliberately choose to incorporate multiple logics and become 'hybrids' (e.g., Battilana & Dorado, 2010; Battilana & Lee, 2014; Pache & Santos, 2013).

Despite their deliberate choice to become hybrids, these organizations are by no means immune to tensions between competing logics and the ensuing conflicts between their representatives (e.g., Almandoz, 2012; Tracey, Phillips, & Jarvis, 2011). Such conflicts, as Besharov and Smith (2014) argue, are most pronounced in 'contested' organizations when coexisting logics are *both* 'central' to the core of the organization *and* 'incompatible' insofar as they provide contradictory prescriptions for action. Prior literature suggests that hybrid organizations address these tensions and conflicts either by structurally separating the enactments of competing logics (e.g., Binder, 2007; Dunn & Jones, 2010), or by blending them (e.g., Battilana & Dorado, 2010; Tracey et al., 2011; for a review, see Battilana & Lee, 2014). We therefore ask in this paper: *How can hybrid organizations reconcile central and incompatible logics when their structural separation or blending is not an option?*

This question was triggered by our 24-months ethnographic case study of the opening of KT Bank, the first Islamic bank in Germany and the Eurozone. As we studied the run up to its opening in July 2015 (cf. Almandoz, 2012, 2014), we observed in situ how the bank worked through tensions between religious prescriptions and market demands and developed novel responses to constructively accommodate both, *despite* their central and incompatible nature. KT Bank offered a particularly instructive case, not only because institutional theory has largely neglected the religious logic – and non-Western religions in particular (Tracey, 2012; Tracey, Phillips, & Lounsbury, 2014). More significantly, religion and market are particularly difficult to reconcile in an Islamic bank given their centrality and incompatibility for the organization at large, but also for most employees individually. Contrary to other logics, religion may constitute an individuals' "unconditional, infinite and ultimate concern" (Tillich, 1957: 8) whose prescriptions therefore are less malleable, open to compromise, or easily accommodated in an organizational hybrid than others. It is what DeJordy, Almond, Nielsen and Creed (2014: 331–332) call a "greedy" logic that requires "holistic and comprehensive commitment". It seems impractical that an organization could prescribe how individuals manage their religious beliefs, let alone impose a single organizational response that strikes a permanent balance between prescriptions of the market and religion, as existing concepts of structural separation or selective coupling would suggest. Likewise, hiring staff with no prior commitment to either logic and socializing them into the hybrid (e.g., Battilana & Dorado, 2010) is infeasible for the religious logic. Our case thus sheds light on instances in which central, incompatible logics present high potential for conflict, both organization and individual staff confront incompatible prescriptions, and established approaches to compartmentalizing or blending logics fail.

Drawing on this instructive case, our study makes three contributions to the literature. First, we derive two novel organizational responses to conflicting institutional logics – *polysemy* and *polyphony* – which cover the conceptual middle ground between structural separation and blending (Battilana & Lee, 2014). Polysemy describes an organization's judicious use of concepts, words, artifacts or images that simultaneously support multiple meanings – or logics. Polyphony describes individuals' judicious use of time, place and/or language to enable simultaneous but separate enactments of those multiple logics. Through their organizational/individual interplay, these responses jointly allow competing institutional logics to co-exist without structural separation or blending. They make and take spaces – whether interpretive or practical – to accommodate diverse and conflicting beliefs, values and logics.

Second, we introduce *elastic hybridity* as a specific outcome of the mutually reinforcing relationship between polysemy and polyphony. Elastic hybridity increases organizational resilience (van der Vegt, Essens, Wahlström, & George, 2015) insofar as it allows the organization to flexibly balance competing institutional demands. The concept thus complements existing notions of hybrids either permanently fixing a balance of competing demands in their structures (Pache & Santos, 2013) or dynamically balancing them in their practices (Smets, Jarzabkowski, Burke, & Spee, 2015). Metaphorically speaking, it renders the hybrid capable of institutionally bending, without organizationally breaking.

Third, we explain how elastic hybridity can make 'contested' organizations less conflict-prone. We do so by dynamizing Besharov and Smith's (2014) framework and thus elucidating how the most conflict-prone instances of institutional complexity can be accommodated. We argue that polysemy and polyphony dampen conflict between central, incompatible logics by making and taking spaces, which flexibly render competing logics less incompatible (polysemy) or less central (polyphony). Conflict may thus be reduced despite the contest between central and incompatible institutional logics and without their structural separation or blending.

In the next section we outline the theoretical context of our arguments. We then describe our research methods. Subsequently, we introduce the research context and our case study of KT Bank's founding. In our discussion section we develop the aforementioned contributions and finally conclude with comments on the generalizability of our findings.

Theoretical Context

Institutional Logics: coexistence and conflict

In their now-seminal piece, Friedland and Alford (1991: 248) introduced a system of institutional logics, or "organizing principles", for various domains of society which today include family, community, state, profession, corporation, religion, and market (Thornton, Ocasio, & Lounsbury, 2012). Each logic encapsulates the "rules of the game" of a specific domain or, more formally, its "socially constructed, historical pattern of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality" (Thornton & Ocasio, 1999: 802-804). Violating these rules and beliefs incurs costs of lost legitimacy or social ostracism from others in the domain.

Unsurprisingly, management researchers have engaged with the market logic in particular. This logic conceives self-interest as the basis of norms and profit maximization as the basis of strategy in a domain where positive share price effects are the primary source of legitimacy (Thornton, 2001; Thornton et al., 2012). Sector-specific enactments of the market logic in financial institutions have been cast as a 'banking' (Marquis & Lounsbury, 2007) or 'financial' logic, defined as "permeated by economic assumptions and goals" and characterized by "profit-maximizing objectives and a self-interested, individualistic, and arm's-length ethos" (Almandoz, 2012: 1382). Consequently, banks are considered investment vehicles that seek to optimize earnings (Almandoz, 2014). What matters is the return in the here and now.

In contrast, institutional theorists have largely neglected the religious logic. This is perplexing, given that 'beliefs' are central to Thornton and Ocasio's (1999) definition of institutional logics and their societal role is to "make life meaningful" (Friedland & Alford, 1991: 249) – arguably the same function religion plays for many people. In the religious logic, the source of legitimacy is the sacredness of events and practices, as enacted by a religious congregation that serves as a basis of norms; its basis of strategy is to increase religious symbolism (Thornton et al., 2012). What matters is the 'return' in the Hereafter.

Few scholars have studied religion from an institutional perspective and those who have, often focused on religious organizations such as churches (Creed, DeJordy, & Lok, 2010; Nelson, 1989, 1993) or religious orders (Quattrone, 2015). Only very recently has there been a nascent interest in the role of religion in organizations that are not archetypically religious and the interaction of their constituent logics. DeJordy et al. (2014), for instance, examined the contradictions between the logics of faith and inquiry at a religious research university. Notably, with the exception of Peifer (2014), who studies Catholic, Protestant and Muslim mutual funds, institutionalist studies of religious organizations exclusively attend to the Christian faith. In the same vein, Thornton et al. (2012) identify the economic system of the religious logic as 'occidental' – in other words Western – capitalism, disregarding traditionally non-Western religions and faith-based economic systems. In the case of Islam and the recent rise of Islamic banking, this appears to be an anachronistic oversight. We thus direct our focus to the religious logic, specifically Islam. Doing so allows us to address a significant empirical gap in our understanding of the interactions between religion, business and society, but also to extend nascent institutional theorizing of how organizations – and individuals within them – can constructively balance competing institutional logics (Smets et al., 2015) and become adept at "serving two masters" (DeJordy et al., 2014: 301).

Organizational Hybridity: separation and blending

'Hybrid' organizations are those organizations which, by their very nature, are "the structural embodiment or incarnation of multiple logics" and thereby, genuinely, "multiple things to multiple people" (Kraatz & Block, 2008: 244). Healthcare organizations, community banks and social enterprises are exemplars of such hybrids in which the market, professional or community logics coexist more or less peacefully (e.g., Almandoz, 2012; Battilana & Dorado, 2010; Battilana & Lee, 2014; Pache & Santos, 2013; Tracey et al., 2011).

While Friedland and Alford (1991) considered the fruitful coexistence, even complementarity, of different logics, institutional scholars have been predominantly fascinated by the "incompatible prescriptions from multiple institutional logics" (Greenwood et al., 2011: 317), the resultant "antagonisms in the organizational arrangements required" and the conflicts between factions representing competing logics (Pache & Santos, 2010: 457). Broadly, the institutional literature distinguishes two approaches to these challenges: structurally differentiated hybrids partition enactments of competing logics in separate units, whereas blended hybrids synthesize them within the same unit (Greenwood et al., 2011).

We know much about how competing logics are separated. Their structural differentiation may occur along organizational boundaries such as different departments (Kraatz & Block, 2008), groups and work (Dunn & Jones, 2010), locations (Lounsbury, 2007) or units (Binder, 2007). Such differentiation reduces complexity and the potential for conflict by separating competing logics and the people that enact them, protecting them "from the tension, frustration and lost faith that follow when enactments of one logic are observed by representatives of another logic" (Smets et al., 2015: 959).

We also have some insights about how institutional logics are blended. For instance, Glynn and Lounsbury (2005) show how aesthetic and market logics are fused in critics' reviews of a symphony orchestra. Battilana and Dorado (2010) highlight the significance of hiring and socialization in forming a blended hybrid. Based on their study of a microfinance bank, they argue that recruiting staff with no prior attachment to either logic, banking or development, and socializing them in the organization's blended logics makes a nascent hybrid more sustainable. Similarly, Smets, Morris and Greenwood (2012: 886), illustrate how English and German lawyers in a newly-merged international law firm blend work practices informed by their respective professional logics, and point to the enabling role of 'cosmopolitans' with more diverse cultural experience and greater cognitive flexibility in the hybridization process.

However, we know very little about the middle ground, where logics are neither separated nor blended, yet still collectively form an organizational hybrid. Arguably, one exception is Pache and Santos (2013) who propose that the 'selective coupling' of structural elements which individually resonate with specific competing logics and their representatives can collectively satisfy the expectations of all institutional audiences, striking a compromise between competing logics. This way, competing logics coexist without complete separation or blending. This proposed solution, however, has its limitations insofar as it is premised on structural solutions and the viability of compromise.

Focusing on organizational elements diverts attention from the people who inhabit these structures, their efforts to find meaning within them, and "those aspects of institutions that are ideational and symbolic" (Zilber, 2008: 152). While Thornton and Ocasio (1999: 804, emphasis added) put the ability to "organize time and space, and *provide meaning* to [their] social reality" at the core of their definition of institutional logics, meaning has recently become relatively neglected in favor of exploring institutional expectations, prescriptions and norms. Likewise, with few exceptions (e.g., Kellogg, 2009) institutional scholars have paid limited attention to the times and spaces in which meanings are made as a way of managing competing institutional logics. In the same vein the use of languages, through which meaning is negotiated – be it verbal or visual, a single or multiple languages – has received very limited attention, leading Suddaby (2010: 17) to surmise that "[p]erhaps the most promising development in recent institutional theory is in contemporary efforts to analyze the role of language in institutional processes and effects." Shifting attention from organizational structures to the people who inhabit them and their organization of space, time, and language allows us to advance against Kraatz and Block's (2008:

244) puzzle of how hybrids can be “multiple things to multiple people” by exploring how they can be multiple things to individual people. This is particularly important in instances when meanings and beliefs are less open to compromise – as in the context of religious faith.

Strategies such as selective coupling presuppose that two logics may be reasonably compatible or one logic less central than the other, allowing the hybrid organization to strike a specific balance as represented by the proportion of elements it borrows from one logic or the other (Pache & Santos, 2013). This situation is by no means to be taken for granted, however. As Besharov and Smith (2014: 367–369) highlight in their typology of potential relationships between coexisting institutional logics: Logics may be “equally valid and relevant to organizational functioning”, yet still “imply consistent and reinforcing organizational actions”. In fact, these clashes of ‘central’ yet ‘incompatible’ logics, the authors argue, are the most conflict-prone instances of hybridity – yet, as we have outlined, existing organizational approaches promise little remedy for the challenges they pose.

In summary, three blind spots currently circumscribe the institutional hybridity literature: The relative neglect of (a) organizational responses to hybridity other than separating or blending, (b) the individuals inhabiting organizational structures and trying to find meaning within them, and (c) the most conflict-prone instances of hybridity. Addressing these responds to repeated calls to transcend the predominant dichotomy of logics being compatible or conflicting and to “delve deeper into the dynamic patterns of complexity” (Greenwood et al., 2011: 334). To do so, we pose the research question: *How can hybrid organizations reconcile central and incompatible logics when their structural separation or blending is not an option?*

Methods

Research Design

We addressed this research question with a 24-months ethnographic case study of KT Bank, the first Islamic bank in Germany and the Eurozone. Our research site, KT Bank, is an "unusually revelatory" case (Eisenhardt & Graebner, 2007: 27), not only for the study of religion in organizations, but for the management of organizational hybridity more generally (Battilana & Lee, 2014). This is for three reasons. First, as the label suggests, an Islamic bank is shaped by two logics, market and religion. Both are central to the organization, yet incompatible in many respects. In this sense, KT Bank occupies the 'highly contested' quadrant in Besharov and Smith's (2014) framework. Making this hybrid work should be particularly difficult and any insights gleaned especially instructive. Second, Germany is a predominantly non-Muslim market, allowing us to distinguish those practices and demands shaped by the Muslim religion from those shaped by the local market logic. Third, KT Bank is the first Islamic bank in Germany and the Eurozone and we studied it through the 24 months leading up to the opening of its doors to customers. This is a unique research opportunity, because of the lack of pre-existing templates for KT Bank to draw on. Institutional complexities are created or encountered throughout the founding process and organizational responses developed through self-discovery. Metaphorically put, rather than having to wait for the social fabric of an existing hybrid to tear and reveal its threads, we watched in real-time how KT Bank's managers wove the threads of religious and market logics into the fabric of an Islamic bank.

That is why we chose an ethnographic case study as the most appropriate research design (Schwartzman, 1993; Yin, 1994). It allowed us to 'be there' when institutional tensions were revealed and resolved and to capture the interplay of competing logics in their natural organizational context – and in multiple types of data. The first author gained deep ethnographic access to the full range of activities, documents and people at the bank. A Muslim of Turkish origin, born in Germany, with a professional background in strategy consulting and entrepreneurial venturing, he was uniquely placed to blend in for the purpose of data collection. He is equally sensitive to both logics at play, well-versed in the sectoral, professional, cultural and religious setting of the bank, and able to converse with its members in their mother tongue.

Data Collection

As is typical of ethnographic fieldwork, we relied on both structured and unstructured methods of data collection from three data sources: observations, interviews and group discussions, and documentary evidence. In total, our data collection encompassed 60 days of observation, 58 semi-structured interviews, and over 16000 pages of documents, as summarized in Table 4.1.

Table 4.1

Data Overview

	Ethnographic Observations		**Interviews & Engagement**		**Documentary Evidence**	
Type	Non-participant observation in meetings	Ethnographic immersion	Semi-structured interviews	Individual and collective engagement	Final company documents	Company documents in process
Data items	60 days of ethnographic observations		58 interviews	8 group discussions; 28 individual inquiries	450 documents	700 documents
Pages	250	200	720	200	7500	8500
Description of data	Attended executive and departmental meetings, as well as meetings with field-level actors, e.g., professional services firms. First author ensured to be on-site for major milestones in the licensing process (figure 4.1). In between extensive fieldwork periods, first author joined conference calls, received status updates via email and had regular phone conversations.	Five extended fieldwork periods, as well as several one-day and two-day visits, allowed for deep ethnographic immersion, observing day-to-day activities and exchanges, and partaking in informal meetings and social gatherings. Also attended three conferences where representatives of the bank spoke.	Interviews with senior executives, managers, junior employees and consultants in the project office. Interviews lasted between 45 minutes and 2 hours. 42 were recorded and transcribed. In 16 interviews detailed notes were taken during and directly after the interview.	Conducted group discussions throughout the project with two to six employees to foster debate and to capture diverse opinions and arguments. Also canvassed employees on current and desired positioning of religion in bank and on current and expected tensions or challenges.	Key final project documents including handbooks, decision sheets and presentations for internal and external use. Also includes presentations prepared for the bank by (potential) suppliers, partners and consultants.	Written draft materials including status updates, emails, project-related documents and multiple pre-final versions.
Use of data	Insights into the handling of organizational hybridity in formal settings	Insights into the day-to-day handling of organizational hybridity	Insights into individual experiences, views and interpretations of organizational hybridity	Insights into individual and collective views and debates about organizational hybridity	Insights into the codification of organizational hybridity	Insights into the formation process of organizational hybridity

Ethnographic Observation. The first author's continued presence in KT Bank's project office allowed him to observe the organizational setting and natural unfolding of day-to-day events and activities in places such as offices, conference facilities, the prayer room and mosque. Initially, he had a desk in the main project office, which housed the entire organization except for the two project heads. Later, he hot-desked in various departments choosing observational positions according to the research focus. He spent three weeks on site in September 2013, two weeks in December 2013, April 2014, and in July 2014 and one week in January 2015. Additionally, he interspersed seven one- or two-day visits in between longer observation periods and shadowed KT Bank managers at their conference presentation over two days in Berlin in May 2014 and their first go-to-market event in Hamburg in April 2015. These numerous stays allowed him to observe events of commercial or religious significance, such as the first client presentations or Ramadan, as well as the everyday interactions in which staff continuously negotiated religious and market demands. Between visits he stayed in touch with the research site via regular status updates via email, email and telephone conversations and various conference calls. He was thus able to obtain a continuous flow of data and be aware of – and present during – critical junctures in the run up to the opening of the bank.

The first author fully immersed himself in the professional and social life at the bank. It was only through his full access to talk and documents in various languages, commercial and religious symbolism, and the free use of space and time during observation that we were able to uncover their roles in the management of organizational hybridity. He attended over 100 formal meetings, ranging from executive meetings to departmental meetings such as marketing, compliance or treasury, to task-specific meetings such as discussions with an external architect about the design of the bank's ritual ablution area and prayer room. Additionally, he had many informal conversations, either in the natural flow of daily work or after attending prayers in the prayer room. These unstructured moments of exchange produced particularly personal and reflective views, typically prompted by natural cues such as business meetings, informal gatherings, or religious celebrations or prayers, rather than the researcher's intervention. They allowed him to witness enactments of the market and religious logic as well as instances in which participants explain their meanings to each other, rather than to him. Finally, the first author also joined in many social and religious occasions before, during, and after work. His ability to blend and join in during business, religious and social practices afforded him unrestricted access to the full range of places and occasions in which business, religion, and their personal meanings for staff at KT Bank were discussed.

This full immersion meant that a normal day in the office started around 8.30am and would last until anytime between 5.30pm and 11pm, often followed by continued conversations in more informal settings. During Ramadan, the first author also spent a full night with some employees at the bank. Throughout, observations were recorded in a research diary, with individual notes documenting the interaction episode and its organizational context, as well as the information it shared and the emotional reactions it evoked. Notes were typed up within 24 hours of each observation for subsequent analysis, producing a total of 450 pages of notes.

Interviews. Interviews complemented observations insofar as they were used to follow up on observed instances and prompt deeper reflections and discussions in the privacy of the interview setting. Interviews were semi-structured, following a protocol that evolved with KT Bank's progress throughout the research project (Yin, 1994). They provided key data on personal views, values and beliefs because they offered interviewees a safe space, in which they could make their opinions explicit. Discussion topics included the role of religion in the bank, concepts like Sharia compliance and what it means to individual respondents, places such as the prayer room, temporal changes, for instance due to Ramadan, or the use of multiple languages. As the bank was still in its founding stage, the first author interviewed all key actors in the bank; that is, the executive level, senior management as well as frontline employees. Eight of the most senior or most central people such as the CEO or Head of (Islamic) Compliance were interviewed both towards the beginning and the end of the fieldwork.

Reflecting the make-up of the bank, interviewees were of diverse faith backgrounds with a Muslim majority, some Christians and few agnostics and atheists. Equally present were a variety of ethnic backgrounds with most having a Turkish and/or German descent, which reflects that over 60% of the approximately 4 million Muslims who live in Germany have a Turkish background (Federal Office for Migration and Refugees, 2009).

The total number of semi-structured interviews was 58, of which 42 were recorded and transcribed verbatim; the other 16 interviews were not recorded, but captured in extensive notes taken both during and immediately after the interviews. Interviews lasted between 45 and 120 minutes with an average of 60 minutes and were generally conducted in the interviewee's mother tongue, i.e. German, Turkish or English, sometimes with references to concepts, phrases and stories in Arabic. The first author transcribed the interviews and, where necessary, personally translated them into English, producing a total of 720 pages of text.

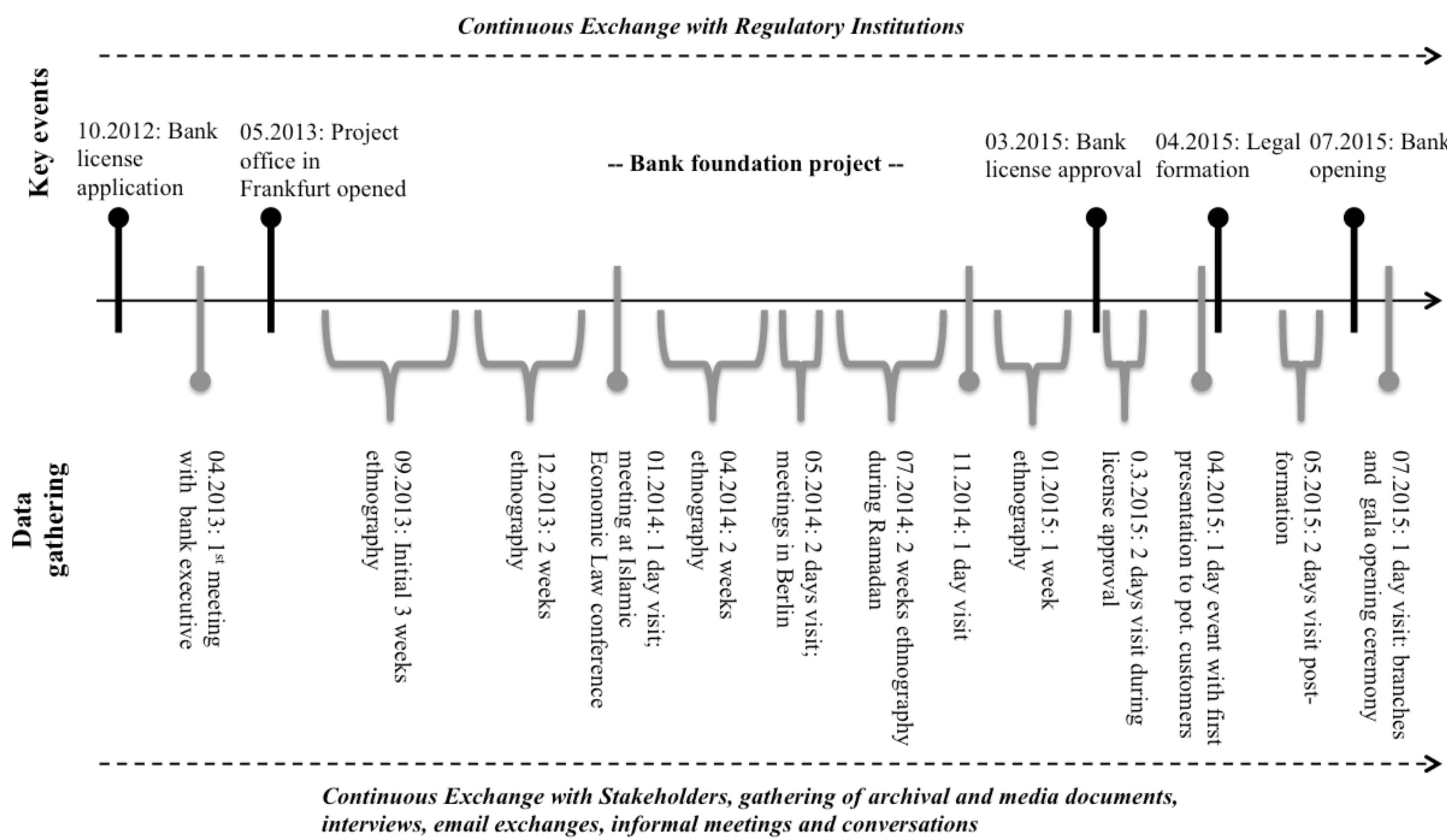
In addition, the first author engaged in eight group discussions, which produced another 200 pages of notes. He canvassed employees' opinions on the positioning of the bank and the current and desired role of religion in, for instance, its strategy, mission, and marketing. He also explored current and expected tensions between the Muslim faith and other local value systems such as market, democracy or family. Results were used to provide an overview of diverse views and elicit views in interviews and meetings.

