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**Institutional entrepreneurship and the embedded role of leaders and state:
Historical case study of Abu Dhabi**

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Abstract

Majority of institutional entrepreneurship studies focus on explaining the concept of institutional entrepreneurship through organizational factors with little reference to individual and state. There is also very scarce research building upon the embedded nature of any of these three levels: individual, organizational and state. This study explores how institutional entrepreneurship has shaped the development of Abu Dhabi from 1960s until 2011. We argue that the development process of Abu Dhabi is an outcome of institutional entrepreneurs' actions. This complex phenomenon requires theoretical understanding of the deeper aspects of social structures and the nature of institutions. This paper utilizes the methods of historical longitudinal study combined with in-depth-interviews support the finding that individual rulers and state/government can have an intertwined role as institutional entrepreneurs. Thus our study widens the theory of institutional entrepreneurship by highlighting the embedded role of individual and state as an institutional entrepreneur.

Keywords

Abu Dhabi, Institutional theory, Institutional entrepreneur, State entrepreneur, United Arab Emirates

Introduction

Abu Dhabi, the capital of the United Arab Emirates and one of the richest cities in the world has gone through a remarkable shift from a remote desert sheikdom to a glitzy metropol in a couple of decades. Half a century ago Abu Dhabi was a very underdeveloped city which suffered from lack of proper infrastructure, health care, education, and even the bare necessities of life were unavailable to the majority of its citizens. The emirate sits on one-tenth of the planet's oil reserves and the enormous oil wealth has played an important part in the development process. Oil is however not the only possible explanation for the institutional change process of Abu Dhabi. The people of Abu Dhabi started to benefit from the vast oil reserves only after the change of leadership in 1966. In this research, we define how individual rulers and the state of Abu Dhabi have jointly developed the city-state through a chain of events which we claim to be actions of institutional entrepreneurs. More specifically, we define how individual rulers and the state have jointly developed Abu Dhabi through creating supportive institutions for the growth.

In order to understand how institutions and institutional entrepreneurs operate, first we need to define the concept *institution*. It is a constellation of defined formal sets of rules and agreements, unwritten rules or patterns of socially accepted behaviour and actions that organizations and individuals are expected to follow (Bruton, Alhstrom & Li 2010; Scott 2005, 2007). Institutions also refer to formal organizations of government and public services that are found in a society. Thus, institutional theory is bound by a wide spectrum of social and cultural influences and formal mechanisms for political rule-making and enforcement that make the foundation for legitimacy of the change (Bruton *et al.* 2010; Dacin, Goodstein & Scott 2002).

The roots of institutional entrepreneurship lie in the theories of institutions and entrepreneurship (Bruton *et al.* 2010; Battilana, Leca & Boxenbaum 2009; Leca, Battilana & Boxenbaum 2008; Garud, Hardy & Maguire 2007; Scott 2005, 2007; DiMaggio 1991; DiMaggio & Powell 1991; DiMaggio & Powell 1983). Historically, one of the central theories in entrepreneurship is resource-based theory, which explains the logic of resources that lead to a firm's success (Barney 1991). Resource-based theory, however, does not take into consideration wider environmental and cultural issues that shape the framework in which

entrepreneurs operate. Thus, institutional theory fills this void by completing the institutional settings and conditions of entrepreneurship (Bruton *et al.* 2010).

DiMaggio (1988) defined institutional entrepreneurship as actors with sufficient resources that arouse new institutions when there is an opportunity to realize highly valued interests. Institutional entrepreneurs can also be defined as *change actors* who either deliberately or unconsciously changes institutional environment as well as initiate and participate in the implementation as well as create new institutions (Battilana *et al.* 2009).

Research on institutional entrepreneurship has flourished during the last decades. The majority of scientific research in institutional entrepreneurship focuses heavily on organizations, whereas the roles of individual and state have received less research. During the last 20 years, according to Leca and colleagues (2008) and their analysis of 67 recent papers on institutional entrepreneurship: majority of articles, 37, concentrate on organizations, 17 on individuals and only 3 discuss about the role of state or government, while 20 of the studied articles are more general studies which do not specifically address either individuals, organizations or state. Although some of these articles address more than one unit of analysis simultaneously, the main stream of research has focused on a single change actor i.e. individual, organization or state.

Instead of focusing on a single change actor, our research analyzes and explains the embedded role of two change actors; individual and state, which provides a deeper insight to capture the change process. Thus, our study contributes to existing literature and theory on individuals and state as institutional entrepreneurs by enlarging the analysis of institutional entrepreneurs' strategies, expanding the levels of analysis in intra-organizational level, multi-level and multiple-field levels, which has remained a marginal research area in the last decades. This kind of multi-level study is needed to understand the institutional entrepreneurship and change process which often involves multiple and different types of actors (Battilana *et al.* 2009; Leca *et al.* 2008).

Understanding the role of multiple actors is especially crucial in Abu Dhabi's case, where the leader, the Sheikh, has the most powerful position in the country and the boundaries between ruler and government are not firm. In order for any change to take place efficiently, the change needs acceptance regarding norms, rules and belief systems prevailing in the

environment (DiMaggio & Powell 1983). Newly created institutions are always vulnerable to the liabilities of newness (Aldrich & Fiol 1994) and therefore, change actors need to build legitimacy for any change they are about to implement (Bruton *et al.* 2010).

We argue that (a) the phenomenon of institutional entrepreneurship in rapidly developing nations calls for more robust theoretical explanation, and (b) such theoretical explanation in Abu Dhabi context must build on in-depth historical study in order to understand historical actions of its rulers and the state. We explain the roots of the development found in the early 16th century, but the focus on our study is on the period starting from UAE's pre-independence in 1960s until present day. Our attempt is first to analyze the evolutionary path from the emergence of the nation-state to modern day Abu Dhabi, and secondly, to explain how the role of state and individual rulers as institutional entrepreneurs has shaped the evolution.

In some cases there is a fine line between these categories of change agents for example in research in a certain country context. Li and colleagues (2006) explicate that in emerging economies, major changes have been made on a country level which can be traced back to a single person who was acting as institutional entrepreneur. Our case, however, is unique because the dual role of individual rulers and the state proves that major reforms can extend across all major sectors of economy changing it completely within a couple of decades. Thus, we argue that embedded the role of state and individual as institutional entrepreneurs can act as the most powerful change actor in radical development from under-developed economy to one of the richest nations in the world in less than half a decade.

