# On religion as an institution in international business: Executives' lived experience in four African countries

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## Abstract

We use institutional theory to understand how managers in different types of firms make sense of the dysfunction of institutionally weak environments. We interviewed ninety executives working in Botswana, Kenya, Nigeria and Zimbabwe, and found that religion was used as a normative institution when dealing with remediable institutional dysfunction, typically corruption, and as cultural-cognitive institution when dysfunction was perceived as non-remediable (associated with pervasive uncertainty) for those working for domestic firms and so-called nascent multinationals. No executives working for developed country (European) multinationals used religion as a system of meaning-making; executives of emerging market (South-African) multinationals used religion only normatively.

**Keywords:** Religion; Normative institutions; Cultural-cognitive institutions; Africa; International; Business

## 1. Introduction

It has been claimed that in Africa, "the performance of all formal institutions systematically falls short of popular expectations" (Bratton, 2007:116). We suggest that religion, a key social structure that provides a sense of meaning and order, operates as an important institution in that lacuna. Moreover, religion governs not only general life, but specifically business. To explain how, we propose the notion of institutional dysfunction. Institutional weakness is typically examined at the level of the firm or country, but almost never in terms of how individual managers perceive it (Kostova & Marano, 2019). We suggest that managers make sense of an institutional environment in terms of whether and how it functions to guide their actions. Thus managers would interpret a weak institutional environment as somehow dysfunctional. Moreover, what matters to them is whether they can do something about the dysfunction, i.e. whether they see such weakness as remediable or not.

This suggests the need to distinguish between remediable and non-remediable institutional dysfunction. Corruption, when parties (whether individuals, firms or the state) illegally misuse power for their own benefit (Bahoo, Alon & Paltrinieri, 2020), is a key part of institutional dysfunction. Because it is in principle possible to refuse to engage in corrupt activities, we regard this type of dysfunction as potentially remediable by businesses. However, in the case of non-remediable institutional dysfunction, the actions of individual managers cannot remedy the problem. Non-remediable dysfunction encompasses a range of institutional failings such as macro-economic turbulence and non-responsive governments, all creating a generally unsettled and uncertain environment. For example, closely or fully pegging the currency of a low income country like Nigeria or Zimbabwe to the US dollar is not illegal. Yet managers cannot remedy the economic dysfunction and uncertainty caused by such a policy.

Most international business research is based on an economic interpretation of institutions, or in terms of Scott's (2013) categorization, the regulatory pillar of institutions. Although the emphasis on the regulatory dimension is seldom made explicit, it is for example evident in the importance ascribed to the institutional economist North (1990) and his aphorism of institutions as the “rules of the game”. In contrast, we position our paper within the sociological tradition of thinking about institutions. We follow Suddaby (2010) and conceptualize institutions as those social structures that provide meaning and stability. We thus emphasize Scott's (2013) normative and cultural-cognitive pillars.

We suggest that religion is a normative institution for executives in Africa when they deal with remediable dysfunction in their institutional environment, particularly requests to participate in corrupt activities. Normative institutions are prescriptive and evaluative; they signal what “should” be, and the link with religion is intuitive. But religion also functions as a cultural-cognitive institution, “cultural in the sense that social reality is referenced and rationalized against external symbolic frameworks, and cognitive in the sense that social reality is interpreted and constructed through internalized frames of meaning-making” (Orr & Scott, 2008, 565-566). When confronted with non-remediable institutional dysfunction, we suggest that executives in Africa rely on religion as a cultural-cognitive institution.

Because of institutional duality (Hillman & Wan, 2005; Kostova & Roth, 2002), it is likely that religion will function differently for executives in the same location that work for foreign multinational enterprises (MNEs) rather than for local firms. Institutional duality is often conceptualized as a pressure – firms need to deal with two sets of institutional demands – but we suggest that it can also be a resource if a host country struggles with severe institutional dysfunction. Engaging with a parent from an institutionally more stable and better developed country can provide a subsidiary some sense of order and stability that local firms in the same location are unlikely to experience.

We use interviews with 90 senior executives from 43 firms in four African countries to explore how executives operating in a context of institutional dysfunction use religion as an institution to guide their business management actions. We selected countries for variance in terms of institutional quality and religious diversity, with Botswana (Zimbabwe) suffering the least (most) institutional dysfunction, but both being almost exclusively Christian. Kenya and Nigeria both suffer from some institutional dysfunction, but have more religious diversity, with the population not exclusively Christian, but also 10% and 50% respectively Muslim.

We gathered evidence from foreign and local firms. Following prior literature about the differences between MNEs from different types of host countries (Cuervo-Cazurra & Genc, 2008; Luiz, Stringfellow & Jefthas, 2017), we differentiate between developed country MNEs (DMNEs) and emerging market MNEs (EMNEs). Respondents were drawn from twelve DMNEs (from Europe and the UK) and fourteen EMNEs, all from South Africa. We use the term “foreign MNEs” when we refer to both the South African and the European MNEs. We also spoke to executives from two types of local firms, domestic firms and “nascent” MNEs, using the term coined by Ibeh, Uduma, Makhmadshoev and Madichie (2018), for African firms that are in the early phase of internationalization and are operating in neighboring regions, e.g. Nigerian firms that are also operating in Ghana. We spoke to executives from eight domestic firms and nine nascent MNEs.