Documentary Evidence. Documents included company statements, handbooks, guidelines, notes, pictures, presentations, project-specific documents, reports, videos and websites. Different versions of draft documents proved valuable for tracing the founding process, but also capturing the struggles of working out new ways of accommodating market and religious logics in a German Islamic bank. Most documents were either in German or English, some in Turkish and a few in Arabic. We collected and analyzed over 16000 pages, roughly equally split between draft documents and final versions.

As we reached theoretical saturation and new materials began to confirm previous insights, rather than suggest new avenues for theory development, we decided to end data collection with the bank opening in July 2015 as a natural cut-off point. Figure 4.1 gives a timeline of our study, mapping data gathering periods against key project events at KT Bank.

Figure 4.1

Timeline of Study



Data Analysis

Data analysis started during the data collection stage, for which both the timing of site visits and the interactions between fieldworker and co-authors proved essential. Iterating between deep immersion in and retreat from the research site over the 24-months observation period afforded him longer reflective breaks to ensure that the fieldworker could maintain requisite distance from the unfolding events, but closely document and debrief them with the other members of the research team.

These team interactions, of which there were 42 over the data collection and analysis period, harnessed an 'insider/outsider' method (Gioia, Corley, & Hamilton, 2013) to build a collective sense of 'ethnographic strangeness' in which "attitudes or habits that natives espouse virtually without thinking are distinct and clear to the stranger" (Fetterman, 1998: 17). The first author emailed memos to share noteworthy occurrences and analytical 'hunches' to kick start team discussions and, eventually, our formal analysis (Strauss, 1987: 110). While the first author's language ability and cultural sensitivity were essential to 'blend in' and comprehend the data, it was the 'outsider' co-authors' role to use their distance to question data, propose alternative explanations, and make the research site 'strange' again, even for the fieldworker. These continuous exchanges fulfilled the double purpose of creating surrogate immersion for the 'outsiders' and artificial distance for the 'insider'.

In these exchanges, the co-authors often had to ask for clarifications of concepts, symbols and practices, as well as for translations of sentences in Turkish and Arabic[1].

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[1] The second co-author is also fluent in German so that any data in English and German could be triangulated by at least one of the 'outsider' co-authors in the research team.

It was through these translations that we stumbled upon the role of language at KT Bank and were able to capture what would otherwise have been one of the "uncodifiable creative leaps" characteristic of qualitative data analysis (Langley, 1999: 691). Specifically, the research team noticed that many sentences requiring translation articulated religious concerns or practices. For instance, one interviewee explained: "When I start a task, I firstly say: In the name of God, the most beneficent, the most merciful, God help me (with this)." In the original interview, however, he started the description in German, but then switched to authentically articulate the religious formula in Arabic and Turkish: "Wenn ich eine Aufgabe beginne, dann sage ich erst einmal [German] Bismillahirrahmanirrahim [Arabic]; Allahım, sen bana yardımcı ol" [Turkish]. Hence, we could test this hunch about language early in our analysis.

We began formal data analysis by openly coding the full repertoire of practices observed during ethnographic fieldwork to systematically capture what was going on. Then we coded across these nodes to associate different practices with their underlying logics of market and religion. Subsequently, we coded spoken and written text by the language it was originally articulated in, because switching language – especially switching away from the official office language, i.e. English or German – appeared to carve out a space for separate conversations, just as the research team had experienced first-hand. Intrigued by this more metaphorical use of space, we looked deeper into the use of physical places and coded different practices and conversations to the physical places in which they happen, such as the office, meeting room, prayer room, or mosque. Finally, we also coded temporal structures of the working day, giving us a complete picture of *what* happens, *where*, *when,* and *in what language.* As our data showed that the market and religious logic were more prevalent in specific places, times and languages, we interpreted them as means of taking different spaces for separate conversations and for moderating conflict between competing expectations of the bank. Thus, we distilled *spatial*, *temporal*, and *linguistic* dynamics as second-order themes in our process of gradual abstraction towards the theoretical framework illustrated in Table 4.2[2] and Figure 4.2.

In parallel to exploring these internal practices, we analyzed how KT Bank articulated its positioning in the German market – arguably a critical concern for a new venture. Again, the research team was struck by the need for explanation, and the potential for discussion around key concepts and communication elements such as the bank's logo, slogan and key values. Following our coding scheme, we tried to associate specific concepts and communications with either the religious or the market logic. However, we struggled with unequivocal associations for most of them. Through this struggle, we discovered the ambiguity and vagueness the bank was using to grant staff and potential customers the flexibility to make the bank 'theirs', i.e. to strike a personal balance between religious and market concerns, rather than subscribe to a fixed balance imposed by the bank. In doing so, we differentiated *conceptual* flexibility of key ideas such as Islamic banking and Islamic compliance from *communicative* flexibility of artifacts and statements, and made them second-order themes.

Venturing back and forth between data, literature and emerging theory (Locke, 2001), we found this insight to echo Kraatz and Block's (2008: 244) suggestion that hybrid organizations may be "multiple things to multiple people". Granting such interpretive flexibility allows individuals to find a personal balance between competing logics.

[2] We label excerpts from documents 'doc', interview quotes 'int', extracts from our observation fieldnotes 'obs'.

Simultaneously, temporarily assigning enactments of different logics to different places, times and languages dampens conflict with organizational members who have struck a different personal balance. Hence, all our second-order themes spoke to the issue of flexibility. The first set of themes (spatial, temporal, linguistic), however, addressed it from the perspective of the individual employee, while the second set (conceptual and communicative flexibility) did so from the stance of the organization. As we had first discovered this flexibility in the use of multiple languages and coexistence of multiple voices, we stayed with that image. We borrow Bakhtin's (1984) notion of polyphony and apply it to organizational hybridity. Further reading in this area led us to Zilber's (2011: 1543) "polysemy of signs", which she describes as "their ability to be interpreted in different ways in different contexts". This resonated well with our second-order themes of conceptual and communicative flexibility. We, therefore, grouped conceptual and communicative dynamics under the *polysemy* label, and spatial, temporal and linguistic dynamics under *polyphony* as aggregate theoretical dimensions.

Finally, sensitive to the fact that individual employees inhabit the structures created by their organization, we surmised that polysemy and polyphony would not coexist independently and looked deeper into their relationship. We realized that instances of polysemy and polyphony are mutually reinforcing, enabling the coexistence and enactment of competing institutional logics. Jointly, they produce what we term *elastic hybridity*, a coexistence that neither separates nor blends competing logics, but allows organizational members to make the organization their own by dynamically balancing them. Elastic hybridity affords the organization a capacity for institutionally bending without organizationally breaking, arguably a critical step towards 'arriving at the starting line' (Almandoz, 2012), where flexibility with regards to the institutional positioning also offers more choice and adaptability in the future. We then performed "member checks" (Lincoln & Guba, 1985: 314) to examine whether our interpretative scheme resonated with people at the bank. While sometimes surprised by the effect of these mechanisms on themselves, on reflection they positively affirmed our results.

Table 4.2

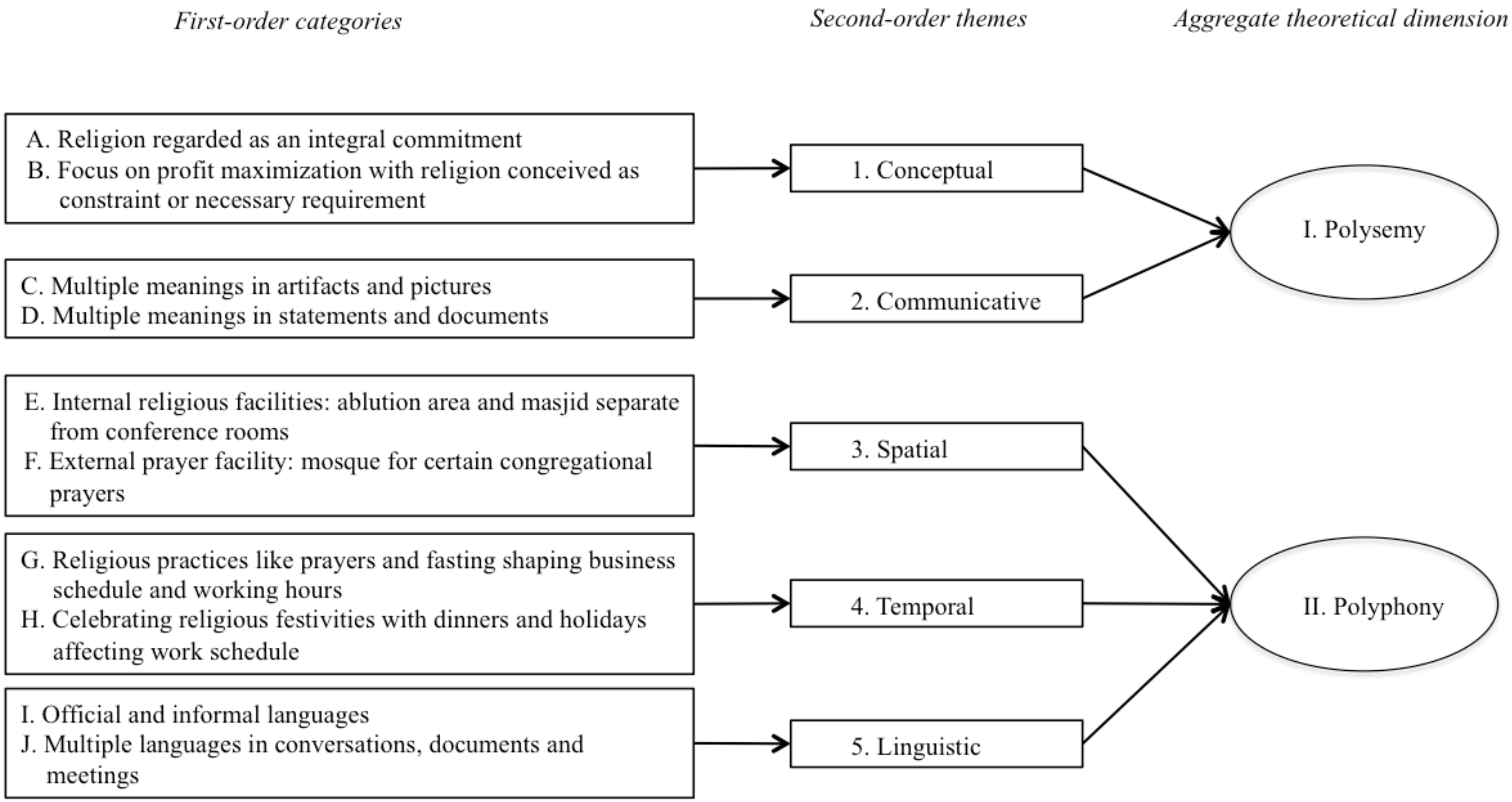
Dimensions, Themes and Data

Aggregrate Theoretetical Dimensions & 2nd-Order Themes	**Representative Data**
Polysemy	
1. Conceptual	
A. Religion regarded as an integral commitment	A1. "We have integrated Islamic values in our mission statement. It is an integral part of this institution." (int) A2. "Religion does not only have a constraining but also a recommending function. There may be products, which are actually unproblematic, but there may be products which are better, providing people more advantages. Even if the profit of the company might be somewhat affected." (int)
B. Focus on profit with religion conceived as a constraint or necessary requirement	B1. "We have utility maximization under the constraint of Islamic values." (int) B2. "And this approach of profit maximization under the auxiliary condition of Islamic rules, I believe that is a key to success for the long-term fulfillment of the whole thing. Otherwise this will be a short story, and one is out of the window, like these holdings." (int)
2. Communicative	
C. Multiple meanings in artifacts and pictures	C1. The date tree as both a religious symbol as well as a symbol for the environment features prominently as the company logo and on promotion documents. (doc) C2. The color green, associated with Islam and sustainability is used frequently on slides, the website and marketing documents. (obs)
D. Multiple meanings in statements and documents	D1. The potential slogan for the bank is "values we believe in". (doc) The selected slogan is "Islamic. Meaningful. Trading/Acting." (doc) This relates to part of chapter 2, verse 275 of the Quran, where it says that God has permitted trade and forbidden interest. D2. The phrase "responsibility before God and man" (doc) is included in the compliance departmental guidelines, resonating with religious values while using an expression from the preamble of the German constitution.
Polyphony	
3. Spatial	
E. Internal prayer facility: ablution area and masjid separate from conference rooms	E1. "We sometimes practice the communal prayer together and have discussions afterwards." (int) E2. Distinct ritual ablution area separate from the toilets and prayer room separate from office facilities." (doc/obs)
F. External prayer facility: mosque	F1. "Fridays, we attend Jumu'ah (congregational prayer)" (int) F2. "I am very grateful to be able to go to Friday prayer. (...) We generally have lunch before or after the prayer in a restaurant together." (int)

4. Temporal	
G. Religious practices like prayers and fasting shaping business schedule and working hours	G1. “We have offered our employees flexible working hours during Ramadan. Some arrive early, others later and leave accordingly.” (int) G2. When we schedule meetings in our day-to-day business, we say, OK, we need to schedule our prayer times. If we have a meeting for the whole day, we say during introduction, OK, this time is the midday prayer, this time the afternoon prayer.” (int)
H. Celebrating religious festivities with dinners and holidays affecting work schedule	H1. One evening during Ramadan KT Bank invited all employees for a dinner at sunset. Some also stayed longer for the congregational Tarawih prayer. (obs) H2. An email announced that the end of Ramadan (Eid al-Fitr) will be a holiday (doc)
5. Linguistic	
I. Official and informal languages	I1. “The official business languages at KT Bank are German and English.” (int) I2. “Many (informal) conversations at KT Bank are conducted in Turkish, some in Arabic.” (obs)
J. Multiple languages in conversations, documents and meetings	J1. Many books and documents with guidelines for Islamic Finance on a shelf are in Arabic or Turkish; while other books on banking and law are primarily in German, some in English. (obs) J2. At a lunch-time meeting held in German one employee asks with a smile on his face and in a quiet voice another in Turkish, whether they should recite a prayer (obs)

Figure 4.2

Data Structure



Research Context

We studied the foundation of KT Bank, the first Islamic bank in Germany and, more widely, the Eurozone, from its first project office in 2013 to the point at which it received a banking license and opened its doors to customers in July 2015. Islamic banking, as the term suggests, straddles the market functions and objectives of banking with the rules and guidelines of Islam. Its religious prescriptions originate in the Sharia, a socio-legal code often translated as Islamic law, which, in turn, is based on the Quran and the traditions of Prophet Muhammad (Ayub, 2007). The primary objectives of the Sharia are the preservation of religion, life, progeny, property, intellect and honor/dignity; and its secondary objectives are the establishment of justice and equity in society, the promotion of social security and solidarity, the maintenance of peace and security, the promotion of goodness, moral values, the preservation of nature, and the prohibition of evil (Ayub, 2007: 23–24). The purpose of an Islamic bank is thus not purely – let alone primarily – oriented towards maximizing profits and shareholders' returns in the here and now. It prioritizes a 'sacred' caring for society with a return in a Hereafter.

Importantly, some prescriptions go directly against taken-for-granted conventional banking practices: Interest (*riba*), for instance, is explicitly prohibited in chapter 2, verse 275 of the Quran which states that: "Allah has permitted trade and forbidden riba…". The severity of the offence is marked out by the fact that it is the only time in the Quran that God declares divine war on any perpetrators (Quran 2:279). Likewise, an Islamic bank cannot trade risk, such as in a conventional derivative, or engage in short-term speculative trading because of prohibitions of excessive uncertainty or risk *(gharar)* and gambling or speculation (*maisir)* (Ayub, 2007: 43–64). Finally, it must not finance ventures involving products or activities forbidden in Islam, such as alcohol, pork or pornography and also conventional banks because they trade using interest, uncertainty and speculation (Hayat & Malik, 2014: 26). These prohibitions are intended to ensure sustainability, justice and social responsibility (Ayub, 2007: 43).

The current form of modern Islamic Finance emerged from initiatives in Malaysia and Egypt in the 1960s (Hayat & Malik, 2014: 8) and, since the turn of the millennium, has become recognized as a global phenomenon. In 1999, for instance, Dow Jones launched its Islamic Market Index, the first Islamic equity index; and in 2014, the United Kingdom became the first country outside the so-called Islamic world to issue a sovereign *sukuk*, the Islamic finance equivalent of a bond (Hayat & Malik, 2014). The global Islamic Finance sector has $1.7 trillion in assets with annual growth rates of around 17.6% between 2009 and 2012; and is expected to grow to 3.4 trillion by 2018 (Ernst & Young, 2013). Simultaneously, though, Islamic finance in European retail banking was "still at a fairly embryonic stage" (Di Mauro et al., 2013: 9).

Accordingly, scholars, practitioners and policy makers around the world have recently shown growing interest in Islamic Finance (Hayat & Malik, 2014). They have acknowledged its broader conceptual significance, not least as a possible alternative to the conventional market-based financial system that lead to the global financial crisis (Pitluck, 2012). In doing so, they recognize the challenge – but also potential – of efforts to "reconcile a secular financial system with the basic tenets of the Islamic faith" (Di Mauro et al., 2013: 12). Our research context, hence, is of great – and growing – economic, social and theoretical significance.

The German Islamic banking market has seen moderate activity serving institutional investors primarily in the Middle East. Of the largest banks, Commerzbank temporarily offered an Islamic fund and Deutsche Bank's Islamic fund targets the Middle East and Asia (Engels, 2015: 16). However, they do not offer Islamic banking retail services such as deposit accounts or mortgages to the over four million Muslims in Germany.

Hence, in 2015 KT Bank became the first Islamic Bank offering retail services in Germany and, more widely, the Eurozone. KT Bank's holding company, Turkey-based Kuveyt Türk Participation Bank, had prepared the ground with a representative office which allowed customers to open accounts abroad, primarily in Turkey. In October 2012, it applied for a German banking license and in May 2013 opened a project office with the objective of building a profitable bank embedded in Islamic values. KT Bank was licensed in March 2015, officially founded in April 2015 and opened doors to customers in July 2015.

During the pre-founding stage, KT Bank faced the challenge of developing and communicating its dual purpose in a way that was commercially viable and approved by German regulatory authorities as well as deemed in accordance with religious obligations by its own staff and Ethics Council, which monitors religious compliance. Defining such a purpose and market positioning, the 'end' to which the organization exists, was far from trivial. With no existing precedent, KT Bank's balance between market expectations and religious prescriptions had to be negotiated at all levels of the organization. For instance, the banking proposition required sign-off by both the Federal Financial Supervisory Authority and the Ethics Council, equivalent to Sharia boards in other Islamic banks. Critically, German law requires that ultimate authority lies with the board of directors. Religious institutions, conversely, assign binding authority to the Ethics Council (Casper, 2014). Yet, despite their incompatibility, neither demand could be marginalized. Both were ‘central’ to the nascent organization – and had to remain so.

Notably, given the personal nature of religious faith, this need for reconciliation did not stop short of KT Bank’s individual employees. In the same way the organization had to find its place, each employee had to find a purpose and work practice in accordance with their personal religious faith and market expectations. These considerations featured prominently in seemingly mundane day-to-day practices, such as choosing between professional versus religious attire, time dedicated to work versus prayer, what is considered ‘proper’ conduct in an Islamic bank versus a conventional bank, or between business versus religious intentions. In short, KT Bank entered an institutional context in which both its ends and means (Pache & Santos, 2010) – its purpose and practices – would spark conflict throughout the organization.

The Case Study

Drawing on all data sources, this section presents the findings from our 24-months ethnography. We structure our presentation as a gradual ‘zooming in’ from the organizational level – how KT Bank crystallized its purpose and developed a corresponding market position – to the processes and practices of individuals who bring the bank’s purpose to life and negotiate their personal balance of market and religion.

Finding Position and Purpose

In the absence of any organizational templates for Islamic banks in Germany or the Eurozone, KT Bank faced the challenge – and opportunity – of creating a new type of organization with a distinct purpose and positioning across market and religion. Initial conversations therefore started from two broad questions: 'What should we be?', developing a sense of purpose 'inside-out', and 'What would the market want us to be?', developing a market position 'outside-in'.

On both counts, the bank enlisted the help of outsiders. A local team of advisors from a Big Four accounting firm identified three viable market segments: "Muslim customers with explicit interest in Islamic Finance", the "Turkish community in Germany without explicit interest in Islamic Finance", and "Customers generally interested in ethical banking" (doc). Simultaneously, religious scholars advised the Ethics Council on Islamic matters. Formally, the Ethics Council's role was reduced to an advisory function to satisfy German legal requirements, as spelled out in the bank's articles of association:

> *"The Ethics Council shall advise the Company's governing bodies upon their request on religious and ethical issues and regularly meet for information and consultation purposes. (...) The Ethics Council is not authorized to give instructions to the Company's governing bodies." (doc)*

Practically, though, if the Ethics Council deemed the bank to lack religious compliance, repercussions among customers and other external and internal stakeholders would be catastrophic. *De facto*, therefore, both religious and market concerns had strong internal representation and external advisors in support. Clearly, the bank recognized that neither market nor religious demands could be sidelined, let alone ignored.

This balancing act percolated into the organization's processes. For instance, when developing the bank's compliance management standards, the Head of Compliance added Islamic compliance as an eighth pillar alongside seven others related to conventional banking. He documented this extension in an Excel sheet, adding a new column for each compliance pillar with the last one entitled "Islamic Finance discussion and concerns" (doc). Likewise, the bank's mission statement heralded: "We are the first provider of Islamic compliant financial products and services in Germany and orient ourselves along the Islamic canon of values" (doc).