After a thorough research on scientific databases, such as EBSCO, ABI/INFORM and Emerald journals and supported by Leca and colleagues summary of 67 articles on institutional entrepreneurship, it was evident that research on institutional entrepreneurship in the UAE context is very scarce. According to our findings, publications on institutional entrepreneurship during the last 20 years have included only one article on institutional entrepreneurship in Dubai context, research done by Nasra and Dacin (2010). In addition, Frasca (2011) also dedicated a chapter in her thesis for analyzing the role of the state as an entrepreneur in Dubai. So far, to our knowledge, Abu Dhabi has not received research focusing on institutional entrepreneurship. Thus our research not only brings new contribution for scarcely-researched Abu Dhabi but also adds to prevailing research on

institutional entrepreneurship and institutional theory by introducing the case of Abu Dhabi and the evidence of combined role of state and individual as an embedded change actor. Our research employs a longitudinal historical analysis coupled with current events, which highlights the effects of institutional entrepreneurship in changing conditions.

The paper structures as follows: first, we explain how institutional entrepreneurship theory is positioned in larger scientific discussions around institutions and entrepreneurs and what are the similarities and differences among these theories. Moreover, we discuss the different roles the leaders have in autocratic countries and what kinds of institutions are generated in order to support the interests of the leader. In addition, we go deeper in the analysis of institutional entrepreneurship and how this theory has evolved since its inception in 1980s. Methodological considerations for institutional entrepreneurship in the research design are discussed in chapter three. Fourth, historical development of Abu Dhabi context is discussed starting from historical events leading gradually to present day. This chapter finds the key events which we call as actions of institutional entrepreneurs, which have been initiated and implemented jointly by the ruler and government. Finally, we will discuss about the embedded role of state and individual as institutional entrepreneurs and summarize the key changes initiated and implemented by the ruler and government of Abu Dhabi. In addition, we define potential areas for future research.

Institutions and institutional theory

Scott (2005; 2007) and Javernick-Will & Scott (2009) summarize three main types of pillars of institutions found by several researchers; *regulative*, *normative* and *cultural-cognitive* pillars. The cultural-cognitive category is the basis of the three which can operate alone, but its elements can also motivate the other two categories (Javernick-Will & Scott 2009). Cultural-cognitive pillar address individual behaviour based on a set of formal rules and beliefs as well as actions within a certain cultural setting (DiMaggio & Powell 1991, Scott 2007; Bruton *et al.* 2010). Socially accepted set of norms and rules then create a platform for regulative pillar which is a concrete rule set that consists of behaviour dictated by a set of sanctions and conformity (Bruton *et al.* 2010). Regulative elements are thus easier to learn as they are more visible and explicit (Javernick-Will & Scott 2009). Finally, there are normative codes which are based on regulatory set of social, professional and organizational behaviour and interaction which typically include a mixture of shared values, norms and ground rules (Scott 2005, 2007; Bruton *et al.* 2010). These normative codes are difficult for outsiders to

understand as they are encoded into cultural context of the society or organization (Javernick-Will & Scott 2009).

When applying institutional theory to analyse and explain the development of a nation, the nature of the leadership needs to be addressed in order to understand what kind of positions rulers can play. Most countries in the world, including the UAE, are governed by autocracy, which is some form of one-man rule (Brough & Kimenyi 1986). There are, however different kinds of autocracies that have created very different kinds of institutions. While some of the autocracies are governed by sovereign leaders with shared executive power with the government, the other pole of autocracy is dictatorship. Dictatorship is an extreme form of autocracy, which is often characterized as non-efficient environment for a development of any economy (Kirkpatrick 1982; Acemoglu & Robinson 2012). There are two kinds of dictatorships; a totalitarian dictatorship where all power is concentrated in the dictator, supported often by legislative bodies to rubber stamp their initiatives, and thus intervening greatly in the social and economic lives of the population. In many cases, such acts are motivated by utopian goals and ideals of one man, such as Hitler's Nazi Germany. A somewhat milder form of dictatorship is the so-called tinpot autocracy (Wintrobe 1990) in which the leader is also motivated by self-interest, but offers the citizens a little necessities of life in order to maintain political stability to stay in power (Wintrobe 1990). Neither of these examples of one-man rule is efficient in social terms and often such nations are often unstable and short-lived (Brough & Kimenyi 1986; Wintrobe 1990).

Similar argument is presented by Acemoglu and Robinson (2012) who introduce the logics defining institutional environment that is a powerful explaining factor in why some nations succeed and why ultimately some fail and what are the origins of power, prosperity, and poverty. Their framework consists of economic institutions and then on the political institutions that create economic institutions. This dichotomy is largely based on institutional theory, which forms the basis for analyzing different tactics of the leader and government/state in creating either supportive or destructive environment for new institutions. For illustrative purposes, as simplified 2x2 matrix explains the basic nature of institutions.

	Extractive environment	Inclusive environment
Political		
Economic		

Table 1. Nature of supportive and destructive institutions (based on Acemoglu & Robinson 2012)

In extractive environment, which is witnessed typically in countries under dictatorship, both political and economic motives decrease the possibility of creating institutions which would increase productivity and generate wealth in the wider society. The leader in such countries focuses on self-interest through gaining and maintaining the wealth for himself and maximizing power over the population by creating institutions to serve that purpose (Wintrobe 1990).

Contrary to dictators, sovereign leaders are more likely to create foundation for inclusive institutions where the leader chooses to support both political and economic institutions that maximize the well-being of the society. Therefore, there is a clear distinction between rulers who are motivated by self-interest and those rulers who are motivated by addressing social needs. We argue that the leaders and the type of institutions he supports are a key factor in analysing development process of any society and when there is a shift from extractive institutions towards inclusive institutions, the leaders who initiated the change can be called institutional entrepreneurs. Next, we look into previous studies on institutional entrepreneurship to define what other elements constitute institutional entrepreneurs.

Institutional entrepreneurship

One of the earliest studies related to institutional entrepreneurship came into public consciousness in 1980 when Eisenstadt used the term in research of cultural orientations, institutional entrepreneurs and patterns of social change in different far-reaching historical civilizations. Eisenstadt's findings highlight the impact of culture on the pattern of social change and institutional structures - aspects neglected by traditional resource-based theory. However, it was not until 1988 when the theme received more widely accepted status as DiMaggio introduced the theme institutional entrepreneurship. DiMaggio explains the

process of how different elements, besides cultural and societal factors, can shape institutions. Since 1988, there has been an ever increasing interest in this phenomenon and the number of scientific journal articles has increased tremendously.

Recent research highlights the change process in the institutional theory. For example, Lounsbury and Crumley (2007), Battilana and colleagues (2009) and Droege and Marvel (2010) illustrate a process model of institutional entrepreneurship including initiation, implementation and legitimacy process of institutional change. Institutional entrepreneurs typically change their institutional contexts continuously in different ways (Scott 2005, 2007; Dacin *et al.* 2002; DiMaggio 1991). Since institutions can hardly ever change alone, institutional entrepreneurs need to mobilize allies and key constituents (e.g. embedded agents, professionals and expert within the field), develop alliances, cooperation and coalitions, which require a diverse set of social skills and social web and context-dependent tangible (e.g. financial) assets, as well as intangible resources, such as social capital, legitimacy and formal authority (Leca *et al.* 2008; Battilana *et al.* 2009). Change process in institutional contexts sometimes involves cooperation between organizations to solve some complex and diversified problems (e.g. environmental issues) that can further accelerate institutional entrepreneurship and create new ways of entrepreneurial thinking and collaboration (Phillips, Lawrence & Hardy 2000).

Methodological considerations and research design

The challenges of studying institutional entrepreneurship are often related to general problems found in institutional theory and entrepreneurship theory. It is a challenge to build a theory of action that is not too dependent on the notion of individuals' behaviour and habits, although they need to be addressed in some detail according to institutional theory (Battilana *et al.* 2009).

There have been both supporters and critics about the role of institutional entrepreneurship for larger economy and it is widely acknowledged that the institutions' role can be viewed as both enabler and constrain on action (Leca *et al.* 2008). Thus, our research approach views institutional entrepreneurship in Abu Dhabi by finding signs in macro level institutional change, i.e. the shift from extractive institutions towards inclusive institutions, and analysing the role of the leader and the state in that process that has rapidly changed the economy and society. In order to demonstrate this shift of the nature of institutions, we try to discover

examples of works of such institutions in the history and present day Abu Dhabi and trace those examples back to the initiator and implementer of the change.

Historical case studies and event sequencing

Since this research discusses a time span of more than 50 years, longitudinal historical research is applied because the studied phenomenon is in the past and the nature of the evidence of the phenomenon is retrospective (Halinen & Törnroos 1995). This approach is seen as being especially appropriate when researching topics that are relatively inadequately understood (Glaser & Strauss 1967). Historical analysis is seen as an ever changing process where everything interacts with everything and causal relationships between constituent processes are extremely difficult to find (Morgan & Smircich 1980). Historical analysis is especially useful in finding and generating processes for change. In this research a multilevel analysis with historical perspective facilitates the interpretation of complex causal relationships (cf. Pettigrew 1990; Kieser 1994) between actions of individuals (rulers) and the state in the historical socio-economic development of Abu Dhabi. The development of Abu Dhabi can only be explained through the embedded role of the leaders and the state that have undertaken decisions in different political, economic and social contexts that has facilitated the rapid development.

The role of an individual in a historical analysis type of research is seen by Morgan and Smircich (1980) as an adaptive agent that exists in an interactive relationship with the world: individuals both influence and are influenced by their contexts of environments. The main interest in historical research is in explaining the relationships and causalities through which the events have emerged and developed (Renvall 1983). Thus, no historical event takes place in isolation but rather, everything is part of a bigger picture.

A multilevel analysis facilitates theorizing through a careful examination of relevant data collected from multiple sources (Eisenhardt 1989). During the last 20 years, the main research methods that have been applied to the studies on institutional entrepreneurship are discourse analysis (e.g. critical discourse analysis, narrative analysis, framing analysis) and rhetoric (Leca *et al.* 2008). Our research which combines several methods, such as case study and historical longitudinal analysis, is thus a fresh angle in institutional entrepreneurship research.

Data collection

The data for the analysis of the Abu Dhabi's development through the actions of institutional entrepreneurs is a combination of primary and secondary data which was collected from several sources. First, primary data is collected through three rounds of interviews which were held with senior Abu Dhabi governmental officials; 2 from Abu Dhabi Investment Authority (ADIA), 1 from Abu Dhabi Education Council, (ADEC), 2 from Tourism Development & Investment Company (TDIC), 3 from Mubadala, 1 in charge of Strata (a large-scale project of Mubadala), 1 from Municipality of Abu Dhabi, 1 from Abu Dhabi Council for Economic Development (ADCED), 1 from Abu Dhabi Government Department of Economics, 1 from Abu Dhabi Investment Council, and 2 from Abu Dhabi Executive Council. Interviews lasted 1-3 hours and they were conducted between fall 2011- fall 2012 (see Appendix 1 for further information). Each round of interviews was supported by secondary data sources, e.g. several historical researches (e.g. Al-Fahim 2007; Abdullah 2007; Krane 2010), UAE government statistics and publications, press releases and media reports.

Institutional entrepreneurship in the context of the United Arab Emirates

Whereas institutional entrepreneurship in the UAE context has received little research, there is some research available on this phenomenon in regional GCC context, which gave this research a strong a priori, that institutional reforms have been slow in all GCC countries. Kshetwi and Ajami state that there are multiple reasons for this. Their evidence suggest that GCC countries typically suffer from numerous barriers for institutional change, such as slowness of change of institutions, lack of genuinely entrepreneurial class, lack of institutionalization of free enterprise economy, lack of legitimacy and support for change agents, country's economic and political logic and religion (Kshetwi & Ajami 2008). These problems need to be overcome in order for any development to take place and these issues guided this research when conducting the interviews.

In UAE context, we must note the strong role of a leader in the transformation of individual Emirates as well as the UAE federation. Thus, the institutional entrepreneurship in the UAE should be studied from two perspectives; individual as an institutional entrepreneur (focusing on the role of the leader of a country) as well as the state as an institutional entrepreneur. This statement is supported by the evidence of several ruler-centred countries in which the development of a country can be very different from neighbouring countries based on the

type of institutions they create. On contrary, theory of organization acting as institutional entrepreneur may be challenging concept to apply in the UAE context because of a mixed role of state, leader and organizations (cf. Frasca 2011; Nasra & Dacin 2010) which implies that the roles are often embedded. For example, the main organizations involved in the development process in the UAE have been the Government Related Enterprises (GRE) (cf. Frasca 2011), which are owned and governed either directly or indirectly by the ruler or government. Thus, when viewing the institutional entrepreneurship in UAE context, there is a strong individual role, which takes a form of state and organizations as well.

Historical development and institutional entrepreneurship in Abu Dhabi

Pre-independence era

The development of Abu Dhabi extends over several hundred years. The region has been shaped by changing geopolitical powers, such as Portuguese, Dutch and British colonial eras in the 15th-20th centuries (NCDR 2011a). The last colonizer, the British, ruled the Arab Gulf region from the 19th century until 1970 (Abdullah 2007).

Before the discovery of oil, the main source of income in Abu Dhabi was pearling and fishing (Abdullah 2007). The pearling industry started to boom in the latter part of the 19th century, which brought along considerable amount of foreign trade which also spurred related trades, such as boat building and rope manufacturing. The pearl boom strengthened the merchant community and foreign trade in Abu Dhabi but it did not bring enough wealth for developing any modern institutions. The few people who benefited from the pearling were the rulers who held control over the pearling industry and in addition collected payments from the British in exchange for help in fighting piracy in the Gulf waters. Later the pearling industry collapsed in the 1930s due Great Depression and the start of producing artificially cultivated pearls in Japan which decreased market prices. In addition, the diving technique used by the pearl divers was outdated, as they continued to dive without diving equipment which at that time were already available. Interestingly, the British “protected” this old-fashioned pearl diving and restricted of any new equipment to be used in the process (Krane 2010). These problems together in stagnation of Abu Dhabi’s economy, as well as other Gulf countries, for decades, who had no other major industries.