In this sense, we felt the stage was set for the new organization to converge on a common purpose and focus for its energies. However, rather than settle the bank and give it direction, greater specificity of positioning and purpose sparked tensions that precluded management from reaching a definitive settlement on various issues. We were struck by the number of meetings that ended without a clear resolution of a contentious issue or document sign offs being postponed or granted "pending approval" (obs). By contrast, in several cases where management did make explicit commitments, they sparked severe conflict. For instance, two senior managers explained their intent to strategically target the Turkish community without explicit interest in Islamic Finance, but were opposed by those who preferred a more religious positioning. The bank ultimately remained 'focused' on all three segments. Soon after, we realized that this was a recurring pattern, which persisted throughout the founding process: Decisions were regularly postponed or kept deliberately vague.

At the same time, we repeatedly overheard staff venting their frustration and threatening to leave the firm should management ignore their concerns or proceed on their chosen path. One instance was particularly vivid: a manager explained that he had committed himself enthusiastically to the bank's project because of its underlying Islamic values, but felt that it was not staying true to them. By staying with the bank he feared he would mislead future customers by implicitly endorsing its debatable claims to Islamic adherence (obs).

Strikingly, however, management seemed unwilling to risk such departures and to prioritize appeasing and retaining staff through vagueness. In fact, we witnessed few staff departures. Probing this issue more deeply, we realized the relative power of existing staff, especially department heads, as banking talent is scarce among German Muslims and religious sensitivity is scarce among German banking talent. Accordingly, those few at the intersection are particularly valued and, hence, powerful. As a manager confirmed in conversation:

> *"We receive many applications for junior positions particularly from Muslims who are very keen to enter into Islamic banking, but few bring the right expertise and attitude for Islamic banking at a more senior level." (obs)*

Sensitized to the relative power of staff and conscious of the emotional distress some of them experienced over the ways in which the bank developed its purpose and market position, we delved deeper into the nature of the bank's internal tensions. Our interviews revealed how divergent views persisted on the role of religion vis-a-vis banking. As one manager remarked: "The business model is driven by religion", only to quickly add "dependent on how one interprets religion" (int). To him personally, broader values of transparency and fairness, not just religious compliance were key to the bank's strategy. Similarly, another manager stated:

> *"Some might say that an Islamic bank means offering formally Islamically structured products. (...) However, personally, I think an Islamic bank is rather a bank, which implements the intentions of the Sharia or Islam and which has its focus there." (int)*

This sense of committing to the spirit of Islamic law, rather than just complying with its letter prompted passionate arguments for a wide-ranging re-invention of banking based on the primacy of Islamic values and ethical conduct in the broadest sense:

> *"Islamic banking is not just about the product, it is rather about values. (...) In the ideal case Islamic banking means - for me - to maintain a holistic approach, which does not only fulfill the formal criteria, but goes beyond this. What is the underlying idea behind Islamic conformity? (…) With this holistic approach I also understand, that we do not just abide by strict interpretations, but go beyond and include sustainability, animal protection, and so on." (int)*

This primacy of religion was powerfully impressed upon us in conversation with one of the senior executives. He reminisced about a conversation with the CEO of KT Bank's Turkish holding company early in the founding process. Trying to convince his Turkish counterpart of KT Bank's opportunity in Germany, he had outlined the market potential of an increasingly affluent population of young Muslims. Visibly moved by the memory, the executive recounted how his counterpart, rather than sharing his enthusiasm about the market opportunity, had "picked up a completely different aspect" (int) and highlighted the opportunity to help young Muslims to bank in accordance with their religious faith.

We summarize this position, metaphorically speaking, as trying to fit the market into religion, as reflected in a search for a “moral optimum” (int) and a vocabulary of maximization, goodness and values focus. Profit is a necessary, but not a sufficient condition for legitimacy and religion is the primary objective. “Like an umbrella” (int) it subsumes everything the bank does, rather than being tagged on as the last of eight pillars of compliance management.

On the other hand, other managers strove to – metaphorically – fit religion into the market. In their eyes, minimum religious compliance was a necessity to unlock the market opportunity of Islamic banking in Germany. Proponents of this position renounced the aforementioned desires to take the bank’s ethical standards above and beyond religious prescriptions. Their vocabulary typically clustered around terms such as “satisficing”, “adherence” and “compliance”, with the latter being an essentially binary concept:

> *“If there is a business and we could make higher profit, but the deal is not Halal (Permitted) and the religion says: ‘don’t do it’, then KT Bank won’t do it. That’s what we have the Ethics Council for. (...) If the Ethics Council says: ‘It is Islamic compliant’, then that is enough. We then do not need to argue, but to look how to position the product in the market. It does not matter whether it is insufficiently or excessively compliant. It is important that it is Islamic Finance compliant, and no more. Scholars should dispute the rest, not us. (...) We are a bank, we need to make money.” (int)*

This particular contest was thrown into relief during discussions about a new type of purchase-specific credit card, a proposition that initially sparked considerable excitement. The idea was that, in contrast to conventional credit cards, the payment tool would be ‘chargeable’ with a specific amount of money for a short period of time, ideally, for the purchase of a pre-specified good. On the surface, this narrow specification complies with the prohibition of interest. It allows KT Bank to purchase the good on behalf of the customer and then sell it on to them at a slight premium. More profoundly, a manager argued that the credit card would have in-built religious values, discouraging excessive consumption and promoting reasonable spending within the customers’ means. Exceeding strict Sharia compliance, however, sparked resistance from those arguing that “religion has a constraining role and KT Bank has the goal to be profit maximizing” (int) and, ultimately, saw the product idea abandoned.

During discussions like these, we were particularly struck how proponents of religious compliance, rather than commitment, clad their concerns in the language of the market. To them, Islamic compliance constituted a “risk” or “cost” (obs) to be minimized, incorporated in the bank’s pricing strategy, and either passed on or retained at the expense of the bank’s profitability. In the extreme, some even suggested that they should critically consider compliance where it unduly compromised profitability. With a cheeky grin, knowing full well what controversy his remarks would spark if made in public, a senior manager confided:

> *“We need to keep an eye on the question, whether a strict Islamic process is appropriate or whether we need to deviate from it in some places – because it is not commercially sound, because we cannot present the product in this way, because it is too complicated.” (int)*

To some in the bank, this range of views was far from surprising given the personal nature of religious faith: “When you say ‘Muslim’, there is no prototypical Muslim. There are many different types of Muslims. And there will be these different colors at our bank, too” (int). And so, unsurprisingly, more moderate voices existed as well, suggesting that:

> *“We do not have to make profit at all costs, but make sure that one adheres to the Islamic principles, which we have given ourselves. It is not about making profit no matter what, but to have a healthy, Islamic compliant growth. Anything else I would not like.” (int)*

Accommodating these divergent views and settling the dispute over the relative positioning of religion and profit was at the heart of a 90-minute meeting between the first author and two of KT Bank’s senior managers. Both were eager to re-think the way banking business is done, but both agreed that – as a minimum requirement – their bank needed to make profit as well as fulfill its religious obligations. They identified three options to codify and measure the bank’s objectives: (1) Their bank could seek to maximize profit within the boundaries of Islam; (2) it could maximize profit, but with a religious metric coexisting alongside it, or (3) it could develop a combined measure of profit and religiousness. Both managers enthusiastically preferred this third option, imagining such an “ideal bank” that would put religion at the core of the bank’s success, incentives and strategic objective. At the same time, they conceded that such a measure would not be introduced soon and opted for the second, more vague option of maximizing profit while considering religious values beyond mere compliance. Notably, this vagueness was even reflected in KT Bank’s articles of association, which foreground its status as an “ethical bank”:

> *"An ethical bank, KT Bank AG - on the basis of both the religious-ethical canon of values of the Islam and universal values - is committed to a sustainable business strategy." (doc)*

Portraying Position and Purpose

Throughout the founding process, we observed intense debates about the extent to which the bank should be portrayed as 'Islamic'. The bank had to juggle opposing views, ranging from putting religion at the center of its communication to not using religious language at all. On the one hand, one manager advocated an explicit communication:

> *"I am convinced that we should position ourselves externally as an Islamic bank. That's a transparent approach, not to try to hide something, but to say: 'These are our moral values'." (int)*

On the other hand, a manager argued against such a display:

> *"We should not use the word Islamic at all, as we do not want to advertise with Islam. (...) We should take care that we address all people, not just a specific group." (int)*

Intriguingly, another manager highlighted that an explicit Islamic portrayal would not only be opposed on business grounds, but also face religious concerns:

> *"Islamic bank is a correct description. An Islamic bank is a bank, which acts according to Islamic principles. Whether I would use this term, is another question. If it is clear for the people who get in contact with the bank that the bank acts according to certain values and*

principles then I do not need to credit us with it. I would then rather use a more generic term to also appeal to people with these values and norms, but who have not decided to adhere to Islam – so as not to frighten them. There are two aspects which disturb me: first, I might lose customers who are not Muslims; and second, the term Islamic is problematic as it creates the appearance that one has selected it simply as a marketing or business strategy (...) That would not be in accordance with our faith." (int)

This also explains why we failed to clearly distinguish competing camps in KT Bank. The dividing line was not a rift between factions advocating a stronger orientation towards either market or religion, but by personal conflicts over how to communicate one's religion in the context of a bank. Making the 'Islamic' dimension the centerpiece of communication could have market advantages or disadvantages. It might transparently represent the religious position of KT Bank, or a misuse of Islam. To accommodate these competing views, the bank commonly resorted to visual and verbal communication that permitted both religious and secular readings.

Visual communication. Throughout KT Bank, pictures on calendars and products contain subtle religious symbols that are typically presented as images of Islamic art and culture (obs). Most visibly, KT Bank's logo shows a yellow date tree on a green background. For those unfamiliar with the Islamic faith, this may seem an unremarkable, secular choice. Documents mention the "long-living and sustainable palm tree" (doc), evoking connotations of connectivity to nature and sustainability in an environmental or business sense. Religious Muslims, by contrast, would recognize green as the color of Islam and the date as a particularly meaningful fruit. In numerous instances, the Quran mentions dates, for instance as a blessing in paradise (chapter 55, verse 68), or divine nourishment: The prophet Muhammad breaks his fasting with dates and the angel tells Maryam, mother of Jesus, to “shake toward you the trunk of the palm tree; it will drop upon you ripe, fresh dates” (chapter 19, verse 25). KT Bank executives decided to use the palm tree explicitly in its marketing, for instance on banners, posters and cards. These images show a palm tree inserted into iconic German sceneries, such as the financial center in Frankfurt or the harbor in Hamburg.

Verbal communication. Notably, the bank’s verbal communication echoes this ambiguity. Specifically, out of three proposals the marketing agency developed for the bank, it chose a campaign that is deliberately subtle in signaling religiousness to the religiously informed, yet supporting secular readings for everybody else. Central to this subtlety are slogans that – not unlike a pun – play with double meaning in German. For instance, one campaign slogan translates as: “Now there is a bank that does not trade with everything. But always with responsibility/accountability.” Another reads: “Now there is a bank, that does not speculate, but invests meaningfully.” For those familiar with the aforementioned bans on speculation, excessive risk, and trading improper assets such as alcohol, pork or pornography, KT Bank’s religious commitments would be obvious. For others, as for the non-Muslim co-authors, responsibility, accountability and meaningful, long-term investment catch the eye; values many non-religious customers would find appealing after the financial crisis.

Likewise, KT Bank’s vision, mission and press statements used such ambiguity. They frequently refer to higher order values such as sustainability, transparency and trustworthiness, which combine market and religious concerns, but are not explicitly religious. However, these values were kept purposefully vague throughout the founding process. Indeed, an early working document of the intended business model including a vision and mission statement explicitly emphasized "no use of religious terms" (doc). The final model only diverged slightly insofar as it used no technical Islamic Finance terms and few religious expressions. The bank slogan "Islamisch. Sinnvoll. Handeln.", which translates as "Islamic. Meaningful. Trading/Acting." does reference religion, but also plays on the double meaning of the German word 'Handeln', which means both acting and trading, the latter juxtaposing the bank's activities to taking interest and speculating, a subtle reference to verse 275 in chapter 2 (see above).

Notably, words that carry multiple meanings or point to different value systems were not reserved for external communications. One manager pointed out that his departmental guidelines explicitly emphasize employees' "responsibility before God and man" (doc). He explained – visibly pleased with his find – that this expression takes pride of place in the preamble to the German constitution, but also communicates his view of Islam:

> *"This expression strikes at the core of human responsibilities as 'Abd' (servant) towards the sole sovereign 'Rabb' (God), namely to do justice to his responsibility – to Allah and his creation, which includes mankind. Allah cc (majesty and glory) has determined substance and scale as to how people should exert this responsibility determined through the Quran and exemplified through his prophets. Peace and blessings be upon them." (int)*

Practicing Purpose through Place, Time, and Language

Finding personal purpose. In interviews and their own conversations, respondents were rarely able to confine their comments about the purpose, position and portrayal of KT Bank to the organizational level. Instead, conversations naturally transitioned to the personal level. Discussions of what KT Bank should be, refracted into personal conversations about what KT Bank should be *for its staff,* and how it would allow employees to bring their personal, religious values to work. As one manager explained to another what should be the basic premise of their individual actions: "We need to embody our values" (obs).

For some staff, KT Bank was an exciting and novel project, a new opportunity, or simply another business. For many, religion was the key motivation to join. Some explicitly stated they had earned, or could earn, more elsewhere, but felt that being true to themselves and their faith was worth the monetary sacrifice. As one of them put it: "I joined the bank because it is an Islamic bank. I am a religious person and I can act accordingly. And I can also help others to act in an Islamic manner" (int). In fact, many managers conceived the project as their calling with strong and positive implications for a Hereafter.

This, however, was not always straightforward, because attainment of the bank's purpose was measured via various performance metrics and compliance standards that cut across individuals' religious beliefs. Likewise, the bank's portrayal of its purpose and position was critical and sensitive for managers. As they had chosen the bank as a place to act according to their personal values, they projected the bank's espoused values onto themselves. In other words, for them, company communications became deeply personal and put their personal values at stake. In conversation with us, one manager grappled with his personal torn-ness between foregrounding the religious nature of the bank, without instrumentalizing his faith:

> *"It is not non-Islamic, but I have a problem to call it explicitly Islamic, because can we actually satisfy the requirements? ... I do not wish to instrumentalize my religion nor become a victim of my own shortcomings. That's why it is difficult." (int)*

Tensions between market and religious concerns not only ran through the bank, but right through most staff as individuals. One interviewee particularly vividly articulated this personal sense of 'torn-ness' between mosque and market and the challenge of living one's own values in an organization that straddles both domains:

> *"We need to avoid this overlapping of multiple personalities. Muslims often play in different roles. In the mosque, they are generous and very religious, but when they are at work, they act like capitalists, who do not ask their workers for advice on how to proceed, the Shurah (council) or Istişare (consultation), rather acting like a dictator. (...) We need to be consistent and be Muslim in private as well as public, in the mosque as well as at work." (int)*

As a consequence, any attempt by KT Bank's executive to cement a clearly defined organizational purpose and codify a corresponding balance of religious and commercial demands was met with rolling eyes, frustration, and sometimes tears of anger and despair. In remarkably few cases, this led to managers choosing to leave the bank and one such person explicitly confided that it was their inability to reconcile the bank's strategy and practices with their personal religious views that motivated their exit. It was a difficult decision, as he strongly believed in the project and its purpose, but not in its operationalization and practice. In fact, the more prescriptive the practice, the more open – and fierce – the conflict, as we witnessed in an argument over personal appearance. The bank sought to impose a ‘no beard’ policy for male staff, which some of them considered an excessive interference with their religious expression. Heated debates ensued which culminated in one manager storming across the floor red-faced – an unusual public display of anger. Ultimately, to avoid further defections the policy was rejected and staff given choice over their appearance – echoing the vagueness and flexibility of the banks’ purpose and external positioning in its employees’ internal practices. In fact, when we asked participants where they thought the bank *was* and *ought to be* on a market-to-religion continuum, we found little agreement on its perceived or aspired balance. In short, participants portrayed the bank to be many things to many people.

Enacting personal purpose. It turned out that management making space for this range of interpretations – both in the external market and amongst internal staff – was only half the story of KT Bank’s founding. Internally, staff also had taken this space and filled it with life. Much to our surprise, however, this rarely resulted in open conflict such as described above; so much so that we noted it as an exception rather than the rule. Most of the time, staff would take spaces to reassert their personal balance between market and religion and, in doing so, actively create niches to make KT Bank many things to many people. This dampened conflicts between colleagues, but also competing value commitments, because staff allowed divergent views on the balance of market and religion to co-exist and be negotiated by moving between different physical places, times or languages.

The prayer room was the most intuitive place to note for how KT Bank’s employees use different *physical places* to sustain separate conversations and flexibly give prevalence to concerns of market or religion. It not only served as a place for worship, but also as a safe space for religious conversations or religiously informed discussions about the banking work being done in the office – albeit away from the office. With its colorful prayer rugs facing Mecca, contrasting the green-gray carpets covering the office, and incense sticks creating a calming atmosphere, the prayer room engaged all senses in building a contrast to the office environment. Interview conversations about the prayer room often turned very emotional, because for many these facilities were clearly a sanctuary they had been yearning for. Respondents mentioned it was the first time they had a designated area to pray at work, and even one to take ablution, so as not having to use the office restrooms. To them these facilities embodied the religious grounding of the bank and – literally – made space for their faith.

Five to eight staff participated in the midday, afternoon and – in winter – evening prayers during the very early stages of the founding, but this number grew to around twenty once the organization had grown to over 50 employees. Some of these prayers concluded with a supplication that God may make the bank both observant of religious obligations and financially successful. After prayer, groups frequently stayed to discuss a Hadith, a saying of the prophet and, notably, its implication for their work in the bank. In this sense, the 'religious place' does not exclude but influences 'the market'. Once, for example, a manager cited a Hadith directly related to how he coped with competing work demands: "Innamal a'maalu bin niyaat." – "Deeds are (judged) according to intentions.", he recited and then urged those praying with him to keep their intentions at work pure. Colleagues in the prayer room quietly absorbed his comment, some nodding, some with grim expressions on their faces. Later, one of them explained to the first author that he felt uncomfortable at work, anxious that his intentions may become impure and potentially punished by God, given the uncertain direction the bank was heading to. In essence, then, the prayer room offered a sanctuary and a place for religious practices, but also for unencumbered conversations about the religious aspects of work. Notably, as respondents told us, these conversations re-charged them not only spiritually, but also – sometimes especially – for their work in the office. They allowed them to reassert their personal balance of market and religion by feeling as part of a religious community and reassured that religion had a central place within the bank.

Staff did not only reserve religious practices for the prayer room, but allowed them to take place within everyday work routines – albeit *at different times*. Religious practices, such as prayer, take staff away from their desks – a situation employers typically seek to minimize. Yet, meetings were typically scheduled around prayer times or paused for prayer when necessary, and we regularly observed staff walking around the office asking others whether they had already prayed and, if not, whether they wished to pray together.

On Fridays many employees visited the mosque together for the congregational midday prayer and effectively an extended lunch break, as the Quran prohibits working at this time:

> *"O you who have believed, when [the adhan] is called for the prayer on the day of Jumu'ah [Friday], then proceed to the remembrance of Allah and leave trade (...)." Quran (62:9)*

Thus, for some staff, worship explicitly took precedence over work during this specific time. Furthermore, combining prayer and lunch differentiated self-selected groups of like-minded colleagues who would continue more or less religious conversations depending on whether they attended the mosque together or simply joined other staff for lunch.

The role of time was particularly visible during the fasting month of Ramadan. Every day, a group of five to eight people congregated for one hour around lunchtime to pray and read a *Juz*, a 20-page section of the Quran, making substantive time for their religious observances during their working day. Even more substantively, staff who fasted commonly used the bank's flexible working hours to commence work late in the day and continue late into the evening. Doing so allowed them to continue work after breaking the fast at sunset, attend ceremonial festivities and religious practices at night, and reduce working hours while fasting during the day. As a result, mornings and evenings were populated by different, but more homogenous groups of staff insofar as less religious employees were almost 'among themselves' in the morning, while those who fasted had the office to themselves in the evening. After one dinner in Ramadan some employees stayed at the bank until their fast for the next day commenced. They prayed the so-called Tarawih prayer in the prayer room and afterwards sat in the office until dawn discussing, *inter alia,* the future of the bank.

Finally, staff accommodated their religious sentiments in their banking work *through language*. They carved a niche by expressing them in Turkish or Arabic, as opposed to English or German, the office languages for business; in a sense creating linguistic separation not unlike the spatial and temporal separations described above. Notably, languages were switched continuously and fluidly in both informal conversations and formal meetings. For instance, Muslim employees would use religious greetings, such as "selamun aleykum", 'peace be upon you', or close statements with religious appendices such as "inshaAllah", "mashaAllah", or "alhamdulillah", meaning 'God willing', 'whatever God wills', and 'praise be to God'. These phrases, however, could be learnt and appropriated. In fact, a non-Muslim senior manager expressed his hope that the bank would be opening soon adding "inshaAllah" with a smile on the face. Staff in the room reacted with smiles, but also laughter, suggesting that they appreciated his gesture, but also noted that it had no genuine religious intent.

In business meetings, one language functioned as the primary communication vehicle, mostly German or English. However, with some staff less fluent in those languages, switching to their mother tongue was commonly accepted to accelerate the process and ensure the correct message is conveyed. Many, however, used such language switches to quickly make a specific point or offer a (religious) side-reflection relevant – and understandable – to only those few speaking the same language. Hence, while in the same room at the same time, employees could use their language skills to selectively communicate with each other and share more personal – and religious – views that they did not wish to share with the plenary to avoid publicly pitting their religious views against business reasoning.

At a meeting over lunch, for example, one participant caught another one's eye to ask in Turkish whether they ought to pray before starting to eat, affirming to each other that this should be proper practice. In another instance, when they discussed a profit sharing ratio between the bank and its customers, one employee briefly mentioned to another: "Aslında böyle yapmamamız lazım, değil mi?" which can be translated to: "Actually, we should not do it this way, right?" His counterpart nodded in agreement that a very small share of profit for customers was potentially not Islamic compliant, quietly turning to listen to the speaker again.

To summarize, to our surprise KT Bank staff not only found ways to have different conversations in different places and at different times. They also used different languages, within the same place at the same time as a means of having multiple concurrent, yet separate discussions, each foregrounding a different set of concerns, i.e., market and religion.

Making it to the starting line. Despite undisputable tensions between banking objectives and religious considerations running through every level of the organization and its staff, KT Bank managed to accommodate both until its founding. It did so by building great flexibility into the bank and making space for individual staff to navigate their competing commitments and resulting torn-ness more easily. The deliberately vague positioning of the bank, its ambiguous visual and verbal communication, and the ability for individual staff to find their own niches through the conscious use of place, time and language, *jointly* create an inclusive organization – able to hold a diversity of views on the intersection of banking and religion. This flexibility shone through, even at the official events for the bank's opening.