In the early 20th century, the political institutional setting in Abu Dhabi was very unstable and the economy was very weak after the collapse of pearling. The first discoveries of oil in Abu Dhabi were made in 1930s, but Sheikh Shakhbut, the leader of Abu Dhabi that time, was in bad terms with foreigners after several disputes with the British and refused to give any concession rights until 1939. Finally, his self-interest took over and he signed the concession contract with the British after he was given a large sum of money, as well as promised yearly bonuses and a certain percentage of the money from exported oil. Sheikh Shakhbut used the first oil payments to build a palace for himself.

Almost two decades after signing the concession rights, the people of Abu Dhabi hardly noticed any benefits of the oil money that the leader did not want to use in the benefit for the society. Even still in the early 1950s, the ruler's policy was to ban all new construction, and infrastructure including roads, and there were not a single hospital or even a clinic and had no doctors or even nurses. People died from common treatable diseases. Similarly, formal schooling and social security system were nonexistent. There were no cars either, except the ruling family that owned several of them, and common people traveled by camels, horses or donkeys. Once the vast oil fields both onshore and offshore were discovered in the late 1950s, there was pressure for Sheikh Shakhbut to use the money in development of Abu Dhabi as well as other neighboring emirates that had less oil. Sheikh Shakhbut, however, was unwilling to spend the money for such purposes and was worried he might need the money in the future. Moreover, he was worried of the consequences that the oil wealth would bring for the society. Finally, he agreed to spend 4 per cent of the oil money to improve the area while keeping the rest of the money for the royal family.

Still in 1960 Abu Dhabi was very primitive. Citizens lived in poverty and many people suffered from malnutrition and lack of drinking water. In contrast, neighboring sheikhdoms had built hospitals, schools and infrastructure with the oil money already in 1920s. The lack of interest in developing Abu Dhabi was not a monetary issue. The state treasure was filled with oil money. Both the Sheikh and the British could have initiated development but they were unwilling to do so as it did not serve their self-interests. It was not until later when British companies realized they needed local educated workforce for the oil companies and they started to invest in opening schools in Abu Dhabi in order to teach job-related skills in oil industry. The institutional environment in Abu Dhabi under Sheikh

Shakhbut's rule was very extractive, which also benefitted British oil companies. Even though many locals were employed by British oil companies, they were used as cheap source of labor, they were kept in dark from the development outside of Abu Dhabi and there were severe tensions developed between the locals and the foreign oil companies.

As noted by Acemogly and Robinson, such extractive institutions can hardly sustain themselves for long and this was the case with Abu Dhabi as well. Sheikh Shakhbut's brother Sheikh Zayed had different interests and vision for Abu Dhabi's future than his brother. In the beginning of 1960s, Sheikh Zayed used a clever strategy to initiate several major development projects in Abu Dhabi while Sheikh Shakhbut was travelling. One of the initiatives was building Abu Dhabi's first road, building Abu Dhabi's first desalination plant in order to produce drinkable water and financing talented local people's sons to go abroad to study. Other development projects followed, such as opening Abu Dhabi's first post office, the first telephone system was installed and the people were connected to the rest of the world after improving radio coverage and import of radios for local people. The extractive institutions started to unravel as people got connected to outside world and found their salaries to be low and living conditions to be poor and realized they had no access to modern conveniences which had become standard in neighboring countries.

Sheikh Zayed, ruler 1966-2004

"I had many dreams. I dreamt of our land keeping pace with the growth of the modern world" (His Highness Sheikh Zayed)

In 1966, Sheikh Shakhbut's rule came to an end and he was replaced by Sheikh Zayed. The first years of Sheikh Zayed's rule were filled with intensive institution building. A profound shift in the nature of the institutions was started to as Sheikh Zayed started to dismantle the extractive institutions one by one. He wanted to get rid of the institutionalized one-man rule and consequently formed the first government of Abu Dhabi to start building the future for Abu Dhabi collectively. One of the first things Sheikh Zayed did was to re-negotiate the terms with the British oil companies in order to improve the conditions of Abu Dhabi people. He believed that oil money should be used to develop Abu Dhabi and its citizens. Thus, he was probably also the first social entrepreneur as he stated *"money is of no value unless it is used for the benefit of the people"* (NCDR 2011b). Consequently, he opened the palace and gave away all the money that was saved by Sheikh Shakhbut. The people of Abu Dhabi were

the beneficiaries of the money and each citizen was also given three pieces of land. They were encouraged to start small businesses with the money and land.

In the 1968, the British informed that they will withdraw from the Gulf region and thus ended the truce and military protection that had guarded Gulf countries more than hundred years. Sheikh Zayed realized that once the British leave, there is a danger that some of the bigger neighbouring countries may try to take advantage of the situation and claim the oil-rich land belonging to Abu Dhabi. When facing these threats he realized that there would be many advantages if the small neighbouring sheikdoms were united. According to his vision, “*in harmony, in some sort of federation, we could follow the example of other developing countries*” (NCDR 2011b). Although a federation was a novel concept in the region, Sheikh Zayed had a firm conviction that the unification of the emirates can be implemented on the basis of centuries-old common ties, shared history and heritage. Legitimacy was achieved through these common ties in establishing the federation. Moreover, protecting oil reserves from the more powerful neighbouring countries was another common motivation for Gulf sheikdoms to unite. In order to promote his vision of the joined emirates, Sheikh Zayed began to devote a large part of Abu Dhabi’s oil income to the Trucial States Development Fund prior to the establishment of the UAE. Consequently, Sheikh Zayed and Sheikh Rashid, the former ruler of Dubai, invited the rulers of the five other Trucial States as well as Bahrain and Qatar to join in the negotiations for the formation of the federation in 1968 (Abdullah 2007). Bahrain and Qatar, however, decided to declare their independency, and thus the other emirates decided to form their own federation in 1971 (NCDR 2011b; Krane 2010).

In the newly independent country, Sheikh Zayed laid ground for a range of social services provided by the federal ministries. It was challenging to get local people to trust the government, federal ministries and other public organizations because such institutions had never existed before. For centuries people had lived in nomadic tribes where the tribal leader was in charge of helping people with their needs. For them there was little sense of belonging to a wider community with ministries, departments and government which seemed far removed from the people. Thus, it was very difficult for Sheikh Zayed to gain legitimacy for the establishment of institutions. However, the benefits that came along with the modernization, such as free education, housing, healthcare and social aid for the citizens, the people started to accept the new social structure (NCDR 2011b; Abdullah 2007). In addition, his unique personality made him easy to approach and he had very strong charisma. Once the

government proved that it was working in the interest of the locals, it gained people's trust. In addition, Sheikh Zayed involved tribal leaders in the new government and gave them important positions in the ministries so that they could familiarize themselves with the new system and share that information with their tribes.