The gala opening on the 21st July 2015 was a carefully crafted event that clearly illustrated the presence and centrality of both market and religion in KT Bank, but also the fluid relationship the bank maintained between the two throughout its founding process. The evening was entitled "Premiere under palm trees – a special occasion bears fruits", a slogan which – in German – evokes associations with holidays in the Caribbean as much as religion. Having learned not to be overly prescriptive with professional or religious attire, the bank chose to create a common visual identity by issuing dark green ties and scarfs. While male employees wore ties, female employees were left to choose whether to wear their scarf as a headscarf or a shawl.

All four keynote speakers emphasized the religious and market goals of KT Bank by mentioning their intent to offer both profitable and Islamic banking. They juxtaposed "sound banking and ethical values", "robust banking principles and ethical values" and a distinctiveness in "product range and prices". Various artifacts displayed religious expressions or subtle references, such as the invitation card showing a saying by the Prophet about the palm tree. The dessert included a dish the cook labeled "paradise mud" and the menu displayed an Arab – as distinct from an Islamic – proverb: "The reward of good deeds is like dates: sweet and ripening late." Whether these rewards are worldly or otherworldly was left for the guests to decide.

Discussion

Drawing on a 24-months case study of the first Islamic bank in Germany, we examine organizational responses to conflicting institutional demands inside an organization – in our case the logics of market and religion. We, thus, help understand how hybrid organizations can reduce conflict and leverage synergy between coexisting logics when their structural separation or blending is not an option. In doing so, we respond to calls for additional insights into how hybrids balance multiple logics (Battilana & Lee, 2014) and explain how they can do so in the most conflict-prone or 'contested' of constellations where coexisting logics are both central and incompatible (Besharov & Smith, 2014).

In this section, we develop three related contributions that jointly explain the resolution of conflict in 'contested' hybrids. First, based on the ways KT Bank and its staff make and take space for central, incompatible logics, we theorize the mechanisms of *polysemy* and *polyphony*. Polysemy reduces conflict between the organization and staff by making space for diverse values, while polyphony reduces conflict among staff as they take space for the protected enactment of their values. We then conceptually integrate polysemy and polyphony to explain how both *jointly* create what we define as *elastic hybridity,* the ability of institutionally bending, without organizationally breaking. Lastly, we explain how elastic hybridity makes 'contested' hybrids manageable. We argue that the interplay of polysemy and polyphony dynamizes Besharov and Smith's (2014) framework: They flexibly – and temporarily – render coexisting logics either more compatible (polysemy) or less central (polyphony), allowing elastic hybrids to avoid the extensive conflict Besharov and Smith (2014) predict and, instead successfully become 'many things to many people' when separating or blending logics is infeasible.

Making Space for Competing Demands

Polysemy. We theorize KT Bank's deliberate lack of clarity about its purpose and positioning as well as their communication as *polysemy (*from Greek: *polý* [many] and *sêma* [sign]). We define polysemy as the judicious use of concepts, words, artifacts or images that support multiple meanings, or logics, and so help reduce conflict between their representatives. Our definition builds on Zilber's (2011: 1543; see also Barthes, 1977) notion that polysemous words, images or symbols have an "ability to be interpreted in different ways in different contexts". We conceptualize polysemy as an organizational response to institutional complexity. It purposefully construes and communicates vagueness vis-à-vis institutional demands and so offers external and internal constituents space for their own diverse and even conflicting interpretations to coexist *in the same context* – that is, in the same time and space. In our case, polysemy takes two forms, which we label *conceptual* and *communicative*.

Conceptual polysemy manifested itself in KT Bank's reluctance to develop, let alone cement, a clear business position and precise answers to central questions such as: What is Islamic banking? What is Sharia-compliant? While the questions gave prominence to religion within KT Bank, the absence of clear answers regarding compliance with the letter of the Sharia versus commitment to its spirit, kept elusive the extent and specific enactments of this logic. This conceptual polysemy allowed diverse understandings of the role of religion in relation to the market to persist and, thus, staff with different views to find their space within KT Bank.

While we analytically juxtaposed compliance with the letter of the Sharia and more encompassing commitment to its values, this wide range of views coexisted under the term 'Sharia compliant'. This conceptual vagueness created space for employees' individual judgments of the organization and whether it was a legitimate employer for them. As evidenced by the few staff departures we witnessed and the, literally, 'lost faith' when the bank did try to impose a specific meaning of religion or a specific balance between religion and market, this polysemic behavior was critical for retaining scarce and influential staff. In our case, this was a key concern in getting a nascent organization to the 'starting line' (Almandoz, 2012). Our findings therefore suggest more broadly that when organizations deal with religious or other beliefs which individuals consider their 'ultimate concern' (Tillich, 1957), and where they have no means of prescribing a 'correct' belief or specific balance between competing concerns, their only way to accommodate diverse personal beliefs is to make space for them.

Communicative polysemy captures the textual and visual manifestations by which conceptual spaces are kept open and is therefore a close complement to conceptual polysemy. It highlights the viability of competing interpretations and behaviors under a single organizational umbrella. In our case, KT Bank thoroughly sought out ambiguous expressions, artifacts and images that supported both religious and secular interpretations, resonant with the recipient's belief system. These findings supplement Peifer's (2014) work which found that strictly faith-based funds used unequivocal religious iconography blended with market symbolism. Intuitively, then, where religion itself is a more contested part of the organization, ambiguous symbolism is preferred. The logo of the date tree, for instance, carried a strong religious message for those familiar with Islamic symbolism, while for others it signaled environmentalism and sustainability. This ambiguity was reinforced by a marketing campaign with images that planted the date tree into iconic German business settings, captioned with clever puns to cloak references to key religious prescriptions from anyone not previously familiar with them. By that, KT Bank allows individual internal and external constituents to choose a religious or secular reading of its values, and align them with their personal beliefs.

The concept of polysemy echoes the ambiguity concept in the strategy and communications literature insofar as the "equivocality of concepts allows for *different courses of action* while maintaining a semblance of unity" (Giroux, 2006: 1232, emphasis in original; see also: Sillince, Jarzabkowski, & Shaw, 2012). However, as Giroux (2006) acknowledges, it extends beyond ambiguity insofar as polysemy incorporates both vagueness, defined as lack of definition and ambiguity, defined as the availability of multiple, equivocal meanings.

These are useful concepts to borrow because institutional theorists, with very few and recent exceptions (e.g., Cornelissen, Durand, Fiss, Lammers, & Vaara, 2015; Meyer & Höllerer, 2016), have only considered ambiguity and vagueness with regard to institutional prescriptions at the field level. Under these conditions, they argue: "the degree of incompatibility between logics is tempered and, importantly, the discretionary ability of organizations to reconcile competing logics—whether substantively or symbolically—is significantly enhanced" (Greenwood et al., 2011: 333; see also: Goodrick & Salancik, 1996; Thornton & Ocasio, 2008). Thus, while the enabling properties of field-level ambiguity have been recognized, their potential as mechanism for the active resolution of institutional complexity has remained unexplored. It is specifically organizational actors' ability to "both construct ambiguous meanings and exploit the ambiguity within organizations as a possible resource for strategic action" (Sillince et al., 2012: 632) that strategy scholars highlight and we draw upon in our construction of polysemy as a mechanism for reducing conflict in contested hybrids.

Giroux (2006: 1229) suggests organizations should issue "normative texts (e.g. missions, goals or plans) that can be espoused by everyone while at the same time allowing for different interpretations" to reduce organizational conflict over individual strategic interests. We concur, but argue that potential for conflict is much more pronounced where, as we observed, conflict is not over personal goals, but over deep-seated personal values and beliefs. Its management is even more problematic where competing beliefs are held by individual people, rather than by different audiences. It is in these situations that decoupling (Meyer & Rowan, 1977) or organizational hypocrisy (Brunsson, 1989) fail, because managers cannot say different things to different people. In fact, attempting to do so should be particularly risky in the context of a "greedy logic" (DeJordy et al., 2014: 330) like religion, as its adherents would be particularly unforgiving towards deceit. Instead then, managers need to say the same thing to different people, who, however, hear it differently. This communicative relationship is at the heart of polysemy and its usefulness in managing institutional complexity. It allows organizations to create flexibility without hypocrisy. When organizations have no authority to prescribe a 'right' belief or recruit/dismiss staff to manage the balance of competing beliefs or logics (e.g. Battilana & Dorado, 2010) the best a hybrid organization can hope for is the "unified diversity" which characterizes the strategic use of ambiguity (Eisenberg, 1984: 227).

By facilitating this sense of unified diversity, polysemy complements existing organizational responses to institutional complexity. Selective coupling (Pache & Santos, 2013), for one, leaves little room for individuals to find their space within the organization, as a specific balance of competing logics is permanently fixed in the selection of logic elements. Polysemy, by contrast, offers more flexible coupling. It opens up interpretive spaces in which constituents can personally and dynamically balance competing demands without the organization prescribing any desired equilibrium. It thereby helps resolve situations in which, as shown in our case study, attempts to specify and permanently fix a defined balance of competing logics spark the most intense and vocal instances of conflict. In this sense, polysemy qualifies as an *organizational* response to institutional complexity insofar as it *creates the conditions* for individuals to manage their institutional setting. It is sensitive to both the organization and the staff who inhabit it, to manage institutional complexity together.

Polyphony. Polyphony is an indispensable counterpart to polysemy, insofar as it describes the use of the interpretive spaces opened up by the organization. Polyphony, from Greek *polý* and *phōnḗ,* literally means 'many voices' and describes the coexistence of a "multiplicity of independent and unmerged voices and consciousnesses" (Bakhtin, 1984: 208; see alos Belova, King, & Sliwa, 2008). Penetrating to the mechanism behind this multi-voicedness and its role in managing institutional complexity, we define polyphony as individuals' judicious use of place, time, and/or language to enable simultaneous, but separate enactments of multiple logics. In short, polyphony dampens any conflict that may arise between incompatible logics by making one of them spatially, temporarily or linguistically less central in a specific situation.

Polyphony is a critical complement to polysemy insofar as the latter is used primarily when "it is not possible for organizations to tailor their communication to the expectations of a specific audience" because of their non-compartmentalizability (Meyer & Höllerer, 2016: 9). Such compartmentalization, however, is key for staff members to enact their competing commitments, protected from others who may monitor their behavior and take issue with the divergent beliefs or practices the organization seeks to accommodate (e.g., Smets et al., 2015). While polysemy helps the organization to avoid conflict between its mission and individual staff members by making space for their divergent beliefs, logics or practices, it leaves – even creates – potential for conflict between individual staff members. Mechanisms for 'making space' for competing logics, such as polysemy, therefore need to be complemented by mechanisms for 'taking space' that allow individuals to practice their various beliefs without scrutiny from others and protected from their potential disapproval and ensuing tensions. Polyphony is such a mechanism. In our case it took three forms –

spatial, temporal and linguistic. Their combination transcends what has previously been reported in the literature.

Spatial polyphony exists when institutional logics coexist in an organization, albeit in different places. While spatial separation resonates with established concepts of compartmentalized hybrids, in which the organization structurally and permanently separates enactments of competing logics (Binder, 2007; Dunn & Jones, 2010; Lounsbury, 2007), spatial polyphony differs in one critical aspect: It grants staff members discretion to inhabit different physical places, such as the prayer room, as they choose – not as the organization prescribes.

In this sense, spatial polyphony resonates with recent work on “relational spaces” (Kellogg, 2009) and “segmenting” (Smets et al., 2015) which emphasize the exclusion of those representing a competing logic to create a safe space free from scrutiny and interference for the ‘insiders’. In Smets et al.’s (2015) study of Lloyd’s of London reinsurance underwriters are ‘safe’ from community peer pressure in the office, enabling them to give more presence to the market demands of their management and to balance their commitment to the competing logics of community and market. In Kellogg’s (2009) study, hospital change agents use their relational space to discuss their initiative free from interference by change resistors.

However, spatial polyphony is different from these established concepts in significant ways, which allow us to extend existing theory. In comparison to Kellogg’s (2009) and Smets et al.’s (2015) concepts, spatial polyphony is *both* more personally *and* organizationally embedded. It is more personal insofar as the use of different places is entirely in the discretion of individual staff and there is no organizational expectation or workflow pressure to occupy specific places at specific times such as, for instance, in the case of trading hours in Lloyd's of London. Individuals therefore have greater personal discretion to take different organizational spaces that represent different logics as they see fit and their personal values and beliefs require. Polyphony is also more organizationally embedded in that individuals do not simply take a vacant or neutral place and make it their own, as Kellogg's (2009) change agents did. Instead, they choose to move into a purpose-built space whose material design and symbolic purpose give presence to a particular logic. Arguably, in providing such a space, an organization signals its commitment to the logic being represented and acknowledges its centrality, which stands in marked contrast to Kellogg's (2009) example in which change agents use their relational space to escape from a clearly dominant logic in their organization. In our study, participants positively noted the fact that KT Bank offered specifically designed prayer and ablution facilities which, to them, signaled that both banking and religious logic were seen as equally deserving of dedicated facilities. This dynamic is not limited to religious concerns, as evidenced in studies of universities which create dedicated spaces for community (Dacin, Munir, & Tracey, 2010) or sports activities (Lok & de Rond, 2013).

Temporal polyphony describes the temporal separation of institutional logics within an organization, which may result in one logic being more central at one time, and its alternative at another. In contrast to spatial polyphony then, different 'voices' may occupy the same physical organizational space – albeit at different times – as evidenced by off-set working hours during Ramadan, a holiday on an Islamic holy day or work activities organized around prayer times. Temporal polyphony, hence, is an institutional variant of what Orlikowski and Yates (2002: 684) call "temporal structuring" insofar as staff use "temporal structures to guide, orient, and coordinate their ongoing activities". However, it is not limited to coordinating organizational activities, but extends to their underpinning institutional logics and dampening conflicts between them. In fact, by doing so, activities – and their temporal structuring – coordinate competing logics, rather than the other way around.

While the institutional literature has recently acknowledged that competing institutional pressures may manifest themselves through contradictory timeframes (Reinecke & Ansari, 2015) or, conversely, different timeframes modify organizational responses to institutional complexity (Raaijmakers, Vermeulen, Meeus, & Zietsma, 2015), temporality as a mechanism for managing institutional complexity has not previously been considered. In this sense, temporal polyphony constitutes a new and important complement to its spatial variant, allowing organizations to dampen conflicts among organizational members inhabiting the same space. Notably, it is not the organization prescribing the performance of different activities at different times, but empowered individuals using temporal structures of their work to decompress tensions between central, incompatible logics, making one of them more or less present and central at specific times.

Linguistic polyphony exists where multiple actors and the competing logics they represent are physically co-present, but separated by language, allowing them to have multiple conversations in the same room. In our case, business was typically conducted in English or German, but religious matters were raised in Turkish or Arabic to ensure that like-minded individuals were included in the conversation, but others were not. As with spatial and temporal polyphony, this mechanism allows multiple logics to coexist so that scrutiny by representatives of competing logics is minimized and the potential for conflict reduced.

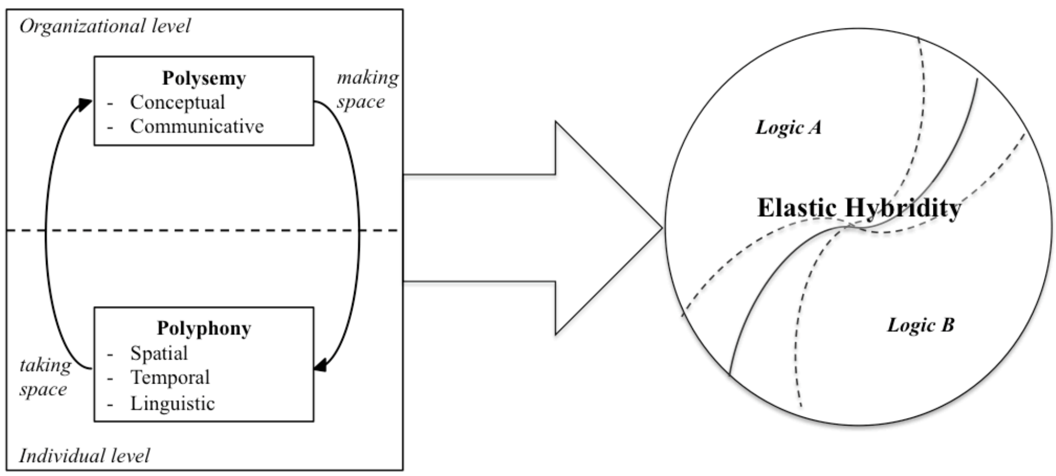
While the role of discourse has long been analyzed in institutional theory (Phillips, Lawrence, & Hardy, 2004; Suddaby & Greenwood, 2005), scholarly focus has firmly remained on the rhetorically skilled use of language rather than *languages*. Contrasting this established focus, linguistic polyphony foregrounds the ability of multilingual individuals to choose the language in which to have certain conversations to include some peers and exclude others, so as to create more homogeneous, safer environments in which to voice their values and beliefs, especially where coexisting logics broadly align with coexisting languages. Arguably, this dynamic is not limited to logics of religion and market or the temporary segmentation of actors and the logics they represent. Smets et al. (2012) in their study of an international law firm, for instance, found that English and German lawyers responding to each other in each other's language constituted a powerful vehicle for reconciling their contradictory professional logics and consolidating their emergent hybrid practice. Linguistic polyphony, hence, appears of broader relevance to multinational companies and broader institutional dynamics, which have not previously been examined through the lens of languages, rather than discourse or rhetoric.

Elastic Hybridity

Polysemy and polyphony *jointly* help KT Bank to accommodate the incompatible prescriptions of religion and market, which are both central to its purpose. Unable to impose an organizational balance of logics on its employees, it had to afford them flexibility to strike a balance that they personally find acceptable. As each employee individually holds market and religion in a state of dynamic and flexible tension, we interpret the state in which KT Bank arrives at the starting line as one of *elastic hybridity*. As the dashed lines in Figure 4.3 illustrate, individuals within the organization – and the entire organization as an entity – flexibly and dynamically adjust the balance of competing logics depending on the exigencies of the situation as well as personal values and beliefs. It is this dynamic flexibility that eases tensions between competing logics, mitigates open conflict and makes hybrids sufficiently elastic so as to bend rather than break when faced with competing institutional pressures.

Figure 4.3

Elastic Hybridity



The dynamic interplay of polysemy and polyphony, illustrated by the recursive arrows in Figure 4.3, allows an organization and its members to flexibly balance competing institutional demands. Polysemy makes space for competing logics, grants the organization flexibility to accommodate unified diversity and, in Kraatz and Block's (2008: 244) words, be "multiple things to multiple people". Polyphony affords individuals the flexibility to take these spaces opened up by the organization and enact competing institutional logics in parallel across different places, times and languages. Polysemy and polyphony thus recursively enable and reinforce each other.

The resultant elastic hybridity affords an organization to flexibly enact shifting balances of competing logics, rather than a single fixed combination. This elasticity increases organizational resilience insofar as its use of ambiguous signals does not seek the "neutralization" of competing institutional demands (Meyer & Höllerer, 2016: 3), but their constructive embrace. In an elastic hybrid, potential for conflict between competing demands is not mitigated by neutralizing certain demands, but by dynamically decompressing them as individuals temporarily inhabit different spaces.

This mechanism is especially salient in the case of greedy logics, whose demands are less malleable or open to compromise and de facto beyond organizational authority. In these instances, unlike in Battilana and Dorado's (2010) example of commercial microfinance organizations, hiring individuals with no prior commitment to a particular logic is not possible as these logics are central to the nature of work. For the same reason, compartmentalizing work in internally homogeneous units is not practical. Yet, in contrast to "institutional plasticity" (Lok & de Rond, 2013: 205), which helps to repair breakdowns, elasticity helps to prevent breakdowns in the first place. The concept of elastic hybridity therefore adds an important middle ground between logic separation and logic integration, explaining how hybrids can balance competing demands when neither compartmentalizing nor blending is an option.

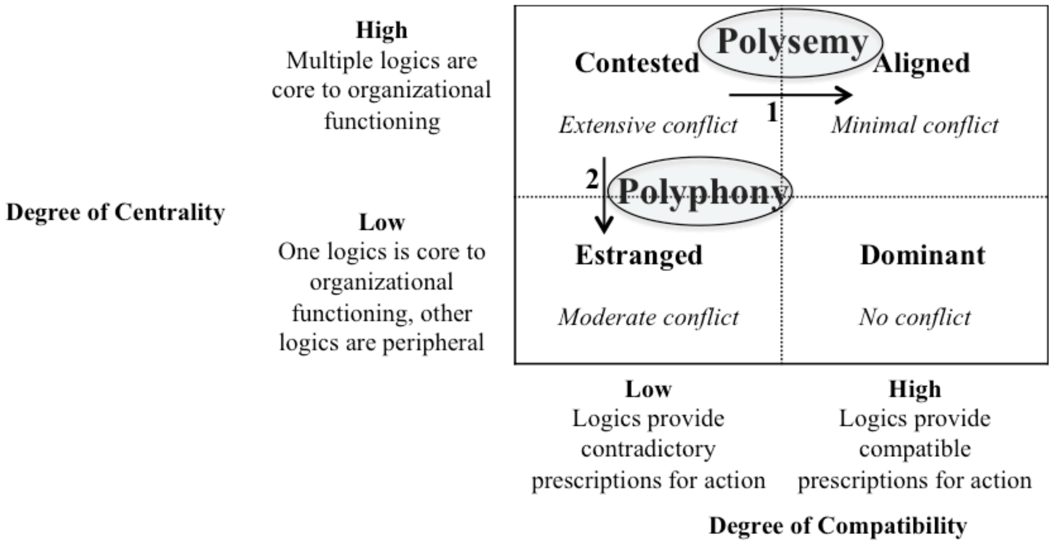
Decompressing Conflict in 'Contested' Organizations

The concept of elastic hybridity and its enactment through the interplay of polysemy and polyphony dynamize Besharov and Smith's (2014) framework and thereby build our understanding of how to manage the most contested instances of institutional complexity. Simply put, elastic hybridity allows organizations to retain competing logics as both central and incompatible. It does so, specifically, as polysemy makes competing logics appear more compatible and prepares the ground for alignment and, eventually, coexistence. As illustrated by arrow 1 in Figure 4.4, polysemy may render a contested hybrid more ‘aligned’ by making its constitutive logics appear more compatible. Simultaneously, polyphony makes one of them less central in a particular place, time and/or language, as and when an individual feels the need to decompress two incompatible central logics or to reassert their preferred balance.

Importantly, then, while one logic may be more central in one place, time or language, and the alternative logic more central in another, individuals’ ability to fluently move between those places, times and languages allows them to dynamically balance their relative centrality to the organization. However, as illustrated by arrow 2 in Figure 4.4, as individuals *temporarily* reduce one logic’s centrality, but subsequently return to re-engaging both logics, the organization as a whole would not permanently shift into an ‘estranged’ position, such as has been documented in situations of slippage or mission drift (Battilana & Dorado, 2010; Smets et al., 2015). This mechanism hence not only helps nascent ventures to get to the start line, but also to retain their flexibility and resilience during later stages of their existence. Therefore, potentially ‘contested’ organizations which support elastic hybridity and enable individual staff to relatively effortlessly manage their personal balance of competing logics may not get caught in a situation of intractable conflict as Besharov and Smith (2014) suggest. Instead, elastic hybrids, as enacted through polysemy and polyphony enjoy greater resilience in the turbulence of their founding

Figure 4.4

Dynamized Besharov & Smith (2014) framework



Conclusion

Our case study examining the founding of the first Islamic bank in Germany revealed how a nascent hybrid organization managed tensions between two central and incompatible institutional logics: religion and market. Insights on how the bank, despite representing what Besharov and Smith (2014) consider the most conflict-prone of logics constellation, mitigated against open conflict, offers important contributions to the literatures on institutional complexity (Greenwood et al., 2011) and organizational hybridity (Battilana & Lee, 2014).