Moreover, Sheikh Zayed wanted to change the regulatory environment in the favour of locals. Earlier, foreign companies had prospered in Abu Dhabi at local people's expense who were poorly paid and better jobs went to expatriates. Local people were poorly educated which made it difficult for them to conduct business by themselves. Therefore, Sheikh Zayed made it mandatory that all foreign companies must operate in partnership with local businessman. This initiative improved the business skills of local people and made sure that a certain percentage of the profits remained in the local economy. In addition, government supported banks to offer credit to local people so that they could expand their businesses.

This progress was accompanied with vast socio-cultural advancement. Sheikh Zayed firmly believed that history and heritage constitute the real foundation of a civilization, and thus his basic philosophy of life represents a fusion and balance between modernization and tradition. Sheikh Zayed's interests included also the advancement of the role of Emirate women in the transformation of the federation as well as conservation of the natural environment and protection of wildlife by supporting afforestation programs and improving agricultural programs. These institutional development projects on the national scale made Sheikh Zayed a pioneer in the Arab World which also brought him international recognition.

Sheikh Zayed's knowledge and experience of political forces in the Arab world affairs supported his role over external relations. Through a combination of his personal characteristics, such as friendly disposition, personal popularity and tactful diplomacy, Sheikh Zayed was successful in fostering friendship and cooperation with other countries in the Gulf and throughout the Arabian Peninsula as well as with international powers and organizations. In 1970s, the UAE joined the Arab League and the United Nations as well as created the Islamic Conference Organization. Sheikh Zayed continued his institutional entrepreneurial focus by promoting international peace and cooperation. Sheikh Zayed had also a strong role in international diplomacy. He took a leading role in the process of establishment of the Gulf Cooperation Council. The first GCC summit was held in Abu

Dhabi in 1981, which was the beginning of a new cooperative era among the Gulf countries. (NCDR 2011b; 2011c.)

With increasing oil revenues, Sheikh Zayed began to build infrastructure that supported growth of several non-oil industries and activities (Krane 2010). Sheikh Zayed realized already back in the 1970s that Abu Dhabi's future in the long run should not be dependent on oil alone. Consequently, The Abu Dhabi Investment Council (ADIC), a huge sovereign wealth fund, was established in 1977 to start the economic diversification project. Sheikh Zayed wanted to engage local people in these new institutions by giving them important positions in order to gain their support for his vision on economic diversification.

The economic diversification continued in the 1980s and 1990s and in 1992 Sheikh Zayed established The UAE Offset Group (nowadays The UAE Offset Program Bureau) to take the process to the next level. This included establishment of joint ventures between international contractors and members of the local private sector that would lead the transformation of Abu Dhabi economy towards the new millennium. The Offset Group was the first large-scale joint-development project in Abu Dhabi involving foreign partnerships in order to versatile Abu Dhabi's economy.

In short, Sheikh Zayed's institutional entrepreneurial legacy within the UAE in all aspects including political, economic, social or cultural development bear the impress of Sheikh Zayed's unique entrepreneurial personality and particular style of reformation and development. After all, he was an uneducated man according to modern standards, but nevertheless he had the wisdom in creating a nation and introducing the institutions that are nowadays taken-for-granted in the modern UAE. Thus, Sheikh Zayed is often referred as the "Father of the Nation" (Abdullah 2007) and he was a very respected leader.

Sheikh Khalifa, the ruler 2004-

"The Emirate of Abu Dhabi will continue to work towards its own comprehensive, multifaceted vision. That vision is to continue to create a confident, secure society and to build a sustainable, open and globally competitive economy" (His Highness Sheikh Khalifa)

Sheikh Khalifa is the current President of the UAE and the ruler of Abu Dhabi since the death of Sheikh Zayed in 2004. He is the eldest son of Sheikh Zayed and he was in a good position to carry further the work his father started after working as the main executive leader of his late father's government as well as the first Prime Minister of the Abu Dhabi Government. Sheikh Khalifa was appointed as Abu Dhabi Crown Prince already in 1969 and later he was also tasked with taking care of the defense and finance sectors to establish their institutions for Abu Dhabi. Thus, Sheikh Zayed had involved Sheikh Khalifa in the government and nation building already at young age. In 1974, Sheikh Khalifa became involved in re-designing the local cabinet of Abu Dhabi which was replaced by the Executive Council which acts as the executive body for the local government, and Sheikh Khalifa became its first chairman.

One of the key institutional changes that Sheikh Khalifa supports is continuing the economic diversification of Abu Dhabi. The diversification project involves establishment of institutions in charge of investing the rents from oil production in order to versatile the economy by establishing a plethora of new sectors outside traditional oil and gas industries. A blueprint of this ambitious plan is outlined in the Plan Abu Dhabi 2030 which touches several broad development areas. The Plan Abu Dhabi 2030 is continuation of the development process started by the late Sheikh Zayed (Abu Dhabi Executive Council 2012).

Another important initiative of Sheikh Khalifa was the establishment of Mubadala, the main investment vehicle for the government of Abu Dhabi, in 2002. Mubadala aims to achieve sustainable social and economic benefits through investments through nine business units operating in a diverse range of strategic sectors deemed important for the Emirate's economy. Mubadala was established to take further the initiatives of the Offset Group in order to concentrate on the development of Abu Dhabi, while the Offset Group concentrates on the development of UAE in federal level. The speed of development after the establishment of Mubadala has been tremendous as it has targeted key development areas with considerable investment injections and foreign partnerships.

Mubadala's strategic foreign partnerships include carefully selected industries form a high-profile and sustainable niche for Abu Dhabi (Achi 2010). All these niches are also strategic sectors for a knowledge based economy, including biotechnology and biosciences, life sciences and health, transportation, logistics, and ICT (IKED 2010). Mubadala's focus is on

managing long-term, capital-intensive investments that deliver strong financial returns and tangible social benefits for Abu Dhabi (Mubadala 2009). The principle that underpins this mandate and guides its business strategy makes Mubadala a unique organization.

Similarly to previous Offset Group, Mubadala's key strategy is in establishing partnerships with world class industry leaders which provide knowledge, expertise and technical skills that the Emirate needs to build a diversified and sustainable economy which is less dependent on oil. Mubadala has also a key role in hosting branch campuses of world's top universities, such as Insead and New York University. Mubadala plays an important role in the future development of Abu Dhabi by generating diverse portfolio of business clusters in multiple industries and even new industries. Mubadala breaks the mold of traditional government-owned enterprises by being characterized as strongly entrepreneurial venture.

Mubadala is not the only example of institutional change in Abu Dhabi. In 2004, Sheikh Khalifa and Sheikh Mohammed jointly established a highly specialized economic zone ZonesCorp which has an important role in diversification of economy and turning Abu Dhabi into an investment destination. In addition, it is directly responsible for the establishment, management and operation of specialized economic zones in the emirate. ZonesCorp offers its selected partners an easy set-up of their businesses in Abu Dhabi without bureaucracy (ZonesCorp 2012).

Sheikh Khalifa also is known for his philanthropy. He has initiated several development projects, such as building hospitals and financing medical research, financing housing projects, participating in environmental protection projects as well as financing several development projects in education sector. These achievements have fostered legitimacy of the change among Abu Dhabi citizens.

Sheikh Mohammed, Crown Prince 2004-

"The initiatives will be measured by our ability to use the resources and competitive advantages available to us to truly achieve the status of a leading global economy" (His Highness Sheikh Mohammed)

A younger brother of Sheikh Khalifa, Sheikh Mohammed also requires special attention in this paper due to his strong role in the development of Abu Dhabi. He became Crown Prince of Abu Dhabi in November 2004 but he has taken an active role in the rapid economic and social development long before his appointment as Crown Prince. During the last three decades, he has been known as the driving force behind the key initiatives to improve and strengthen Abu Dhabi's security, sustainability, and economic diversification. Sheikh Mohammed is actively involved in several projects that increase the welfare of Abu Dhabi. He has initiated projects in various areas, such as economic development, education and environmental protection and thus continuing the development process initiated by late Sheikh Zayed.

Moreover, Sheikh Mohammed's role as a key contributor Abu Dhabi's economic and cultural development progress is remarkable. In 2006, Sheikh Mohammed established Tourism Development & Investment Company (TDIC) that acts as a major developer through which Abu Dhabi has achieved international publicity. These prestigious projects include, Cleveland Clinique, Sorbonne, Louvre Abu Dhabi and Guggenheim Abu Dhabi museums. One key area of interest of Sheikh Mohammed is the education sector. Sheikh Mohammed holds a key role in the modernization of education sector as he is in charge of Abu Dhabi Education Council (ADEC), which monitors and develops the educational system of the emirate. His initiatives in education field include his also role as President of the Emirates Centre for Strategic Studies and Research (ECSSR), which concentrates on relevant research on topics relevant to the region.

Sheikh Mohammed's environmental protection initiatives include for example targeted philanthropic endowment grants to conservation of endangered species. Sheikh Mohammed set up the Mohamed bin Zayed Species Conservation Fund for the preservation and protection of endangered species and plants. In line with his dedication to environment protection, he has also taken a lead in alternative energy projects in Abu Dhabi, primarily the project of Masdar City a large carbon-free city in Abu Dhabi. Through this project, Abu Dhabi has taken a leading role in building future energy and other green industries (Krane 2010). It is expected that the knowledge in this kind of technologies will be exported to nearby countries. Similar investments in green technology have included investments in wind energy plants, solar plants and contrastingly also to nuclear power.

Sheikh Mohammed has taken a key role in the massive economic diversification project of Abu Dhabi. As the Head of the UAE Offsets Group and Mubadala, Sheikh Mohammed is involved with several heavy investment projects across different sectors related to diversification of the economy. Sheikh Mohammed is also the Chairman of Abu Dhabi Executive Council and he serves as a Special Advisor to Sheikh Khalifa.

In addition, Sheikh Mohammed is the head of Abu Dhabi Investment Authority (ADIA), which is in charge of investing funds on behalf of Abu Dhabi government. ADIA was originally a part of Abu Dhabi's Financial Investment Board, established in 1967. In 1976, it was decided to separate ADIA from the government as an independent organization. Nowadays, ADIA is a globally diversified investment institution which consists of several departments that run the economic diversification process of Abu Dhabi that started already in 1986 as well as investing in private equity (ADIA 2012).

Probably the most important new institutional development area initiated and undertaken by Sheikh Mohammed is the private-public partnerships (PPP), the first step towards privatization of previously state-driven economy. The main development projects are handled through public-private joint partnerships with world-class partners to finance, build, own and operate new facilities within Abu Dhabi (Mathers 2009). This initiative has widened the flow of finance both inwards and outwards Abu Dhabi. In fact, the public-private partnership strategy has proved to be a successful strategy in Abu Dhabi's long-term plans. Shared ownership structure motivates both parties to invest in the project and this model has proven to be successful even during the financial crisis.

Moreover, PPPs have targeted major infrastructure projects abroad, such as Illinois airport, Gatwick airport and Brisbane port through investments, as well as investing in well-established very conservative but solid companies like Citibank. It is noteworthy that these investments are small minority shares in foreign companies, typically less than 25%, as Abu Dhabi does not wish to be a major player in these investments and thus minimal political and economic risks and these investments are never made in strategically sensitive Western companies (Abdelal, Khan & Khanna 2008). One of the strategies is also to invest to major foreign welfare systems, such as Australian pension fund (Superannuation). In addition, PPPs are used to build non-oil energy sources by investing in alternative energy sources, such as wind and solar power.

Discussion

From extractive institutions and leadership towards inclusive institutions

Sheikh Zayed launched a range of reforms that radically transformed and modernized Abu Dhabi overnight through major changes in both economic and political institutions. As this research shows, there was a fundamental shift from extractive institutions and leadership towards more inclusive institutions through acts of institutional entrepreneurs. As discussed, the institutional environment in Abu Dhabi used to be extractive as Sheikh Shakhbut was a typical tinpot autocratic ruler who was motivated by self-interest and was against developing the society with the oil money. This type of leadership was common in the Gulf sheikhdoms in the beginning of 1920s when people lived in nomadic tribes who were only interested in survival of the tribe.

Even after the discovery of oil, there were no notable improvements in the society. Despite of possessing 80% of the oil reserves of the surrounding sheikhdoms, Abu Dhabi was the most primitive of all of them still in the 1960s and all development was purposefully banned by the leader. This would certainly sound odd to any economist. However, when understanding the logic behind the type of different kinds of leaders and their rational choices when it comes to designing the nature of institutions, it is easier to recognize the motivations of the leaders. As noted, several autocrats and dictators are afraid that allowing inclusive institutional environment and promoting development may result in political instability and thus losing power over the people. Similarly, Sheikh Shakhbut and other previous leaders were suspicious of the social changes that the oil wealth would bring along and which might jeopardize leader's position. Therefore, they supported extractive institutions.