We developed two new organizational responses to institutional complexity, which we label *polysemy* (conceptual and communicative) and *polyphony* (spatial, temporal and linguistic). Jointly, they afford *elastic hybridity*, a state that supports organizational flexibility, thereby fluidly accommodating different balances between competing logics. Conceptually, elastic hybridity covers the middle ground between the separation and blending of institutional logics and dynamizes Besharov and Smith's (2014) framework. It offers organizations the means to reduce conflict within 'highly contested' situations of institutional complexity and become more resilient towards competing institutional demands.

While our qualitative case study focused on a nascent case that combined the religious and market logics, we anticipate our framework to be valid for other logics and settings. Religion is at the heart of many of the defining tensions of our time and represents a 'greedy logic' that is particularly difficult to accommodate or compromise – if at all. That said, this does not make religion unique, but particularly instructive and revelatory, especially with a view to other 'normative logics' such as community, family and profession, under which we expect dynamics similar to the ones identified here to hold, albeit possibly in weaker forms. We encourage future research in this regard.

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CHAPTER V

THE FORMATION OF AN ISLAMIC BANK: RESOLVING INSTITUTIONAL COMPLEXITY THROUGH THE CO-GENERATION OF AN INSTITUTIONAL TEMPLATE

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Abstract

In a 24-months long case study we observe the co-generation of a novel institutional template throughout the formation of the first Islamic Bank in Germany struggling between the institutional orders of religion and the regulatory state. Focusing on core challenges in the venture, we show that institutional complexity is both co-created and co-resolved. By highlighting organizational preferences for specific institutional logics and their dynamic mediation, we identify four combinatory mechanisms towards resolving conflicting institutional demands: pushing, pulling, clarifying and tolerating. Finally, we integrate the mechanisms into a framework that categorizes them along desired versus required and actual versus perceptual attributes.

Introduction

While we know much about the variance of final organizational responses to conflicting institutional demands, we need to examine further how organizations proceed to resolve institutional complexity. Institutional complexity is the encounter of "incompatible prescriptions from multiple institutional logics" (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011: 317). These institutional logics are a social domain's "organizing principles" (Friedland & Alford, 1991: 248) or "rules of the game" (Thornton & Ocasio, 1999: 802). They are "socially constructed, historical pattern of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality" (Thornton & Ocasio, 1999: 804).

Existing literature highlights the various options for organizational responses to institutional complexity in managing divergent interests, goals and practices emergent from multiple institutional logics. Institutional logics can be structurally separated and compartmentalized through, inter alia, decoupling (Meyer & Rowan, 1977) or selective coupling (Pache & Santos, 2013). Alternatively, they may be blended and merged, for instance through a novel hybrid logic (Tracey, Phillips, & Jarvis, 2011). These are varied outcomes, yet we have not sufficiently analyzed how organizations dynamically 'handle' institutional complexity. We thus reply to calls to "delve deeper into the dynamic patterns of complexity" (Greenwood et al., 2011: 334) by examining the diverse patterns towards organizational responses to institutional complexity.

We respond to these calls and avenues for research by studying the co-generation of the first Islamic banking institutional template within the German field of finance. End of March 2015 the first Islamic Bank in Germany received its banking license.

Media attention highlights the novelty, controversy and significance of this outcome with headlines entitling KT Bank as the first "Shariah-Bank", "Islambank" and "Allah Bank". The foundation was preceded by extensive conversations and exchanges between the bank and regulatory institutions regarding the Islamic characteristics exemplifying negotiations between the institutional orders of religion and the regulatory state.

With unique access to the bank, our case study is based on a 24 months long ethnographic account until the foundation shortly after the receipt of the banking license. This allowed us to observe the unfolding process and the interactions with regulatory agencies such as the Federal Financial Supervisory Authority (BaFin) and other field actors like the Auditing Association of German banks (PV) in real-time. With an initial interest in grasping the institutional developments in a market entry, the following research question emerged: *How do organizations proceed to resolve institutional complexity?*

Our study makes three contributions to the institutional logics literature. First, we build on existing literature, that advanced insights on how organizations *statically, individually* and *reactively* respond to competing institutional contradictions (Greenwood et al., 2011), by highlighting how these may be *dynamically, collectively* and *pro-actively* addressed. We argue that organizations can collaborate to both co-create and co-resolve institutional complexity. Together, they conceptualize, specify and translate institutional demands, develop potential remedies and negotiate agreeable solutions.

Second, we have a good understanding about various potential responses to diverse institutional demands (Battilana & Lee, 2014; Kraatz & Block, 2008; Oliver, 1991;

Pache & Santos, 2010); yet a temporal view may allow us to obtain a more detailed appreciation about the multiple means towards combining institutional logics. In this regard we identify four combinatory mechanisms to resolve institutional complexity. The mechanisms are pushing, pulling, clarifying and tolerating.

Third, we categorize these in a framework based on their desired or required and actual or perceptual nature by an organization. For KT Bank, pushing and tolerating are required, while pulling and clarifying are desired mechanisms. Pushing and pulling actually stretch, and clarifying and tolerating perceptually shift institutional logics. These mechanisms offer a toolkit for organizations and can be strategically applied to resolve conflicting institutional demands.

This study also offers implications for policy and practice by providing an institutional perspective on market entry. Conceptualizing market entry as a process of co-generating an institutional template allows regulatory agencies to identify mechanisms to either facilitate or aggravate market entry. For practitioners, we offer insights to create and cope with institutional complexity in order to make market entry more effective.

In the next section we outline the theoretical context and then introduce our research methods. Consequently, we present four case vignettes on how the Islamic bank together with field-level actors engaged with institutional complexity. In the discussion section we present the dynamic interplay of organizations with institutional complexity, four combinatory mechanisms and the resulting framework. We outline boundary conditions and finally conclude.

Institutional Complexity

Institutional complexity is defined as "situations where organizations experience a multiplexity of different pressures from a plurality of institutional logics" (Greenwood et al., 2011: 357). As institutional logics are broad belief systems, taken-for-granted and resilient social prescriptions representing shared understandings about what constitutes legitimate means and ends shaping cognition and decision making in a field (Ocasio, 1997; Scott, 1994; Suddaby & Greenwood, 2005), institutional complexity is the challenge of incompatible institutional demands from macro-societal patterns.

Institutional complexity can be observed across a variety of fields: from professional services firms such as accounting firms (Lander, Koene, & Linssen, 2013), banks (Almandoz, 2012, 2014) and law firms (Smets, Morris, & Greenwood, 2012) over educational establishments such as public schools (Rowan, 1982) and university departments (Nelson, 2005), to social enterprises (Battilana, Sengul, Pache, & Model, 2015; Dacin, Dacin, & Tracey, 2011). In these studies we observe how individual organizations resolve organizational-specific or field-level driven institutional complexity. However, we have not sufficiently considered how organizations co-resolve institutional complexity together with field-level actors.

Extant literature highlights that organizations increasingly face and respond to a multiplicity of institutional demands (Greenwood, Díaz, Li, & Lorente, 2010) by either keeping institutional logics apart or blending them (Greenwood et al., 2011). Organizations may separate diverse institutional demands through inter alia compartmentalizing (Kraatz & Block, 2008), decoupling of symbolic action from a technical core (Meyer & Rowan, 1977), or selective coupling of organizational elements (Pache & Santos, 2013). They may merge diverse institutional demands (Glynn & Lounsbury, 2005), form a blended hybrid (Battilana & Dorado, 2010) and a new hybrid logic (Tracey et al., 2011). The purpose of these responses is to decrease and resolve institutional complexity. Yet, institutional complexity may also be desired and actively sought to diversify and create novel resources (Jay, 2013; Pache & Santos, 2013) either temporarily in the build-up of a complex solution or to permanently create institutional barriers for other organizations. Organizations may thus not only passively react to but actively create institutional complexity.

More recently, we have obtained a deeper understanding about the "coalface" (Barley, 2008) of everyday life looking at institutional complexity from a microfoundations perspective (Powell & Colyvas, 2008; Raaijmakers, Vermeulen, Meeus, & Zietsma, 2014) and practice lens (Smets, Jarzabkowski, Burke, & Spee, 2015; Smets et al., 2012). This work offered us insights into how conflicting institutional logics are managed under institutional complexity (McPherson & Sauder, 2013a). Organizations may attempt to delay or reduce institutional complexity (Raaijmakers et al., 2014) and sometimes organizational complexity may itself become institutionalized (Smets et al., 2015). While we have thus made progress in comprehending organizational microfoundations and practices dealing with institutional complexity, we know little about the diverse means towards resolving institutional complexity.

The literature has thus provided us with an enriched understanding about the variance and practices of organizational responses to institutional complexity, yet our understanding of the means towards organizational responses is still somewhat of a black box. We thus need to shed more light on how organizations dynamically, collectively and actively engage with institutional complexity.

Research Context and Methods

The global market for Islamic Finance developed from 150 billion US dollars in the mid-1990s to 1.7 trillion in 2013 (Ernst & Young, 2013). While this is merely approximately 1% of the overall financial market, it has been growing steadily by around 17.6% from 2009 to 2012 (Ernst & Young, 2013). Islam is the second largest religion in absolute numbers with 1.6 billion adherents in 2010, i.e. 23% of the world population, expecting to grow by 2030 to 2.3 billion or 26.4% of the word population (Pew Research Center, 2011). The market for Islamic Finance, tailored particularly but not exclusively to Muslims, is expected to grow to 3.4 trillion by 2018 (Ernst & Young, 2013).

Modern Islamic Finance in practice commenced in the 1960s with the establishment of Mit Ghamr Local Savings Bank in Egypt, initial regulatory reforms in Pakistan for non-interest banking and the Malaysian Pilgrims Savings Board (cf. El-Ashker, 2006, for an historic overview). In 1975 the Islamic Development Bank and the Dubai Islamic Bank were founded. In 1979 the first Islamic insurance company was established in Sudan. More recently, in 1999 the Dow Jones Islamic Market Index, which is the first Islamic equity index, was established, and in 2001 the first sovereign sukuk issued by the Central Bank of Bahrain.

In Europe, Islamic Finance is "still at a fairly embryonic stage" (Di Mauro et al., 2013: 9), yet advanced significantly over recent years. 8.3% of the global Islamic fund industry, for example, is represented by European Islamic funds primarily in Ireland and Luxembourg (Di Mauro et al., 2013). Islamic Finance in Europe also received political support and growing demand. In June 2014, for instance, the UK government issued a 200 million pounds sovereign Sukuk, a Shariah compliant bond-like instrument, which was more than ten times oversubscribed.

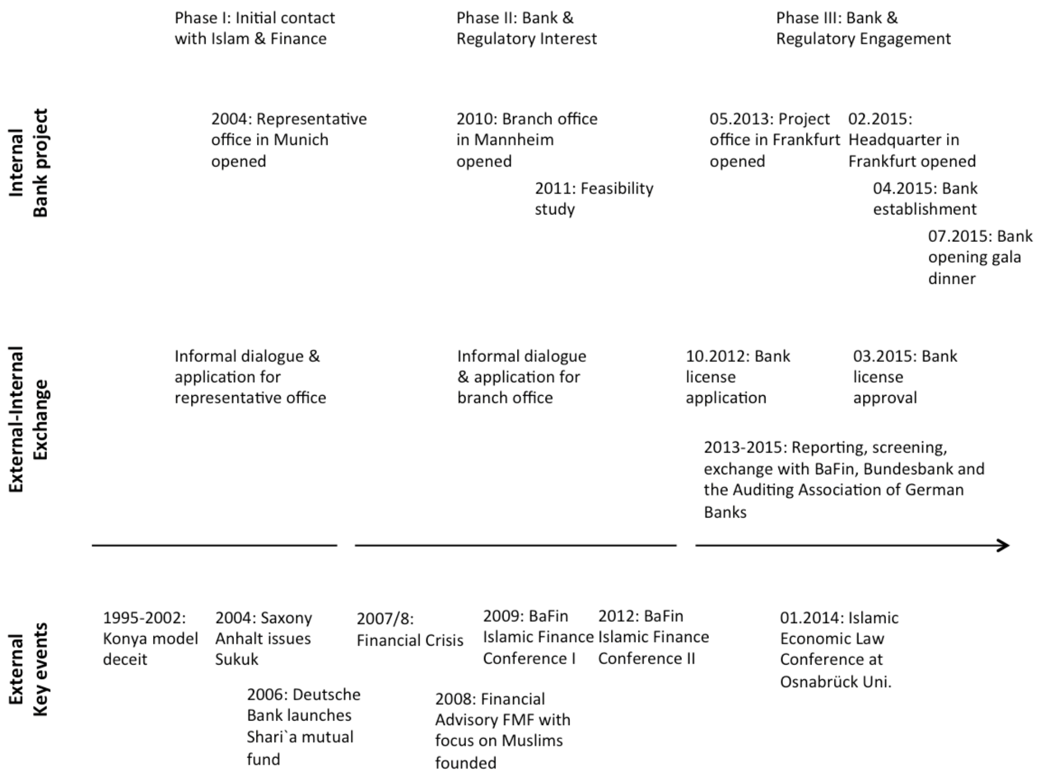
The focus is primarily on the commercial banking side tailored especially towards clients outside Europe, and the Islamic banking retail market in Europe is still very small. The United Kingdom has particularly promoted Islamic Finance. Its first Islamic retail bank opened in 2004. Some banks such as Lloyds TSB offer selected retail products such as Islamic current accounts. In Luxembourg, investors prepare to set up an Islamic Bank.

In Germany institutions like the Institute for Islamic Banking and Finance since 2006 and FMF since 2008 offer Islamic Finance Advisory to businesses and private clients respectively. Even prior to this in 2004 Saxony-Anhalt, a German Land (state) issued a sukuk. Also, institutions like Commerzbank and Deutsche Bank offer Islamic compliant funds, but generally with a focus on the Middle East and Asia rather than the domestic market (Engels, 2015: 16). Yet, no Islamic Bank had obtained a banking license in Germany until 2015.

The establishment of the first Islamic Bank in Germany was preceded by a market entry journey that involved field-level events, bank-regulator exchange and internal KT Bank milestones and can be divided into three phases (cf. Table 5.1). First, exogenous factors pushed Islamic Finance into the field of banking in Germany. Second, intra-field developments made the field principally more conducive for Islamic Finance. Third, the actual process of market entry substantiated and concretized the specifics of Islamic Banking in Germany. The third period, during which the Islamic Banking retail template for Germany is formed, is the ethnographic focus of this paper.

Table 5.1

Key Events



Field-level discussions

The financial crisis in 2007-2008 is considered by various economists the worst since the Great Depression in the 1930s (Reuters, 2009). It resulted in demands for more financial regulation, better corporate governance and risk management. The crisis also revived interest in Islamic finance (Ahmed, Asutay, & Wilson, 2014; Beck, Demirgüç-Kunt, & Merrouche, 2013; Hasan & Dridi, 2010), whose practices were considered by some to be potential alternatives or alterations. Even the Vatican commended Islamic Finance in 2009 (Totaro, 2009). German media outlets have also increasingly covered the topic of Islamic Finance. Articles about Islamic Finance in newspapers such as Die Zeit, Die Welt, FAZ and Süddeutsche mention it as a potential alternative banking model.

The prospects for Islamic Finance in Germany are seen as quite positive, as Germany is the largest economy in Europe and is home to the largest Muslim population with 4.1 million in comparison to 3.5 million in France and 2.9 million in the UK (Di Mauro et al., 2013). The Muslim population in Germany is growing, becoming more affluent and more interested in staying in Germany. In other words, the number of potential Muslim customers, their use and need of Islamic Finance products and services as well as their interest for Germany-based solutions can hence be conceived as growing.

Yet, both potential customers and regulatory agencies are cautious, as Islamic attributes were misused and Muslim customers deceived in the so-called Konya-model. Turkish companies like Kombassan, Yimpas and Jet-Pa advertised from 1995 to 2002 for Islamic-compliant investments. They promised high financial returns and promoted with very explicit religious connotations often within religious institutions profit-and-loss participation. Savings from over 200,000 investors, mainly Turks living in Germany, was misappropriated with investors losing over five billion euros (Uebel & Ugurlu, 2006). These developments presented both a growing interest in Islamic Finance theory but also a special scrutiny about actual Islamic Finance practice.

With the conferences on Islamic Finance in 2009 and 2012 the BaFin advanced, channeled and codified the discussion. Selected topics covered at the first conference were Islamic Finance abroad, the chances and challenges of Islamic Finance, tensions between Islamic rules and German legal regulations and the systemization of supervision. The second conference focused particularly on Islamic products like Islamic Funds, Sukuk and Takaful. The conferences offered the opportunity for key actors to come together, to connect and to collaborate. Participants consisted particularly of academics, public servants and business people. KT Bank managers were present at both conferences. The CEO of its holding company Kuveyt Türk Participation Bank, was even invited to give one of two keynote addresses in 2012, which, as has been stressed by public servants in interviews, can and should be interpreted as a signal of interest and general acceptance of Islamic Finance by the financial supervisory authority.

In 2014, a conference on Islamic Economic Law at the University of Osnabrück further allowed actors to exchange and debate Islamic Finance. Topics were again focusing on current developments, market potential and potential tensions between Islamic rules and German regulations. Overall, these conferences show field-level discourses aimed at comprehending and better accommodating Islamic Banking and Finance in Germany.

More broadly, the integration of Islamic guidelines into the German socio-legal setting has been discussed prominently and controversially over the last years. Public debates covered a range of topics from the dress of public servants and pupils, ritual slaughtering, official Islamic holidays and circumcision. The question of how to combine Islam with finance in Germany is hence representative of a wider debate about how to incorporate Islamic obligations into German law and society.

Sources of Islamic Banking

Islamic Banking derives from the scriptural obligations of Islam on Finance. Islam in its minimal core is the declaration of belief in the one God and that Muhammad is the messenger of God. Its primary sources are the Quran and Sunnah. For Muslims the Quran contains the words of God in 114 surahs (chapters) with over 6000 āyāt (verses; singular: āyah) gradually revealed between 610 and 632 AD and immediately memorized. It was compiled in the times of the following caliph Abu Bakr. The Quran entails many verses related to socio-economic aspects and has hence an extensive application to social and individual activities.

The Sunnah is the deeds, sayings and silent or tacit approvals of the prophet Muhammad. Secondary sources and practices are Ijma' (Consensus) and Qiyās (Analogy). Ijma' is the unanimous agreement amongst a certain group of people like religious scholars or the entire Muslim community depending on the Madhhab, that is the specific school of jurisprudence. Qiyās is a form of analogical reasoning, which is somewhat contested amongst scholars. For some scholars, there exist potentially certain tertiary sources such as the value of public good (Maslaha). These sources and their interpretation are the religious foundation of Islamic Banking.

Islamic Banking builds particularly on the prohibition of interest (riba), uncertainty (gharar), gambling/speculation (maisir) and unethical investment (Ayub, 2007: 43–64). Riba is divided into riba al-nasi'ah, an interest for delayed payment, and riba al-fadl, an interest on excess in countervalue. Riba al-nasi'ah, for example, was explicitly forbidden in the Quran in a gradual process of revelation. In a first verse (30:39) the Quran states "That which you give in usury [riba] in order that it may increase on people's property has no increase with Allah..." The second verse (4:161) says: "And (because) of their taking usury when they were forbidden it…” In the third revelation (3:130): “O you who believe do not live on usury, multiplying your interest many times over...” Finally, verse 2:275 established that: “…Allah has permitted trade and forbidden usury…” The Quran even entails a declaration of war against those who use usury (2:279). The underlying understanding is that wealth increase is not guaranteed ex ante, but risk and hence profit and loss is shared ex post. Deposits with a return are thus participation or investment accounts. Money e.g. for a house or company inventory is not borrowed, but purchased and sold by the bank.

Riba al-fadl is described in the Sunnah. It refers to direct exchange of superior goods with a greater quantity of inferior goods. In a hadith narrated by Al-Bukhari (no. 2177), the prophet states: "Do not sell gold for gold unless equivalent in weight, and do not sell less amount for greater amount or vice versa; and do not sell silver for silver unless equivalent in weight, and do not sell less amount for greater amount or vice versa and do not sell gold or silver that is not present at the moment of exchange for gold or silver that is present." Rather one should sell the first type of gold, silver, dates, etc. and use the proceeds to buy the other (cf. Al-Bukhari, no. 2201, 2202). While riba al-nasi'ah relates to loans, riba al-fadl relates to trade.

Islamic sources do not only prohibit certain activities, they also encourage others such as certain partnerships. In a Mudārabah partnership one party, the rabb-ul-māl, provides capital and the other, the mudārib; entrepreneurial labor. In a Mushārakah the various parties provide capital and some also engage in the management side. Financial loss is borne by the capital provider in proportion to financial contributions, while the entrepreneur effectively loses time and effort invested in the project. Profits are shared according to pre-agreed ratios. While Mudārabah is effectively a trust financing, Mushārakah is a joint venture partnership.

These sources also offer general guidelines on economic and business activities, inter alia to act in accordance with economic (62:10), ecological (2:60; 28:77) and social (4:29; 11:85; 55:9) sustainability. They include specific financial obligations similar to a social tax (9:103), prohibitions of hoarding wealth (3:180; 9:34) and a worldview of humans as vicegerents of God (2:30; 57:7), so that final ownership lies with God (24:33). The verses and sayings are often very detailed and specific. In a Hadith narrated by Tirmidhi and Ibn Majah, for example, the prophet stated: "Give the worker his wages before his sweat dries." Through a structured and defined interpretative process Islamic Banking hence derives both specific and generic rules and values from the scriptural sources.

Data access and the institutional context

This ethnographic case study builds on over 24 months of data collection. As it is important to be highly sensitive to both context and sequence of organizational events and actions, qualitative research is particularly useful to examine processes (Gephart, 2004; Pettigrew, 1990). We zoomed in on the deep longitudinal analyses of a single exceptional and revelatory case study (Corley & Gioia, 2004; Eisenhardt, 1989; Yin, 1994).

Multiple stakeholders were involved in the bank opening process. In our research project, we collected written documents about and from these stakeholders and conducted interviews, meetings and informal discussions to immerse within the institutional context. Key stakeholders were KT Bank and its parent company, potential business partners and customers, the media and public attention and regulatory institutions, particularly the supervisory authority BaFin and the auditing association PV. Other relevant regulatory agencies were the Bundesbank and the European Central Bank (ECB).

In order to conduct financial services in Germany, a prospective bank requires written authorization in the form of a banking license. Under the Single Supervisory Mechanism (SSM), which came into effect on the 4th of November 2014, this authorization is granted by the ECB in consultation with BaFin pursuant to the Banking Act and the SSM. However, in the case of KT Bank, which had applied before the enactment of the SSM, the BaFin was the primary responsible regulatory agency. Authorization required certain requirements to be fulfilled such an endowment with a minimum amount of capital, having two senior managers who are "fit and proper persons", the declaration of participating interests in the suggested institution and "a viable business plan indicating the nature of the proposed business, the organizational structure and the proposed internal control systems" (BaFin, 2014).

Our initial interest in the phenomenon of this market entry was based on the wider issue of the role of religion in and around organizations and the question of how religion impacts business ventures. An emerging Islamic Bank therefore offered a very conducive case study. Our early encounter with the topic of Islamic Banking in Germany dates back to 2009 when the author had various discussions with senior managers of Muslim organizations and also Muslim business people, who explicitly mentioned an interest in an Islamic way of finance. At that time, KT Bank also opened its branch in Mannheim with limited services to offer information on Islamic Banking and the possibility to open accounts in Turkey. The branch had a physical space with a couple of employees, received some media attention and was contacted by people interested in Islamic Finance. It had collected almost 1000 potential client details from people who had contacted the bank and asked to be informed about future developments.

From October 2012 we actively engaged with both written documents and various people who are engaged in the topic of Islamic Finance both in Germany and abroad. Having defined a broad research theme and approach, we contacted KT Bank in April 2013 and had a 2 hours discussion with its senior management, both about potential access for the research project as well as about the banking venture. The bank was very welcoming and offered the author access to its archival data, project office and employees. As the bank commenced its project initiation in May 2013, this was a chance for us to observe the process in real time rather than retrospectively.

The case study is "particularly revelatory" (Eisenhardt & Graebner, 2007) for at least four reasons. First, the case examined an organization in its pre-founding stage, where social structures are in a process of becoming institutionalized allowing us to observe the unfolding over time. Second, the organization is the first Islamic Bank with a distinct institutional positioning and little pre-existing institutional templates for the German market that the actors could draw from. Third, while most case studies have to make their source anonymous, KT Bank executives accepted the mentioning of the bank's identity. Without such an agreement, analyzing and explaining the distinctiveness of what became the first Islamic Bank in Germany would have been severely exacerbated. Fourth, the bank entered a pre-dominantly non-Muslim market. Again, this makes institutional tensions more apparent, prevalent and noticeable.

Data collection

Our research strategy involved gathering three types of data sources: written material, observations and interviews. Table 5.2 provides a detailed overview. Written materials included company documents, field documents and media coverage. Company documents were both archival and project documents. Field documents consisted of regulatory documents, statements and articles by regulatory institutions and conference proceedings. Media coverage entailed articles about the emergence of the first Islamic Bank in particular as well as Islamic Finance more generally. We collected a total of over 1450 written, audio and visual documents.

Table 5.2

Data Overview

	Observations		**Interviews**		**Documentary Evidence**	
Type	Immersion in bank	Conferences and events	Project-team	Field-actors	Company documents	Field documents and media coverage
Data items	60 days	14 days	58 interviews, 8 group discussions	23 interviews	1150 documents	400 documents
Pages	450	30	900	350	16000	2000
Description of data	Five longer stays between 1-3 weeks and seven shorter visits. Attended executive, status and departmental meetings, social gatherings, sessions with field-level actors, e.g., professional services firms. I ensured to be on-site for major milestones in the licensing process. In between extensive fieldwork periods, I joined conference calls, received status updates via email and had regular phone conversations.	Attended conferences such as the World Islamic Economic Forum, World Muslim Leadership Forum, Islamic Economic Law Conference in Osnabrück, Durham Islamic Finance Summer School, Cambridge Islamic Finance Executive Programme to immerse both specifically into the German context of Islamic Banking as well as the wider Islamic Finance field.	Interviews with senior executives, managers, junior employees and consultants in the project office. Interviews lasted between 45 minutes and 2 hours. 42 were recorded and transcribed. In 16 interviews detailed notes were taken during and directly after the interview. Conducted group discussions throughout the project with two to six employees to foster debate and to capture diverse opinions and arguments.	Interviewed key field actors like Islamic Finance experts, consultants and public servants. Also interviewed potential customers and conducted informal focus groups with groups of potential customers on the wider topic of Islamic Banking.	Archival documents, partially from parent company, and all key final project documents including handbooks, decision sheets and presentations for internal and external use. Also includes presentations prepared for the bank by (potential) suppliers, partners and consultants. Written draft materials including status updates, emails, project-related documents and multiple pre-final versions.	Legal documents, official announcements, reports, conference proceedings and books; magazines, newspapers, websites, social media. Of course, Islamic Finance is a vast field. We have selected the documents of direct relevance to this category. Broader screening consisted of a larger number of documents.
Use of data	Insights into the handling of institutional complexity at the bank	Insights into the discourse about institutional complexity at the field level	Insights into views, interpretations and practices regarding institutional complexity at the bank	Insights into views, interpretations and practices regarding inst. complexity at field level	Insights into the institutionalization processes at the bank	Insights into the field-level discourse

Observations were primarily based on five longer and four shorter visits. We stayed for three weeks in September 2013, two weeks in December 2013, two weeks in April 2014, two weeks in July 2014 and one week in January 2015. We also visited KT Bank for a full day in April 2013, January 2014, November 2014 and July 2015 as well as two days in May 2014, March 2015 and May 2015. In between our stays, we had regular phone conversations, attended conference calls and had email exchange with KT Bank managers. Overall, we spent 60 days with the bank. Our observational data gathering encompassed a variety of formats including formal meetings and external visits as well as informal gatherings and day-to-day encounters.

We also interviewed a total of 81 people. Interviews were conducted with managers and employees of the project team as well as field level actors such as Islamic Finance experts, consultants, public servants and potential customers. Interviews were transcribed by the author, where possible, as they were conducted in multiple languages and with sensitive data. The author is UK-based, German-born with a Turkish ethnic background who has lived some time in the Middle East, well-versed in the primary languages German, Turkish and English with some Arabic references spoken at the bank. This enabled him to follow discussions without disrupting for translation the natural flow of events. The author decided that the confidentiality of the interviewees was also best ensured if he, rather than an external service provider with relevant linguistic competence, undertook the transcription.

Data Analysis

Process research focuses on how and why "discrete events and states" (Elsbach & Sutton, 1992: 708) evolve over time; how they emerge, develop, grow and terminate (Langley, 1999). We built and continuously updated an event database with the aim to obtain a detailed understanding of KT and its market entry process. We iterated between data collection and sampling, data reduction and representation, as well as conclusions and verification (Miles & Huberman, 1994). As we coded events, observations and interviews, a variety of patterns and sequences emerged, which served as a catalyst for additional data collection. We also performed "member checks" (Nag, Corley, & Gioia, 2007) to test whether our interpretative scheme resonated with actors in the field and asked for further comments and explanations.

Our data analysis entailed a series of iterative stages following established procedures for working with qualitative data (Corley & Gioia, 2004). Our first stage comprised coding the data into first order categories through an open coding process. In a first round of coding, we focused on challenges KT Bank faced in the venturing process, identifying for instance building the IT infrastructure or identifying the right headquarter space. This offered a wide list of challenges ranging from products, processes to practices. Subsequently, we focused on challenges that emerged due to the religious focus of KT Bank, which were mentioned frequently. This is also what we had expected prior to research field entry. However, through this initial data analysis an interesting and more specific theme emerged: how to build an Islamic banking template in a new context that is both acceptable to Islamic obligations and regulatory requirements. We re-coded the challenges with this focus on Islamic versus regulatory concerns, where they are derived from the institutional orders of religion and the state (cf. Table 5.3) and have effectively overlapping jurisdictions with strong – and sometimes conflicting – claims on the business activity (and on the whole of society). Together, these religious and state rules and regulations form the Islamic Banking framework within which profit is allowed to be pursued.

Table 5.3
Ideal types of institutional logics in research setting

Ideal type institutional order	**Religion**	**State**
Specific sub-category	Islam	Banking Regulation
Overarching aim	Metaphysical pursuit	Order
Source	Sacred scripture	Law
Internal oversight	Compliance department; internal ethics council	Regulatory agencies, public servants
External oversight	Shariah council	Courts
Conduct	Religious adherence	Legal compliance

Identified challenges were numerous ranging from loan structuring, debt investments, double tax issues, non-permissible revenue to guarantor liabilities. These can be divided into structural and product challenges. Structural challenges are questions regarding the role of actors and banking procedures. For instance, standard bank compliance is generally categorized into seven pillars. KT Bank added an eighth pillar of Islamic compliance. Islamic compliance operationalizes Islamic rules and regulations into banking processes. Product challenges are related to the actual offering of products and services to customers. For instance, KT Bank may receive prohibited revenue as employees or customers disregard Islamic compliance in investment and purchase decisions.

This first order coding concentrated on identifying products and structures where institutional tensions between Islamic obligations and regulatory requirements occurred and the solutions that were suggested. Progressively, we became aware of the complex institutional developments the bank underwent to establish itself. In what retrospectively can be explained as an uncodifiable creative leap (Langley, 1999), we realized that Islamic Bank did not simply face institutional tensions, but rather co-developed these together with field-level actors. In other words, the challenge did not exist a priori, but manifested itself throughout the buildup of the institutional template. This co-development hence warranted further analysis.

We re-coded our data along how the bank proceeded to co-resolve institutional tensions and observed various strategies for different challenges. In the second stage we looked for relationships between first order concepts to collapse them into second order themes through axial coding (Corbin & Strauss, 1990). This comprised moving recurrently between data, experiences, analysis and reflection until we refined the data into conceptual categories, which we conceived to capture our observations. Our second order themes thus abstracted from these specific observations. The third stage entailed organizing the second order themes into overarching theoretical dimensions. Four dimensions emerged: pushing, pulling, clarifying and tolerating. We realized that each dimension and its underlying data fitted well one of four key concerns, which came up frequently and were most strongly expressed as challenges. Also, these concerns addressed very significant aspects of Islamic banking, given the size within the product portfolio (real estate, deposits), centrality of customer expectations (flexible overdraft credit) and structural distinctiveness (ethics council). We thus re-focused our data analysis and depiction on each concern to present a more succinct narrative. Table 5.4 and Figure 5.1 explain and illustrate the data. In the next section, we will offer four case vignettes to present the findings.

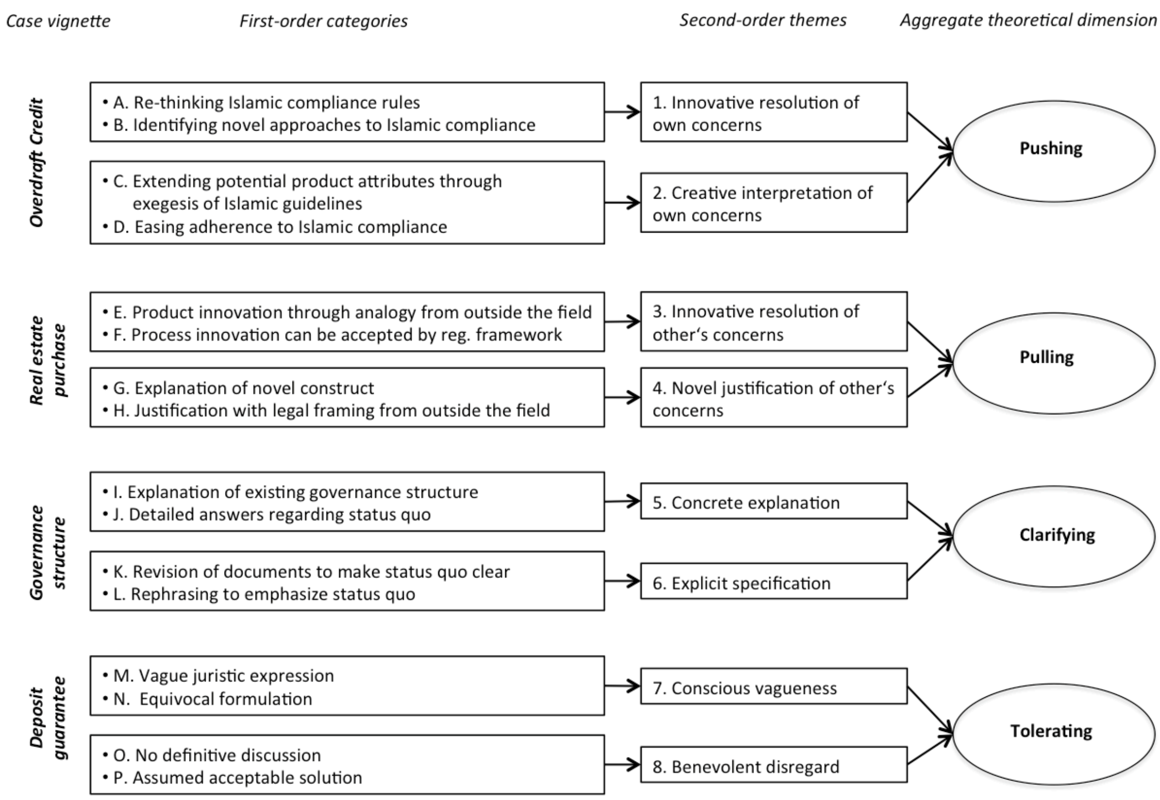
Finally, we wish to state that our image of overlapping areas was triggered by a presentation of a senior manager in which he highlighted the need to identify an overlap between Islam and what he called the occidental legal framework, as well as interview responses where people spoke of overlapping and embedding, for instance: *“We have embedded Shariah compliant products within the legal and regulatory framework; we have put them on top of each other.”*

In order to protect the confidentiality of interviewees, quotes are broadly categorized into senior managers for departmental heads and the executive board, and managers for other bank employees. If not apparent, observations are labeled 'obs' and excerpts from documents 'doc'.

Table 5.4
Illustrations of first-order categories

First-order categories	Illustrations
A. Re-thinking Islamic compliance rules	"We had to re-consider what features of the credit card are forbidden by Islamic compliance and what not." (int)
B. Identifying novel approaches to Islamic compliance	"You either leave this project and do not offer the product, and potentially even don't pursue the business. The other solution: You find a way out: innovatively." (int)
C. Extending potential product attributes through exegesis of Islamic guidelines	The time between sale and re-sale can be infinitely small and not oppose Islamic compliance. (obs)
D. Easing adherence to Islamic compliance	Islamic compliance can be established through ex ante self-declaration of customers regarding intended purchases. (obs)
E. Product innovation through analogy from outside the field	"This is indeed an innovative product taken from outside the finance sector." (int)
F. Process innovation can be accepted by regulatory framework	Product profile document details specific processes of real estate purchase with detailed steps and various scenarios. (doc)
G. Explanation of novel construct	Real Estate Financing with Islamic compliance would consist of two sales requiring property acquisition tax to be paid twice. Special purpose vehicle circumvents this.
H. Justification with legal framing from outside the field	"The special purpose vehicle is an existing legal construct. So it should be possible to use it for real estate financing." (int)
I. Explanation of existing governance structure	"There were many discussions about the ethics board; that the executive board remains unaffected by it..." (int)
J. Detailed answers regarding status quo	Responses to queries regarding governance and Islamic compliance. (doc)
K. Revision of documents to make status quo structure clear	Explanation that management has final decision, not Shariah board. (obs)
L. Rephrasing to emphasize status quo	Shariah board is called external advisory board. (doc)
M. Vague juristic expression	…"We are exuberantly happy that this vague juristic formulation, that we are principally prepared to take on all losses, was accepted, because this was the biggest hurdle." (int)
N. Equivocal formulation	"…to find a designation of risk costs, that suffices the legal transparency requirements and at the same time adequately accommodates the business interests of the bank." (doc)
O. No definitive discussion	"The deposit guarantee was actually the biggest project risk and God willing, it is now through. We are not certain yet, but since we stated our position there was also a meeting and it was not even broad up as an issue." (int)
P. Assumed acceptable solution	"It seems to be remedied with the bank's willingness to take on losses." (int)

Figure 5.1
Data Structure



Findings: Realizing Islamic Banking

Over two years KT Bank was in a constant dialogue with regulatory authorities to build the first Islamic Bank in Germany. Actors were aware of the potential tensions between diverse demands derived from Islamic banking and banking regulations to *"create instruments, which are both Islamic compliant as well as conforming to the law"* (senior manager). Various managers emphasized that this project was not about building an Islamic Bank in general, for which templates existed, but specifically within the German context.

“To establish a bank is one thing, an Islamic bank a completely different one, because naturally many procedures, products, processes needed to be tested on Islamic compliance. For all regulatory agencies: this is virgin soil for them, too; how do we want to deal with it? It is an unprecedented case.” (Manager)

The exchange with the regulators was considered of highest importance and urgency. Project documents listed and highlighted milestones for document submission to regulators, discourse with them and their potential approval. One document, for instance, stated “ongoing effort to manage request from authorities”. It was entitled “Framework | KT Germany in the context of German authorities” and entailed three columns. First, “regular reporting was required by BaFin” including multiple “personal meetings”. Second, the PV, which decides on the membership into the Deposit Guarantee Scheme, has posed 89 detailed questions and also required regular status updates. Third, KT Bank engaged with the tax authorities. After identification of potential tax concerns, it requested a binding statement from the tax authorities to receive feedback on suggested products and processes. The significance of this engagement with regulators was also apparent in long working hours and tensions before submission deadlines or visits of regulators (obs).

"What we need to do is to work out how to build an Islamic bank here. In Germany, banking regulations are much more complex, particularly the tax system is very complex, very difficult, and one is not sure whether it is possible or not to integrate taxes and banking regulation together with Islamic banking." (Senior Manager)

KT Bank started with a form of ideal Islamic banking concepts that needed to be integrated into a novel context. While interviewees never spoke of problems or dilemmas between religious and regulatory concerns, they frequently listed “challenges” and “obstacles” that needed to be overcome and reconciled.

> *"We are developing a new business model. What are the challenges? One is for sure German banking regulations. To adapt and adjust Islamic products to here. This is not an easy obstacle to overcome: legal questions, tax questions. These are challenges." (Manager)*

> *„I do not see any conflicts with principles of the so-called ordre public. What is, of course, the case: there are new products, a new market segment, which KT wishes to establish. And not because this contradicts the West, it is not concordant simply because some aspects were not yet here and hence require adaptation to existing law and regulations. One needs to imagine, there is nothing more regulated in Germany than the banking sector. In the last 5 months alone we have received thousand new regulations in the area of banking and banking supervisory. When one brings this to one’s mind, then it is absolutely normal, that a new organization like KT needs to see how to grow into here. One cannot expect that the banking and capital market regulation changes, because a new actor comes along. That would be impudent. But one can to up to the degree that a product still makes sense, and I mean not only in the business sense, but also, where one says: this comes closest to Allah’s will and the message of his prophet, to the degree that one does not bend, but one adapts, as the Islam has*

done for years, as long as it does not contradict the Quran and Sunnah, I think this is right, I think it is necessary." (Senior manager)

To form the template that adheres to both German law and Islamic prescriptions, KT Bank drew from various sources of expertise. It built internal capacity and competence through hiring and training experts in law as well as Islamic Finance. The bank institutionalized various departments. An internal ethics council consisting of three people monitored religious adherence. A legal department observed legal abidance. The bank also employed external expertise. They hired lawyers and consultants to develop and structure products and processes in accordance with legal and religious obligation. The internal ethics council connected to an external ethics council of eminent religious scholars for expert advice. At various conferences, managers also engaged with experts on key issues and asked them for advice on how to proceed with the founding of the bank (obs).

The bank translated and explained Islamic concepts both literally and conceptually into German legal terms. Literally, it translated specific Islamic terms into conceptual equivalents in a German legal context. In the final version, the request for mandatory disclosure to the fiscal authorities with questions concerning the tax treatment of financial products, for example, does not contain a single Islamic term.

Managers also attended various conferences such as the first and second Federal Financial Supervisory Authority conference on Islamic Finance in 2009 and 2012. At the latter, the CEO gave one of the keynote speeches. These conferences offered a platform for semi-formal public dialogue and exchange. More formal and official yet non-public dialogue occurred through an exchange of questions and answers along the bank licensing approval process. The auditing association PV, for example, submitted over 80 questions and also asked iteratively for further clarifications and modifications (obs).

The bank submitted written documents for assessment and presented their progress to representatives from regulatory agencies both at the project office as well as the public agency (obs). Various public servants that we encountered had a strong Weberian bureaucratic mindset in the sense that they focused on working within their mandate without imposing their own views. They stressed in interviews that they do not oppose an Islamic bank but rather try to assist in the build-up within what is legally possible. The meetings, written form of conversations and examinations served as a continuous exchange to develop and approve the Islamic bank template.

In the following, we will focus on four representative key concerns, namely overdraft credit, real estate purchase, governance structure and the deposit guarantee, and develop these as case vignettes on how they were resolved. Other challenging matters such as Islamic compliant leasing or loans to firms also existed and required similar resolutions. However, these four concerns were commonly considered and expressed as the most pressing and important by interviewees, in meetings and discussions, and featured most extensively in documents.

1. Overdraft credit

A credit card commonly offers an overdraft facility, which customers can use to flexibly purchase products and services. For KT Bank this product caused two challenges. First, they could not simply lend money on a card and charge interest. Second, they are not allowed to assist in the purchase of products and services that are non-Islamic compliant such as alcohol or pornography. Hence, the Islamic requirements did not fit the customary use of this payment method.

The credit card with its underlying mechanism of flexible overdraft credit was deemed a core product feature. The key concern and worry became what kind of credit card was still Islamic, while satisfying regulatory concerns. Whereas for purchases such as a car and house, the bank could invite a customer to the bank and make tailored calculations and offers, this is not feasible for credit cards, which are frequently used for multiple and smaller payments. Also, such a process would simply be inconvenient, while common credit payments are simple and swift. On screening purchases over Islamic compliance, bank lawyers were worried about consumer protection regulations regarding consumer privacy.

> *"We need to offer a credit card. Our customers expect us to do so. There is no way around it. And we need to do so while satisfying legal requirements for credit cards and considering what is Islamically possible. What we have to do and what we are allowed to do." (Manager)*

The innovative solution manifests itself in product specifications and particularities. The bank explained in their business plan, which they submitted to the regulatory authorities, what they called "Islamic Finance particularities" (doc). They also presented the product contracts for approval. The product development is inter alia shown through editing and commenting in Word. A member of the internal ethics council, for instance, edited the general product description, which read before: "The main difference to a classical Murābahah contract [which is a mark-up sale] is that the money is directly paid to the seller by the customer and not by the bank." The new version stresses the role of the bank as the initial buyer (emphasis added): "The main difference to a classical Murābahah contract [which is a mark-up sale] is that the money is directly paid to the seller by the customer *on behalf of the bank* and not *directly* by the bank." The novel product hence very innovatively dealt with Islamic prescriptions.

The "project management report decision overview document" lists attributes of the "Flex Credit" card. It has the customer's name on it, but the customer buys in the name of the bank. The purchase does not need to be acknowledged by SMS immediately, but could also be confirmed through email. Neither standing orders nor used goods can be financed.