When viewing the development process of Abu Dhabi during the last 50 years, the acts of institutional entrepreneurs is found in several layers of the economy. Sheikh Zayed was the first institutional entrepreneur and a leader that used the oil wealth with vision and foresight to improve the needs of the society. When Sheikh Zayed started changing the society, Abu Dhabi lagged proper infrastructure, education and even health care. Thus, there was a major need for institutional shift and it would have not been accomplished without the creating supportive economic and political institutions needed to undertake the development. The first shift that Sheikh Zayed did was to start dismantling the extractive institutions. He introduced government, ministries and other policy and law-making policies to Abu Dhabi in order to

share the executive power and to engage local people in the developing the nation-state. Thus, the embedded role of the leader and the state in the development process of Abu Dhabi was created.

From oil economy towards diversified and knowledge-based economy

The transformation of Abu Dhabi from oil economy towards knowledge based economy began through Sheikh Zayed's vision, through which he initiated a need to transform the economy from oil economy towards building knowledge-based economy. There were severe obstacles in following this vision. There was no local infrastructure which was needed to be created for any development of local economy in new areas beyond oil. Moreover, the absence of local innovation base and peoples' lack of extensive technical education and unfamiliarity with entrepreneurship and global competition were major obstacles for the development. Therefore, investing in education became the primary interest of the state.

The legacy of Sheikh Zayed was carried forward by his sons Sheikh Khalifa and Sheikh Mohammed who are actively participating in the change process and continuing the transformation of the country. Both of them were active in developing the nation already during Sheikh Zayed's rule as they held important positions in the state.

We claim that the most important creation of the state is the development corporation Mubadala, which acts on behalf of the state as the major vehicle of institutional change. Unlike ADIA, which mandate was to build and manage Abu Dhabi's financial portfolio, the mission of Mubadala more institutional as it *"was charged with nothing less than remaking Abu Dhabi into the hub of the Gulf, establishing businesses in strategic sectors at home and collaborating with partners abroad. This emphasis on active partnerships as the central basis for Abu Dhabi's internal development marks a break with the past, in which leaders in the Gulf states delegated investment decisions to Western bankers and executives."* (Abdelal *et al.* 2008, 125). Moreover, Mubadala was established to tackle those major "institutional voids" that Abu Dhabi was severely lacking, such as health care, education, home-grown industries and high-tech sector. Consequently, more than 160,000 patients were treated in Mubadala healthcare facilities in 2011 and more than 20,000 students are now enrolled on world-class university campuses developed by Mubadala (Kane 2012a). In addition, Mubadala created 10,000 jobs in Abu Dhabi during its first decade of operation, and plans to

bring another 8,000 jobs by 2020 (Kane 2012b). Moreover, Mubadala manages a portfolio currently valued at more than US\$50 billion of local, regional and international investments, and handles the investments through partnership with leading global organizations across a multiple business sectors (Kane 2012c).

In addition, the brand-name projects of Guggenheim and Louvre in Abu Dhabi, as well as hosting branch campuses of NYU Abu Dhabi, Sorbonne and Insead, are examples of wider institutional change in Abu Dhabi. Whereas half a century ago there was not a single museum or school in Abu Dhabi, they are nowadays institutionalized parts of the modern Abu Dhabi. These projects are the centrepieces in the even more ambitious plan of the leaders in branding Abu Dhabi as a high-culture, educational and tourism destination. This institutional shift in just a few decades is remarkable.

Later Sheikh Mohammed has widened the development of Abu Dhabi by introducing a new type of investment, public-private partnerships, which was designed to find the best partners worldwide to invest both in Abu Dhabi as well as abroad. These kinds of institutional arrangements are rather unique in Arab countries where government-owned entities typically dominate and there is little privatization. Thus, this change of the ownership was another step towards creating more inclusive institutions.

Major institutional shift: Quotes: from extractive institutions towards inclusive institutions

“A whole city was being built from nothing [in late 1960s]. I was happy. It was an exciting time. We jumped forward two hundred years. We went from ‘no tech’ to ‘high tech’ in a matter of few years.” (Mohammed Al-Fahim, one of the most successful businessmen in the UAE) (Al-Fahim, 2007)

“A few years back I needed an operation and had to go to New York, which basically involved taking a whole month out, what with travel, surgery and recuperation. Now we have those kinds of facilities here in the UAE. I had a recurrence of the injury recently and was back at my desk in two days. That's my personal experience in health care. That's how Mubadala serves Abu Dhabi and the country in a very tangible way.” Khaldoon, CEO of Mubadala. (Kane 2012a)

“Indeed, one can argue that the funds of Abu Dhabi do not belong to the ruling al-Nahyan family but to the people of Abu Dhabi and, by extension, to the people of the United Arab Emirates. The al-Nahyan are the stewards of this money, not the owners.” (Seznec 2008)

Major institutional shift: Quotes: from oil-economy to knowledge-based economy

“Our success will be measured by our ability to use the resources and competitive advantages available to us to truly achieve the status of a leading global economy” (His Highness Sheikh Khalifa, speech in 2005)

“Education is a country’s single most important priority and investing in the education development of the individual represents the only real investment” (His Highness Sheikh Mohammed, speech in 2012)

“I’ve also got a big emotional attachment to Yahsat, the satellite business. We are going into space, it’s incredible. And it’s an Emirati programme of great complexity, involving financing the project, the design and construction of two satellites, launching them and getting them into an orbital position. Now we are selling telecoms space from Afghanistan to South Africa.” Khaldoon, CEO of Mubadala. (Kane 2012a)

“We move fast. Think about it: How many places in the world can you say, ‘I’m going to establish an airline,’ and boom, two years later you have 21 planes and 37 destinations? How many places in the world can you say, ‘I need 15,000 hotel rooms,’ and boom, you have 100 new hotels in the works? How many places can you say, ‘I want world-class hospitals, universities, and museums,’ and boom, the Sorbonne, Cleveland Clinic, Guggenheim, and Louvre are on the way?” Khaldoon, CEO of Mubadala (Gimbel 2007).

“Consider Abu Dhabi Investment Authority’s recent strategy: At 30-odd years, ADIA is one of the oldest sovereign wealth funds in existence, with investments worth, by some estimates, \$900 billion. As an arm of the government, its mandate is to create a portfolio of predominantly foreign holdings to ensure the financial security of the emirate.” (Abdelal, Khan & Khanna 2008, 121).

Table 2. Quotations addressing major institutional changes

Conclusions: What makes the development of Abu Dhabi institutional?