While conventional banks offer credit purchases against interest, KT Bank offers mark-up loans. The customer of the bank thus acts as a representative of the bank when buying a product. The product is consequently transferred to him/her. While this may in practice look like a conventional purchase, legally, two transfers occur. Such a use of a credit card is thus a creative resolution.

> *The specific feature is that "the customer buys the assets on behalf of the bank directly from the vendor so that the bank can sell the goods immediately back to the customer." (doc)*

While this solution to the product process is considered Islamic compliant, another concern was the type of products purchased. For instance, gambling in a casino should not be made possible with the card. However, bank lawyers expressed their concern that systematic checking of product purchases may violate consumer protection rights. The potential resolution entailed three points: Through a self-declaration form, customers pre-agreed not to purchase non-Islamic compliant products when they signed up for the card. The card would also passively prohibit the purchase of certain products based on a blacklist and merchant category codes. Additionally, a 5% tolerance threshold permits some non-Islamic compliance purchases and thus some leniency and flexibility. If these mechanisms do not yield Islamic compliancy, i.e., in case of intentional or non-intentional card misuse the bank would give its profits earned through the use of the card to charity.

2. Real estate purchase

A conventional bank provides a loan to a customer who purchases a property. With the Islamic Finance alternative, a bank buys the property for the customer and sells it with a mark-up. With it two trades occur. In this so-called Murābahah contract the property acquisition tax would be paid twice according to the Real Estate Transfer Tax Act in Germany (Grunderwerbssteuergesetz). In contrast, in the United Kingdom tax legislations were introduced to cater for Islamic Finance. Since 2003, for example, legislative changes were made so that cost-plus financing was not subject to a double stamp duty land tax charge. As such legislative changes did not occur in Germany, KT Bank needed to develop a solution within existing laws to avoid paying the property acquisition tax twice and to be approved by the regulatory authorities.

> *"The typical way of an Islamic bank to deal with a real estate product is, that the bank purchases the object and consequently sells it to the person, who wishes to buy it. In this case, two trades occur. In Germany, this triggers the property acquisition tax twice. This means, there is a conflict here, as it make such a product not marketable. So we needed to develop this new construct. The aim was to have an*

easier path to the state, to be able to say: ultimately this is only one sale. So let us only have to pay the property acquisition tax once. This is how they did it in England, where the tax is only paid once. That makes the life of the customers and the bank much easier. In this way, the state contributes to the importation of the Islamic banking concept into the country - to take some stones off the road. But we are confident that the regulatory agency will approve our construct." (Senior manager)

One senior manager in particular developed an innovative conceptual resolution to the challenge. He identified an existing solution from a different business sector, transferred it to the financial sector and modified it to fit the needs of KT Bank.

"With regard to real estate, there is an existing method of resolution, which we take and insert into the Islamic Banking context. So this is not a novel principle." (Senior manager)

The value of the construct can be inferred inter alia by the intent of KT Bank to guard this construct – and its associated intellectual property – until the bank launch. In fact, one manager emphasized that "thousands of Euros were spent to research, develop and codify the real estate financing product." The bank received critical feedback from regulatory authorities and incorporated it in the product characteristics.

In the product development document KT Bank states: "... the Real Estate Financing is structured differently in comparison to a typical German Real Estate Financing." The purchase of the property is practiced through the creation of a special purpose vehicle (SVP), which is owned by the bank and the customers with a certain divisions of shares. The most cost-effective case for legal reasons is a purchase with three involved parties, for instance with the following shares in the SVP: the bank owns 89.8%, customer one and two 5.1% respectively. With private clients, the bank signs a contract with the customers to constitute a company under civil law. The SVP acquires the real estate and pays the real estate transfer tax and other fees. The bank now sells its stake of the SPV with a profit rate to one of the remaining stakeholders of the SPV. The customers finance this stake by a loan provided by the bank. This SVP construct, drawn from outside the financial industry, thus circumvents what would normally be deemed to count as two trades.

3. Governance structure

While issues with regard to the overdraft credit and the real estate purchase posed product challenges, the governance set-up was a structural one regarding the role of the Shariah board – later called ethics council. According to German Law, the executives need to be fully responsible for the activities of the bank. No other organizational unit or individual may have final executive decision authority. There are also very specific rules about who may be appointed board member of a bank in Germany and their responsibilities. As an ethics council is a body, which supervises the adherence of bank practices to Islamic rules and principles, a key concern referred to the relationship between the executive board and the ethics council, specifically, who has the final say about banking activities and whether the ethics council can overrule the executive board.

> *"…there was this worry, that these Shariah and ethics boards create a form of shadow regime, which would endanger the sole responsibility*

of the management and be removed from regulatory checking through the public agencies." (Senior manager)

KT Bank has two ethics councils: an internal and an external one. Their overall responsibility is to formulate general principles of fairness, social responsibility and solidarity, sustainability, profit and loss participation as well as transparency and communication (doc). They also convey fundamental prohibitions such as interest (riba), uncertainty and vagueness (gharar), speculation and wagers (maisir) and forbidden goods and services (doc). In addition, they are involved in all ethical and Islamic compliant questions of KT Bank (doc).

More specifically the internal ethics council is responsible for the monitoring of ethics guidelines, staff training in ethical aspects, checking of departments and branches with regard to the implementation of Islamic compliant processes and transactions. It is involved in the development of products and is also the point of contact for staff regarding Islamic compliance. The external ethics council clarifies questions regarding Islamic Finance compliancy of products, services and other cases, for which no adequate standards have been defined yet. It is also integrated in the development of unprecedented products and advises the bank on all questions regarding Islamic Finance interpretation. The internal council is thus much more continuously embedded in regular activities of the bank, while the external council focuses on fundamental concerns. The external council therefore entails three trained and certified Islamic scholars, while the internal council has relevant expertise in banking, law and religion, but not necessarily training in Islamic theology.

"The internal ethics council is organizationally embedded into the banking practices. It consists of three employees. The external Shariah

board are independent religious scholars, who are always consulted, when new products or new processes are developed or new questions to existing products or processes arise." (Senior manager)

In their review for Islamic compliance, these ethics councils may object to certain practices, processes or products. A clarification was required to what extent their decisions may be binding for the executive board. While the ruling is not allowed to be binding according to German law, the bank may wish to bind itself by it. In other words, the bank may intend to adhere to it by its own standards, but is not allowed to be formally obliged to. During the founding period, KT Bank re-named the ethics and Shariah board internal and external ethics council, respectively.

It is important that we formulate this correctly, especially when we build a new ethics council structure. (Manager)

The bank also stated that it intends to adhere to the ethics council advice in all cases. Such intent is not binding, so that the ultimate decision lies with the executive level. This solution was comparably simple and required no adjustment of Islamic concerns, but rather explanations and specifications to the regulator. It manifested itself in the highest levels of documents such as the standing orders (Geschäftsordnung) that states explicitly:

"The external ethics council is solely an advisory committee. The external ethics council is not authorized to issue directives to banking bodies."

4. Deposit guarantee

In Germany and the wider European Union banks are obliged to participate in the deposit guarantee scheme, that insures deposits up to 100,000 Euros. For an Islamic Bank, this poses the difficulty that a deposit account could not make a loss. However, according to Islamic Finance requirements, a participatory deposit account is sharing in both potential profits and losses.

> *"The biggest difficulty next to issues with tax is the deposit guarantee. And here we are also very sensitive as a bank. Our CEO has clearly said in the kick-off meeting before we send off our application [for a banking license], that, if it is not possible to have a profit-loss sharing in Germany, then the project is dead. Then this is not possible. It is not Islamic compliant..." (Senior manager)*

According to KT Bank documents the participation account is based on two principles derived from the Quran: the prohibition of speculation and of interest. This has implications for both the credit and deposit business. Due to the prohibition of speculation, credit business can only serve to finance real goods. Deposits are used to obtain capital for these financing activities. Due to the prohibition of interest, credit businesses are priced with a profit margin rather than an interest. Deposits do not receive an interest, but participate in the credit business earnings through a participation rate (doc).

KT Bank needed to identify a resolution that would satisfy the deposit insurance regulations as well as Islamic guidelines of profit as well as loss sharing. They received an initial negative feedback from regulators on product specifications regarding potential losses on deposit accounts. However, KT

Bank was not able to identify an innovative resolution that truly fits Islamic and regulatory requirements. Ultimately, it still proposed a two-step solution (doc) that effectively does not adhere to regulatory demands. First, the bank is allowed to withdraw up to 15% of gross earnings from customers into a profit stabilization reserve. This fund stabilizes earnings over time and, in particular, it is intended to avoid any losses. Second, while customers would have to bear potential losses, KT bank documents stress that it intends to cross-finance customer losses. It would use available resources from the profit stabilization reserve. Additionally, the bank can also renounce own profit claims as well as settle losses through its own resources.

KT Bank then conveyed these measures to the relevant regulatory authorities for approval. Importantly, the result is a de facto but no de jure deposit guarantee.

> *We have now described it to the deposit guarantee scheme and the Auditing Association of German banks in the following way: we have said, that our customers can participate with their capital in the portfolio, which the bank builds for them; both in the profit as well as potential loss. However, the bank is in principle willing to, even after she had to spent the necessary profit stabilizing reserves, to compensate for the losses - which is also Islamic compliant."* [...] *"A customer should be able to make losses, but the creditor can, of course, take the loss. That is voluntary, yet it makes sense to cover the losses from a normal business perspective, because we are in competition with conventional banks... The bank has an interest to*

cover the losses, a self-interest, which leads to a factual yet ultimately voluntary coverage of losses." (Senior manager)

Discussion

Constructing an Islamic bank that entered the German market, KT Bank had to align institutional demands from two overarching institutional orders: religion in the form of Islamic prescriptions on the one hand and the state in the form of banking regulations on the other hand. Through ethnographic observations, interviews and documentary analysis, this study highlights the complexity of building an institutional template in a novel context. In line with the call for more process-research (Langley, Smallman, Tsoukas, & Ven, 2013) this emphasizes the emergent and continuous character of institutional happenings and build-up. In the following, we present organizations' dynamic engagement with institutional complexity, four combinatory mechanisms and a resulting framework.

Dynamic engagement with institutional complexity

In our study KT Bank enters the field of banking in Germany, which was not previously exposed to the institutional template of an Islamic bank. While existing literature treats organizational responses, as the term denotes, as a response of an organization to institutional complexity (Greenwood et al., 2011), our study shows that rather than simply facing institutional complexity, the market entry process continuously co-created and co-resolved an institutionally complex situation, which necessitated concurrently institutional engagement. This highlights that organizations engage dynamically rather than statically, collectively rather than individually and pro-actively rather than reactively with institutional complexity.

The market entry of the first Islamic Bank was preceded by exogenous shocks like the financial crisis in 2008 and demographic changes, intra-field level discussions at various conferences, intraorganizational dynamics at KT Bank and the exchange between KT Bank and its field-level actors. Distinct institutional demands to build a novel institutional template were recognized and conceptualized both by regulatory agencies as well as KT Bank and its external consultants. Organizations do not simply face institutional logics, but actively engage with them; they are "available to organizations and individuals to elaborate" (Friedland & Alford, 1991: 248), so that institutional demands are conceived, specified and codified. This is a process of intra-logic comprehension about the demands of diverse institutional logics.

As institutional logics present different "rules of the game" (Thornton & Ocasio, 1999: 802) their distinct frameworks for meaning and reasoning may not be easily understood and compared. The specification of frictions may initially require an inter-logic translation both of concepts and expressions. In our case, KT Bank intended to create a product portfolio similar to conventional banks to offer Islamic alternatives to existing solutions. With the help of various professional services firms and religious scholars it cross-translated institutional demands to make them comparable before submitting documents to their external ethics council or regulatory authorities.

Subsequently, the combination of diverse institutional demands led to potential and actual tensions manifested in novel institutional complexity that became apparent in conversations between KT Bank and regulators. In other words, while existing literature highlights that organizations attempt to resolve or embrace (Battilana & Dorado, 2010; Jay, 2013; Pache & Santos, 2013; Smets et al., 2015; Tracey et al., 2011) institutional complexity, they may also co-create it. In our case, this was temporal as part of a process to ultimately overcome institutional tensions and build a complex novel institutional template. Equally, however, institutional complexity could be created and used as a strategic tool to permanently complicate market entry or organizational performance of other organizations.

KT Bank entered an established interinstitutional system of German banking with a novel logics constellation. This required negotiated approval. While existing literature has focused primarily on how individual organizations within institutional fields engage with institutional complexity (Greenwood et al., 2011) and more lately their "intraorganizational dynamics" (Pache & Santos, 2010: 456), we highlight a case with active co-identification or co-creation and subsequent co-resolution of institutional complexity amongst multiple organizations. KT Bank was in a constant dialogue with regulatory agencies as well as their own ethics councils. At conferences, through formal questions and answers processes and meetings, the bank engaged in continuous conversations with regulators. Written assessment, official meetings and formal presentations were means to present novel solutions and progress and receive critical appraisal regarding potential and ultimately actual resolutions to institutional complexity – ultimately leading to the banking license.

Combinatory mechanisms to resolve institutional complexity

KT bank together with regulatory agencies developed specific mechanisms to resolve inter-logic frictions. While we have learnt much about the varied organizational responses to institutional demands in general (Kraatz & Block, 2008; Oliver, 1991; Pache & Santos, 2010) and institutional complexity in particular (Greenwood et al., 2011; Lee & Lounsbury, 2015; Raaijmakers et al., 2014), we require more insights regarding the engagement towards resolving institutional complexity. Existing literature mentions the separation or fusion of institutional logics (Battilana & Lee, 2014; Pache & Santos, 2013). We complement this work by highlighting the process towards these combinatory organizational responses and thus the moving from institutional incompatibility to compatibility.

We note that institutional logics are not only open to interpretation (Voronov, Clercq, & Hinings, 2013), but also open to different preferences. As institutional logics "can be creatively employed by actors to achieve individual and organizational goals" (McPherson & Sauder, 2013b: 165), actors' preferences impact the manner of logics employment. This results in the distinction between a logic that an organization *intrinsically* cares about and a logic that is *extrinsically* prescribed. In our case, these are religion and the state, respectively.

Specifically, we identify four mechanisms that resolve a perceived situation of institutional complexity ex ante (cf. Table 5.5). First, pushing describes a process of stretching one's own concerns, values and interests. The resolution to the overdraft credit was such an innovative application that pushed the Islamic Finance guidelines that KT Bank intrinsically cared about. Second, pulling is a mechanism that stretches external concerns. The product structure for a real estate purchase was such a novel approach that shaped the regulatory setup of the retail banking sector. Third, clarifying shifts the understanding of institutional demands. The role of the Shariah board in the governance structure of KT Bank was a critical concern to regulators that was resolved through a long dialogue. The bank explained the positioning but also revised the wording. Fourth, tolerating is a mechanism that allows organizations to 'agree to disagree', so as to accept the existence of institutional contradictions without enacting and experiencing the typically resulting tensions. Thus, the deposit guarantee could not be de jure guaranteed nor annulled, however, a de facto guarantee was deemed sufficient.

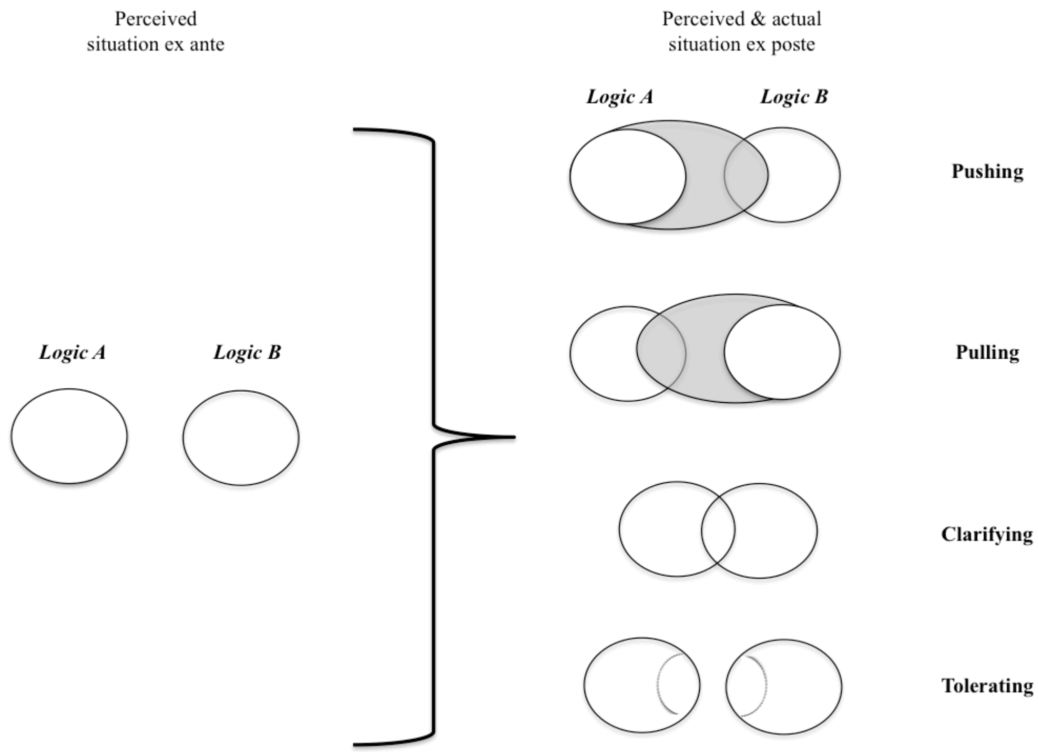
Table 5.5
Four mechanisms and case examples

Mechanism	**Case example**	**Tension ex ante**	**Resolution ex poste**
Pushing	Overdraft credit	Credit cards are tools to lend money – not allowed in Islamic Finance. Cards typically can also be used to buy non-Islamic compliant products.	Customer buys on behalf of the bank (trading – not lending). Self-declaration, product blacklisting and 5% tolerance threshold employed.
Pulling	Real estate purchase	Loan to customer based on interest. Purchase and sell through bank results in payment of property acquisition tax twice. Financially not feasible.	Special purpose vehicle owned by bank and customer buys real estate; bank sells share to customer for a mark-up. No interest and tax paid only once.
Clarifying	Governance structure	Role of Shariah board vis-à-vis executive board questioned. German law requires final decision authority to lie with management.	Shariah board renamed ethics council; its advisory function specified with no authorization to issue directives.
Tolerating	Deposit guarantee	According to German law deposit investments need to be guaranteed by the bank. Islamic Finance does not allow such guarantee.	Profit stabilization reserve to offer extensive assurance. Bank intention to cover losses results in a de facto but not de jure guarantee.

Figure 5.2 illustrates these mechanisms. Institutional demands of logics A and B are conceptualized as circular areas. Logic A represents one's own internally chosen concerns, while logic B represents another's externally expected concerns. Ex ante certain combinatory mechanisms, these circles may not be overlapping and their claims result in institutional tensions.

Figure 5.2

Four combinatory mechanisms



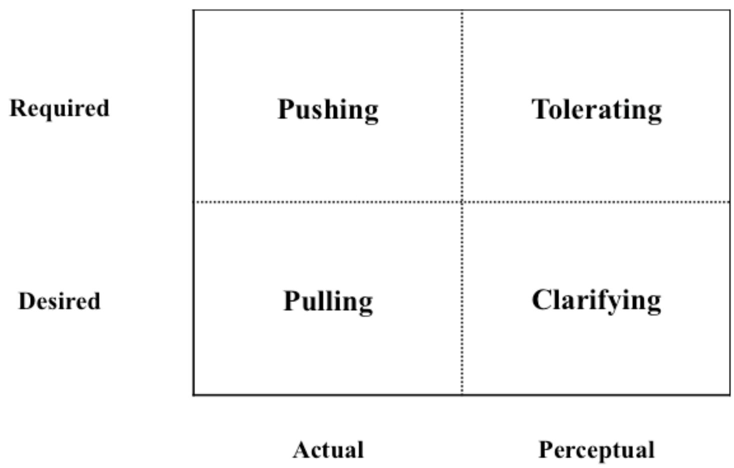
Throughout the market entry an organization needs to resolve these tensions in order to identify and implement an institutional template that can be institutionally viable in the new market. The four mechanisms pushing, pulling, clarifying and tolerating can bring the areas of non-overlapping circles 'together' and thus in congruence ex poste. They also show the malleability of institutional logics. While the combinatory outcome of overlapping areas, i.e. resolved institutional complexity, may ultimately seem similar, the dynamics leading towards it can be quite distinct and require different organizational behavior.

Characteristics of combinatory mechanisms

We can classify the four combinatory mechanisms along two dimensions: required versus desired and actual versus perceptual movement (Figure 5.3). Regarding the first dimension, pushing is a mechanism that is externally coerced and stretches one's own logic only *as much as necessary*. The pulling mechanism is internally desired and the attempt to stretch the externally imposed logic *as much as possible*.

Figure 5.3

Framework for combinatory mechanisms



Similarly, clarifying is a desired mechanism, as it is a procedure that resolves misconceptions or misunderstandings. Tolerating, in contrast, is a required mechanism that allows institutional complexity to be resolved de jure through mutual agreement, despite a de facto persistence of unresolved institutional tensions. Importantly, this takes into account that organizations have different preferences vis-à-vis fulfilling demands from diverse institutional logics. Conceptually organizations have a choice along a continuum of being *institutionally committed* and *institutionally compliant* to a logic.

Regarding the second dimension, we distinguish between actual and perceptual mechanisms to move what are “socially constructed” (Thornton & Ocasio, 1999: 804) institutional logics. Both pushing and pulling result in actually reforming existing conceptualizations of institutional logics. We build on Lok and de Rond's (2013: 186) insight that “institutional stability entails a degree of “plasticity” whereby institutional scripts are stretched to accommodate ever-changing practice performance.” This actual stretching hence offers important strategic solutions to persisting tensions. We conceive it as the invention and application of new structures, processes or products to resolve contradicting institutional demands. It is thus not the compromise of existing solutions, but the creation and use of new ones. It presents innovative and creative solutions that are outside the currently existing practice, but within the interpreted stretchable frame of the logics. Pushing and pulling thus require re-checking with respective authorities as to whether proposed solutions are within stretchable logics’ frames.

Clarifying and tolerating are mechanisms that perceptually shift institutional demands. Perceptual shifting shapes the perceived view of the situation ex ante of institutional tensions into a resolved outcome ex poste through either explanation and specifications or, by contrast, through vagueness and disregard. Perceptual shifting allows incorrectly assumed conflict to dissolve and de facto conflict to be tamed. Clarifying highlights that perceived tensions between logics actually are non-existent and institutional demands overlap. Tolerating is an acceptance that logics do not overlap and the identified solution does not offer congruence.

Importantly, pushing, pulling, clarifying and tolerating may all result in a synthesis solution, which is acknowledged by prior literature as a potential outcome of resolving diverse institutional demands (Kraatz & Block, 2008; Oliver, 1991; Pache & Santos, 2010). Yet there are different processes towards such an institutional outcome. The distinction between required and desired contributes to a more insightful characterization of organizational engagement with institutional logics. Besharov and Smith (2014) highlight that a logic can be more or less central to an organization. We underline that independent of their centrality a logic may be more or less preferred. Pushing and tolerating as much as necessary on the one hand and pulling and clarifying as much as possible highlight different preferences of an organization vis-à-vis an institutional logic and thus result in distinctive mechanisms that yield different practices from organizations.

Similarly, the distinction between actual and perceptual mechanisms improves our differentiated understanding of how diverse institutional demands are combined. Essentially, both may require much effort. They are applicable across various strategies to resolve institutional tensions (e.g., Battilana & Dorado, 2010; Kraatz & Block, 2008; Pache & Santos, 2010), but they lead to different types of engagement within each strategy. We thus also contribute to the literature with a distinction between actual and perceptual mechanisms and underlying actual and perceptual institutional complexity, that afford different combinatory mechanisms.

Overall, these mechanisms can be ordered in terms of preference for an organization from clarifying, pulling, pushing to tolerating. Clarifying is the preferred option, as it requires no actual movement. Pulling is also a desirable option, given that the movement occurs within the external 'other' logic that an organization is institutionally compliant to. Subsequently pushing requires one's internal 'own' logic to be stretched, i.e. to move away from an institutionally committed position. Tolerating is the least preferred option, as it leads to a state of suspense within an institutional repose.

Implications for Policy and Practice

This study offers important insights for regulators and policy makers. Their actions can impact institutional fields to prevent conflict or to improve the process of resolving it. Regulators and policy makers are actors in the co-generation and co-resolution of institutional complexity. They can ease, facilitate or aggravate market entry. State actors should consider the "pullability" of existing logics to set a field which is on the one hand in accordance with the desired regulatory environment and on the other hand conducive for change. The United Kingdom provides an example where the pulling mechanism together with regulatory and political interest lead to a removal of the double tax issue for Islamic Banking.

More generally, actual stretching and perceptual shifting require a flexible, adaptable, responsive institutional field. They form a market entry cost and barrier. If regulators and policy makers wish an easier market entry for organizations with a diverse constellation of institutional logics, they need to form a field which allows simpler translation between conflicting logics, the acceptance of innovative solutions in line with the intention and values of the created field, and efficient and effective communication to provide clear guidance.

Our insights are of particular relevance to companies entering a new market and entrepreneurial ventures coping with and actively having to co-create and co-resolve institutional complexity. First, we offer means to comprehend market entry with new logic constellations as dealing with and generating institutional complexity. Second, the combinatory mechanisms offer a conceptualization that helps to identify possible means for organizations interested in market entry or in reshaping their institutionally complex environment. This is especially important for entrepreneurial ventures and strategic change projects where the positioning of the company vis-à-vis institutional logics requires new solutions.

Our results also outline explicit structural and product solutions for organizations, which are of direct relevance within the German socio-legal context, but also offer insights for Islamic banks in other markets. More broadly, it outlines processes and strategies for the market immersion of Islamic banking in various socio-legal contexts and therefore has insights for the field of Islamic Finance.

Furthermore, this study shows the significance of religion in certain organizations vis-à-vis their institutional field. It highlights how religion can actively shape the need and practice of innovation. As religious values entail often socio-ethical frames, this study can also inform practices in social entrepreneurship and social innovation. The derived combinatory mechanisms are thereby means for social innovation.

Limitations and directions for future research

Our study focused on the founding process of an Islamic bank and the interaction between the bank and field-level regulators. It contributed to a better understanding of institutional dynamics by examining how organizations proceed to engage with institutional complexity. We require to delve deeper into this process of who, when, how and why creates and resolves institutional complexity. This includes also looking into the positive side of institutional tensions.

We acknowledge several limitations of our study. The data set was a single case study. Our findings should be tested and contextualized for other settings. Particularly, the bank was a novel organization entering the field. Our findings could be connected to the entrepreneurship literature to better comprehend the institutional processes of market entry. Equally, future research could examine the potential for continuous co-creation of institutional complexity by actors already established within the field.

We have looked into the institutional processes that combine the religious logic with the state logic. As religion is rather neglected in organization theory (Lounsbury, Tracey, & Phillips, 2014; Tracey, 2012), we require further empirical cases with a religious component. Specifically, we believe, it is important to consider the distinctiveness of the religious logic – and more generally the distinctiveness of all logics and their underlying institutional orders – and derive theoretical consequences.

While our case study bank derived its religious obligations from Islam, it is based in Germany. Further research should analyze the intra-logic variety of, for instance, different religions and varieties within each religion. Also, we need to explore what happens when an organization, that derives its institutional setup from an interinstitutional system (Islamic banking in our case), enters into another interinstitutional system (Germany or 'the West'), where its institutional setup is not prevalent.

Finally, within Islamic Finance there are diverse regulations across countries. Malaysia, for example, has a national Shariah Board. The combinatory mechanisms can happen largely at a national level, which may allow for wider and swifter responses to tensions between institutional logics. Other countries like the United Arab Emirates have certain field-level institutions, which actively engage different logics. The process and locus of interaction and innovation in these different settings warrants a comparative institutional analysis.

Conclusion

Institutional complexity is increasingly becoming a reality for many organizations. Yet, they are not passive recipients but active actors engaged in the shaping of their institutional environment. Zooming in on the establishment of an Islamic Banking institutional template for the German financial field, we highlighted that organizations dynamically co-create and co-resolve institutional complexity. Organizations conceptualize institutional demands by understanding individual logics, translate these demands across institutional orders, specify tensions and identify mechanisms to resolve these tensions together with field-level actors.

We presented four combinatory mechanisms for organizations confronted with conflicting institutional logics: pushing, pulling, clarifying and tolerating. Pushing and pulling actually stretch, while clarifying and tolerating perceptually shift institutional logics. Pushing and tolerating are required mechanisms, while pulling and clarifying are desired ones, given different preferences of organizations towards institutional logics that lead to either institutional compliance to externally imposed demands or institutional commitment to internally intended ones. These mechanisms offer a toolkit and framework for organizations to better comprehend combinatory mechanisms to both generate and resolve institutional complexity.

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CHAPTER VI

CONCLUSION

This dissertation entitled "God at Work: An Institutional Perspective on the Impact of Religion on Organizations" investigated the role of religion embedded in an interinstitutional system in and across organizations. It did not examine how God works – very likely in mysterious ways – but rather the effects of the belief in a religion on organizations.

My work commenced with a curiosity about how religion may shape organizational strategies, practices and processes and was fortified when I realized the neglect of religion in management and organization research (Lounsbury, Tracey, & Phillips, 2014; Tracey, 2012). I believe, that institutional theory offered a good theoretical lens to explore this topic. Religion is well-captured conceptually by the religious logic. More so, the impact of religion on organizations is not independent of other institutional orders. The institutional logics perspective in particular hence extended a conducive theoretical frame to analyze how religion amongst and together with other institutional demands impacts and can be managed both inside and across organizational boundaries.

The introductory chapter presented an overview about the motivation for and structure of this dissertation, the research questions, methodology and contribution. The subsequent chapter framed the three papers within the broader literature. It highlighted that values and meaning are underemphasized in the more recent field of organizational institutionalism with a special disregard for one source of values and meaning: religion. In particular Islam, which is the second largest religion in the world, has been under-researched. The literature review outlines an institutional logics perspective on the role of religion in organizations.

Paper one conceptually connected Islam with entrepreneurship constructing a three pillars model. For paper two and three I have obtained access to an Islamic Bank two years prior to its founding with access to a large variety and depth of data. This offered me the possibility to observe the very unfolding of what it means to become a hybrid organization and to enter a new institutional field. Paper two offers novel insights about how organizations manage multiple institutional logics internally. Paper three presents new findings about the dynamic, pro-active and collective dimension of how organizations deal with institutional complexity. This concluding chapter summarizes the findings, highlights the theoretical contributions as well as policy and practice implications and finally offers a research outlook.

Theoretical contribution

The theoretical contributions are primarily positioned within the field of institutional theory, while also offering insights for entrepreneurship. Paper one builds a conceptual framework that combines Islam and entrepreneurship. This framework is based on three pillars: the entrepreneurial, socio-economic/ethical, and religio-spiritual. While each pillar's specific content may vary between religions, the model can be applied to other religions, too. Theoretically, it presents an approach towards combining religion and entrepreneurship. From an institutional theory perspective, although not explicitly stated, the paper also shows how diverse institutional demands of religion (Islam) and the market logic (entrepreneurship) can be coalesced. The three pillars are effectively a synthesis solution. The institutional theory and particularly logics perspective is also recommended as a fertile home for further analysis in this area.

Paper two and three pick up on this recommendation. They are based on an analytical division of labor between the institutional dynamics within the bank in paper two and between the bank and field-level actors in paper three. Both papers engage with the management of diverse institutional demands. Paper two examines internally this management of diverse institutional demands. It develops two novel organizational responses: polysemy, an organization's judicious use of concepts and/or artifacts that have simultaneously multiple meanings, and polyphony, individuals' judicious use of time, space and/or language to enable simultaneous but separate enactments of multiple meanings. They allow an organization to embrace multiple institutional logics without fusion or separation. Both are mutually reinforcing, as polysemy provides flexibility at the organizational and polyphony at the individual level. The result is an elastic hybridity, whereby the organization is able to institutionally bend, without breaking organizationally. These insights also dynamize the framework proposed by Besharov and Smith (2014), according to which increased incompatibility and increased centrality together cause conflict. Yet, polysemy facilitates co-existence despite incompatibility and polyphony supports co-existence despite centrality. Elastic hybridity thus leads to increased viability, resilience and sustainability in the face of diverse institutional pressures.

While paper two adds mechanisms to the existing variance of organizational responses and organizational hybrid forms, paper three concentrates on the combinatory engagement with institutional complexity. It highlights that organizations may both co-generate and co-resolve institutional complexity with other field-level actors. The paper outlines four combinatory mechanisms towards coalescing institutional logics: pushing, pulling clarifying and tolerating. They are subsequently integrated into a framework. Pushing and pulling actually stretch institutional logics, clarifying and tolerating perceptually shift them. Pulling and clarifying are desired, while pushing and tolerating required mechanisms. This sheds light on how organizations deal with diverse institutional pressures dynamically, pro-actively and collectively.

Table 6.1

Overview of chapters, research questions and theoretical contributions

Paper / Chapter	Research Question	Theoretical contribution
Paper 1 / Chapter III	How can religion (Islam) and entrepreneurship conceptually be combined?	- Presents conceptual model of three interconnected pillars - Outlined impact at micro-,meso-, and macro-level - Suggests institutional logics perspective for further work
Paper 2 / Chapter IV	How can hybrid organizations reconcile central and incompatible logics when their structural separation or blending is not an option?	- Portrays two novel organizational responses: polyphony and polysemy - Derives elastic organizational hybridity - Dynamizes framework by Besharov & Smith (2014)
Paper 3 / Chapter V	How do organizations proceed to engage with institutional complexity?	- Highlights co-generation and co-resolution of institutional complexity - Outlines combinatory mechanisms pushing, pulling, clarifying and tolerating - Integrates the mechanisms into a framework based on their actual or perceptual and required or desired nature

The theoretical contributions of each paper assist in responding to the overall research question: "How can diverse institutional demands be managed within and beyond the boundaries of organizations?" Paper two zoomed in on the organizational hybrid of an Islamic Bank and paper three across the bank and its field-level actors. Together, this intra-bank and intra-extra-bank analysis offers a more holistic analysis of institutional occurrences.

This dissertation also contributes to better comprehending and conceptualizing the role of religion within organizations. By analytically combining Islam and entrepreneurship and zooming in on an Islamic Bank, it presents both empirical and theoretical findings. The thesis hence highlights the potential significance of religion in organizations and offers a three-pillars framework, that is integrated in the entrepreneurship field as well as a better understanding of the religious logic, that is integrated within the institutional logics perspective. Importantly, this dissertation also broadens our understanding of the religious logic by focusing on Islam, thereby generalizing from a predominantly Christian logic and what has been called the "central institutions of the contemporary capitalist West" (Friedland & Alford, 1991: 232).

At the same time, the findings can be generalized to other institutional logics and their interactions. The dissertation shows how diverse institutional demands inclusive of but not exclusively religion can be managed. Nonetheless, religion may be a particularly important and instructive logic, as religion can be conceived to be about "ultimate concern" (Tillich, 1957: 5). Its institutional demands may be less malleable and less easily accommodated.

However – and I will outline this further in the research outlook – subsequent research will have to focus further on the potential uniqueness of the religious as well as other institutional logics. Since this research was inductively pursued, the data has driven the theoretical insights. At the same time, some interviews and observations hinted at the possibility for a unique importance of religion on aspects such as organizational leadership.

Overall, this dissertation employed established theories such as institutional theory to examine novel organizational aspects such as the role of religion within (hybrid) and around (field-level) organizations. It contributes to theory by presenting a conceptual model of three interconnected pillars for entrepreneurship from an Islamic perspective, by identifying two novel organizational responses, resulting in elastic organizational hybridity and thereby dynamizing the framework by Besharov and Smith (2014), and by outlining a framework with four combinatory mechanisms towards resolving institutional complexity. These theoretical advances improve our comprehension of organizational hybridity and the management of institutional complexity.

Practice & policy implications

Religion is a social fact that matters in and around organizations. This dissertation presents a framework that helps religious people to conceptualize their work. Equally, this framework assists those in interaction with religious people to better comprehend their practices and underlying principles. More generally, management needs to be considered from diverse constellations of institutional logics that impact practices and principles. Policy needs to take into account these rationales and values, if it wishes to support diverse organizational pursuits, where business and societal impact become interconnected. Policy may wish to support religious (and social) business, even with lower likely profit margins, given possible direct positive change of society. Religious entrepreneurship, for instance, is not simply measured by a market logic, but should also be measured by a social logic, which is for the entrepreneur derived from religion, but which may be evaluated from a social standpoint.

Religious institutions can also derive practice implications. The boundary between work and worship is blurred. If religious institutions such as churches, synagogues or mosques wish to support worship, then their support mechanism may need to encourage and enable wor(k)ship. This may also help bridging what is sometimes called in the Christian faith the Sunday-Monday divide.

Many organizations struggle to combine multiple institutional logics. Their hybridity is in constant tension. This is particularly so, as increasingly different rationales for meaning co-exist, as diverse interinstitutional systems collate globally and individuals attempt to bridge their personal beliefs with their professional obligations. The concept of elastic hybridity has thereby important practice implications and may serve as a desirable framework. Polyphony and polysemy offer novel mechanisms that allow organizations to decrease conflict and improve organizations that wish to incorporate and support diverse values.

These hybrid organizations are also a challenge for policy. They do not necessarily fit the existing regulatory framework. This makes their regulatory oversight particularly challenging. Both, their process of establishment as well as their organizational practices after establishment may require a different regulatory approach and thus amending policy.

The Islamic Bank became the first of its kind in Germany. In this dissertation, I underline that this field and market entry was a collective process between the bank and multiple field-level actors including regulators. For regulators, the findings highlight important policy recommendations. The challenge of hybridity can be intellectually and legally supported through fostering the intellectual ground as well as adapting the law. Some questions of combining multiple institutional logics were answered by academics at conferences and through research, others were innovative solutions by the bank. This is costly for a new entrant. If policy makers wish to ease access, they can promote conferences, teaching and research in this area. Specifically in this case, an Islamic Bank model for Germany was co-developed. To the extent that this co-development is facilitated by the state, it eases the costs of potential entrants. This is important, as many of these costs may not be able to be appropriated as revenue and ultimately profit, as they offer the basis for Islamic Banking in Germany in general, rather than for the specific bank in particular. Second movers may easily use these insights, too. Yet, there may be demand for such hybrid organizations. Policy makers thus can pave the way for (niche) markets.

Equally important is the actual institutional co-production process. Regulators and policy makers are directly involved in the co-generation and co-resolution of institutional complexity. The case study highlights that a novel hybrid may require different scrutiny but also support in its foundation process. Regulators need to be aware of this distinctiveness. They need to consider the institutional mechanisms that facilitate market entry. This awareness may help them to provide a tailored pathway for novel hybridities, which is both in line with the specific organizational as well as field-level or regulatory interests. Similarly, companies wishing to enter a new market can use insights in this thesis to deal with institutional complexity.

Research outlook

In Alice in Wonderland Lewis Carroll, a former Fellow at Christ Church, makes Alice meet the Cheshire cat. Alice asks: “Would you tell me, please, which way I ought to go from here?” The cat replies: “That depends a good deal on where you want to get to”, said the cat. Based on the empirical and theoretical findings of this dissertation, I see two broad and interconnected areas for future research on where we could to go from here, which can be subsumed as "religion and organizations" and "complexity within and across organizations".

First, we need to further examine the role of religion in and across organizations the and impact of various religious logics such as Christianity and Islam logic on the interinstitutional system. Future research warrants comparative studies on this subject. It is also important to identify what might make religion and the religious logic unique and how this uniqueness impacts organizations. It is still undertheorized how some institutional logics obtain primacy over others (Thornton, Ocasio, & Lounsbury, 2012). Religion can be perceived as being an "ultimate concern" (Tillich, 1957). In the literature review section, I mentioned the Higher Being, sacred scripture and a metaphysical afterworld as characteristics that are distinct components of most religions. Finally, religion may shape specific aspects of organizations such as organizational leadership, strategy and innovation.

This is a wide scope, which would benefit from multiple studies that focus both conceptually and empirically on the impact of religion in these areas. In particular, entrepreneurial settings are arenas where only few individuals and their values are actively shaping an organization. Religion may thereby selectively obtain an important role. My research intuition is that concepts such as entrepreneurial opportunities require refinement to better depict organizational realities of a variety of entrepreneurial perspectives from social, ethical to religious entrepreneurship. Also, religion may sometimes have the role of a meta-institutional logic in the sense that it can encompass and define other institutional logics.

Second, there is an increased need to engage analytically with increasing institutional complexity, that impacts organizations both internally and across. This is a theoretical inquiry about the ontology of complexity. As outlined in the introduction, this complexity may very well be a characteristic of modernity or signs of post-modernity. Our societies may have to cope with more rather than less diverse rationales to derive meaning including religions. Weber (1964) describes these orientations or rationales with the term wertrational, "substantive rationality" in contrast to zweckrational, "formal rationality". While action directed by the latter builds on simple means-end calculations, action directed by the former originates from "a conscious belief in the absolute value of some ethical, aesthetic, religious, or other form of behavior, entirely for its own sake and independently of any prospects of external success" (Weber, 1964: 115).

Another conception of meaning can be derived from French social theory emphasizing the significance of relationships. In this sense, social interconnectedness infuses life with meaning. For Rousseau (2008) these relationships exist through the social contract and general will, for Durkheim (1912) through a collective conscience. Both, the individual's pursuit of a higher ideal or logic as well as the experience within a collective provide meaning and are present in organizations. Given growing intensity, extensity and velocity of global interconnectivity, we increasingly face manifold relationships that impact our meaning making. It is hence important to better understand how individuals, organizations and societies cope with multiple meanings.

Derived meaning is based on a singular value or multiple values. The former is denominated as value monism, while the latter is called value pluralism (Berlin, 1969). In value monism different values are reducible to one meta-value. In value pluralism various different values exist. Moral philosophy recognizes a consequentialist, a deontological and a virtue ethics approach to morality. While value monism and pluralism may exist within each approach and cannot be allocated to one moral philosophical approach, the specific understanding of moral philosophy shapes the conceptualization of value monism and value pluralism. Value monism in a deontological approach, for example, would consider only one specific rule, duty and principle prevailing, while value monism in virtue ethics would prefer a specific virtue. Similarly, value pluralism from a deontological perspective would insinuate a plurality of prima facie duties, while value pluralism in virtue ethics would emphasize a plurality of virtues.

When we focus on the object matter, an essential question within value pluralism is the relationship and ordering of values. Values may be considered incommensurable, as they lack a common measure. This incommensurability needs to be distinguished from the kind associated with Feyerabend (1981) and Kuhn (1962) within the philosophy of science. While Feyerabend and Kuhn were concerned with the incommensurability between rival paradigms or theories, value incommensurability concentrates on abstract values or bearers of values. A value pluralist ordering may be positioned between value monism and value pluralism in the sense that various values are correct and fundamental, yet that one value may have precedence over another.

We also require further insights into mechanisms that deal with multiple values, rationales or institutional logics. A rewarding endeavor may be to connect further with work in philosophy on values. Griffin (1988), for instance, mentions trumping and discontinuity. Trumping means that in a conflict between two values A and B, A trumps B, if any amount of A is more valuable than any amount of B. Discontinuity means that, if there is a certain amount of B, any amount of A is more important than any further amount of B. Institutional theory offers a wide list of mechanisms, as was outlined in the literature review and papers two and three. Polyphony and polysemy were added to the list and resulting elastic hybridity outlined. Paper three examined the process of co-generating and co-resolving conflicting institutional pressures and presents four combinatory mechanisms. The thesis hence offers insights both into the variant ends as well as means of engaging with institutional complexity and the relationships of institutional logics. With increasing institutional complexity, this area of research becomes more and more relevant and further research needs to explore other institutional constellations and fields, the combination of three or more institutional logics and best practice processes of co-generating and co-resolving institutional complexity.

Further research will also have to consider whether, to what extent and with what consequences institutional logics are distinct. The question of distinctiveness requires an examination of the ontology and epistemology of institutional logics. This will offer us theoretical insights on the inter-institutional logics diversity.

Equally, we also need to examine intra-institutional logics variety. This is important in two ways. First, each institutional logic has diverse enactments. The religious logic, for instance, can be performed in a Christian, Judaic or Islamic way. Second, these performances may be part of different interinstitutional systems. A combination of institutional logics from diverse interinstitutional systems is hence an added complexity, which is particularly prevalent in an increasingly globally interconnected world.

The increased institutional complexity of observed phenomena also requires further self-reflection of scholarly inquiry. In terms of research methods, this means an intensive analysis of how our partitioned scholarly inquiry shapes theory development and the collective of theory in a complex world. For instance, how does the complexity of phenomena impact the quantity and quality of studies about these phenomena as well as the acceptance of scholarly results? Our scientific quest may be skewed towards less complex phenomena simply because the study of empirical complex settings is difficult to pursue and difficult to justify. The interconnection between the subject and object of research necessitates an inquiry about scholarly epistemology under complexity. Methodologically, it may also mean different competences and thus well-structured constellations of research teams.

The case study also hints at the importance to bridge historical and sociological institutionalism. The Islamic Bank co-created and co-resolved institutional complexity. Macro-social structures were interconnected with micro-individual characteristics and practices. The Islamic Bank is placed both in an historical commitment and a field of conformity pressures. Together, these configure institutional complexity and hence organizational behavior.

All in all, these are fascinating research quests, far beyond rigid functionalism. For me, these insights derive both out of empirical observations and personal convictions. This research will hopefully help us in better explaining and possibly prescribing organizational behavior. As the explanation shapes the explained, is and ought are connected. Theory is not innocent. Given the rise in institutions and the rise in institutional relationships, the significance will only increase.

Eliot's beautiful verses in Little Gidding offer, I believe, a very proper ending to this dissertation: "We shall not cease from exploration and the end of all our exploring will be to arrive where we began and to know the place for the first time." This dissertation is an end of an exploratory period. It is based and concludes with the fact, that institutions and their relations matter – and has hopefully illumined further how so.

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