We argue that the development of Abu Dhabi is institutional because of the strong leaders who changed the institutional environment from extractive towards inclusive. Sheikh Zayed, Sheikh Khalifa and Sheikh Mohammed’s acts together with the state as institutional entrepreneurs are evident in Abu Dhabi, as it has distinguished itself from the problems common elsewhere in oil producing countries. For instance, Abu Dhabi is the only place in the larger MENA-region which is considered also a world-class cultural centre point. Moreover, although expatriates nowadays compose wide majority (around 80%) of the population, Abu Dhabi still has maintained its own cultural distinction and it has not fall into the trap of several emerging economies that have become replicas of others. Abu Dhabi nowadays is a contemporary expression of an Arab city. In addition, contrary to several other Arab counties, Abu Dhabi has focused on long-term strategic planning. In general, this kind of long-range planning has remained somewhat scarce in the region, which clearly

distinctions Abu Dhabi's institutional entrepreneurship outcomes. Moreover, it is worthwhile to acknowledge that the leaders have engaged all main stakeholders of Abu Dhabi to participate in the planning instead of following top-down structuring and leadership (IKED 2010). Even though a ruler is a key figure of the Emirate, the support of the state is needed for any decisions to be undertaken. The state comprises of several entities, and the Executive Council holds the main execution power. Since Sheikh Zayed's era, his sons and other key persons were involved with the state's decision making. The embedded form of the ruler and the state in Abu Dhabi has been very efficient in the rapid modernization process of Abu Dhabi as the decision making is fast and there is no bureaucracy. Therefore, Abu Dhabi distinguishes itself from typical tinpot autocracies where collective decision making hardly happens and where any development projects are difficult to get done due to bureaucracy.

Still nowadays there are neighboring Arab autocratic countries where the dominance and state/leader-supported extractive institutions still cultivate unfavorable conditions that arguably hinder the development of the nations. The UAE on the other hand is an example of a nation where the leaders have acted as institutional entrepreneurs and chosen a completely different development path by creating inclusive institutions. Despite cultural and geographical proximity and the quite similar development process from poverty to riches after the discovery of oil, these nations have indeed chosen completely different development paths.

In the following figure, we list some of the milestones in Abu Dhabi's institutional change process. We claim that none of these changes would have been possible under extractive institutions and leadership.

Cultural change:

- **Museums and cultural organizations (Townley 2002):** e.g. Zayed National Museum, Heritage Village, Maritime museum
- **High culture organizations and museums (DiMaggio 1991):** Guggenheim Abu Dhabi, Louvre Abu Dhabi, Al Ain classical music festival. Planning to build opera house in the future.

Regulatory/organizational change:

- **Non-governmental organizations and arrangements (Scott 2005):** Sheik Zayed's key role in formation of GCC, peace keeping forces
- **Regulatory changes (Li et al. 2006):** Ownership of property for foreigners
- **Governance structures (Scott 2005):** Privatization of government-owned corporations, e.g. Mubadala
- **Adoption of non-local ideas (Scott 2005):** Partnerships with world's leading players

e.g. in health care
<u>Societal change:</u> <ul style="list-style-type: none"> • Educational system (Meyer 1977): Abu Dhabi Education Council • Adoption of non-local ideas (Scott 2005): Partnerships with world's leading players e.g. in health care • Social entrepreneurs (Mair & Martí 2006): Plan Abu Dhabi 2030
<u>Environmental change:</u> <ul style="list-style-type: none"> • Preservation of nature (Troast, Hoffman, Riley & Bazerman 2002): Estidama, Mohamed bin Zayed Species Conservation Fund, Masdar City

Table 2. Areas of institutional entrepreneurship found in Abu Dhabi

Finally, the discussion of oil resources cannot be overlooked. There is wide amount of evidence related to oil resources correlating negatively to diversification of nations (e.g. Hvidt 2011; Krane 2010). Some critics hint that the possession of natural resources typically establishes a rentier economy (cf. Krane 2010; Nasra and Dacin 2010), and in some cases end up even in the Dutch disease (cf. Corden 1984) as the possession of vast amount of natural resources tends to stagnate the improvement of other industries. Moreover, the possession of natural resources, as witnessed in several countries, tends to promote the establishment of bad institutions, such as corruption, civil wars, inflation, and neglect of education (Acemoglu and Robinson 2012).

Abu Dhabi has broken this traditional mould of oil curse by investing the oil money into the society, economic development and education. Undeniably oil wealth has contributed a lot for the development of Abu Dhabi, but it is not the only explanation for it. As discussed, there are several other countries that are also blessed with vast amount of natural resources which have not been able to turn the wealth into improvements for the larger society. Therefore we argue that the acts of institutional entrepreneurs have clearly taken a strong role in the transformation of Abu Dhabi, which separates it from the rest of the countries with vast natural resources. Thus, the oil wealth is not predictive of a nation's future. Rather, it is more dependent on the institutional environment which either creates a well-being modern society or restricts all development.

A number of signs of institutional entrepreneurship found in Abu Dhabi witness the embedded role of individual rulers and the state as change initiators and implementers. The motives of institutional entrepreneurs have focused on the social side rather than merely on gaining economic interests, nevertheless the diversification of the economy will contribute financially also to the well-being of future generations. The evidence of institutional changes

in Abu Dhabi have spread all over the economy by diversification of the economy and even creating new industries which are considered key development areas for the future. Moreover, the changes are implemented in intra-organizational level as well as in regulations and rules which form a platform for more institutional changes also in the future.

In addition to the major shift from extractive towards inclusive institutional environment, our research shows also another major shift that would not have been possible without the former. The shift from oil economy towards knowledge-based economy required another surge of creating more inclusive institutions. For example, the creation of Mubadala and the privatization of previously state-owned major corporations are the major initiatives of the state designed to deliver socio-economic benefits for the people of Abu Dhabi. Finally, this research shows that the motives of the rulers and the state of Abu Dhabi are institutional in the sense that unlike in several other oil-rich countries, the riches of Abu Dhabi do not belong to the rulers but to the people of Abu Dhabi and, therefore, to the people of the United Arab Emirates. This is the main reason why we claim that the development of Abu Dhabi is a manifestation of institutional entrepreneurs.

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APPENDIX 1

Data collection process

	Round 1	Round 2	Round 3
Purpose	Identification of the nature of Abu Dhabi's historical development (Fall 2011)	To obtain a deeper overview of Abu Dhabi's development especially during Sheikh Khalifa's and Sheikh Mohammed's era. (Spring 2012)	To understand the most recent development of Abu Dhabi and future of development projects (Autumn 2012)
Objective	To understand the general structure and nature of Abu Dhabi's historical development and the role of leaders and the state (Sheikh Zayed's era)	To understand the more current development and what makes the development of Abu Dhabi institutional	To understand how the different eras have come together and how the role of the leaders and the state has become more embedded during the last decades. In addition, the findings of the article were discussed with each of the interviewees in order to improve validity of the data.
Primary data	15 preliminary interviews with senior officials.	15 interviews with senior officials.	Final round of interviews was held with 15 senior officials.
Secondary data	Historical research on the United Arab Emirates producing enhanced contextual knowledge.	Published research on the history of Abu Dhabi providing understanding of the scope of the institutional change. In addition, the paper was presented at International Conference on Excellence in Business at University of Sharjah in UAE on May 7-8, 2012.	The paper was presented at McGill International Entrepreneurship Conference at University of Pavia in Italy on September 21-23, 2012.
Cumulative number of interviews and informal discussions	15	30	45