Our interview questions probed how executives conducted business in the African context, but many of them testified to the importance of religion as a source of meaning and stability in their life generally, as well as specifically guiding how they went about managing their businesses.

Clear differences emerged between executives from the different types of firms. None of the executives working for DMNEs mentioned religion as an institution guiding how they conducted business, even though they were all African nationals (rather than expatriates) and many expressed a deep personal religious commitment. Religion was used as a normative institution when executives working for African firms, including those working for South African MNEs, were requested to engage in corrupt activities, i.e. were confronted with remediable institutional dysfunction. It was striking that the executives who invoked religion as a cultural-cognitive institution were all working for nascent MNEs and domestic firms from developing countries. The distinction between emerging markets that suffer some institutional dysfunction and developing countries where such dysfunction is pervasive (e.g. Marquis & Raynard, 2015; Pisani, Kourula, Kolk & Meijer, 2017) is useful here. The cultural-cognitive functioning of religion was in evidence when executives had no option but to deal with pervasive and often non-remediable institutional dysfunction.

By taking a micro-perspective and theorizing the experiences of executives of their often challenging institutional environments, this paper makes three theoretical contributions. First, we introduce religion as an institution guiding business. Although sociology of religion scholars have long regarded religion as an institution with formal and informal manifestations (Turner, 2010b), little work has thus far been done on how this institution functions in business.

Second, our focus allows us to identify an important nuance in the general characterization of institutions as “weak”: Institutional weakness that is perceived as remediable by those trying to do business in such environments, and institutional weakness that is not. This distinction has important theoretical and practical implications. For example, there is conflicting evidence about whether religion is potentially beneficial (Richardson & Rammal, 2018) or divisive (García-Muiña, Romero-Martínez & Kabbara, 2020; Jiménez, Jiang, Petersen & Gammelgaard, 2019). The distinction between remediable and non-remediable dysfunction, and how religion is in turn used in a normative or cultural-cognitive way, seems to offer some guidance about resolving those contradictions.

Finally, we provide new insights about institutional duality. Much of the literature on the institutional duality experienced by subsidiaries in emerging markets and developing countries speaks of the challenges those subsidiaries experience to balance the dual institutional demands of the parent and the host country (Beddewela, 2019; Holm, Decreton, Nell & Klopf, 2017; Kim, Kim, Marshall & Afzali, 2018; Nell, Puck & Heidenreich, 2015). Our evidence suggests that institutional duality is also a positive. The more developed the home country of MNEs, the less did executives from those subsidiaries invoke religion to help them make sense of the institutional dysfunction in their country. The next section explains our argument.

## 2. Conceptual foundation

Scholars have long pointed out the need to develop a richer understanding of institutions in international business research (Jackson & Deeg, 2008; Jackson and Deeg, 2019; Kostova, Roth & Dacin, 2008; Kostova, Roth and Dacin, 2009), expressing concern that institutions remain conceptualized in quite a “thin” way. In responding to those calls, we highlight two ways in which the complexity of institution can be better captured.

First, we return to Scott (2013) who proposes three perspectives or “pillars” for examining institutions: regulatory, normative and cultural-cognitive. Second, we use the notion of institutional duality to explore how the subsidiaries of MNEs are shaped by the institutional contexts of their host countries and the home country of their parent. We then discuss how institutions in emerging markets and developing countries have been theorized, and introduce the distinction between remediable and non-remediable dysfunction in institutionally weak environments. We finally discuss how religion has been addressed in business and management research, and develop propositions around religion as an institution.

### *2.1. The three pillars of institutions*

Scott (2013:60) pointed out that "economists, including institutional economists, are particularly likely to view institutions as resting primarily on the regulatory pillar". That bias is also present in international business research, a point made by scholars like Hitt, Tihanyi, Miller and Connelly (2006) and Marquis and Raynard (2015). Most international business scholars have examined the regulatory dimension of institutions, whether formal rules and regulations, or their relative absence, even though Scott (2013) sees institutional theory in terms of three pillars, namely regulatory, normative and cultural-cognitive.

Institutional theory can be understood interpretatively as "the processes by which organizations interpret their institutional environments" (Suddaby, 2010:16) and how actors "make sense of, manipulate, negotiate, and partially construct their institutional environments" (Kostova et al., 2009:1001). Those processes have received much less attention in international business research.

This is perhaps not surprising: the normative and cultural-cognitive pillars of institutional theory are anchored more in sociological than in economic thinking. Thus whereas the "basis of order" (Scott, 2013:60) for the regulatory pillar lies in regulative rules, for the normative pillar it lies in binding expectations, and for the cultural-cognitive pillar in constitutive schemas, i.e. the shared frames within which meaning is made. In fact, for a scholar like Suddaby (2010), a central question in institutional theory revolves around the many activities and behaviors inside organizations that are not economically rational. Economic factors like the enforceability of contracts hardly feature in normative and cultural-cognitive conceptualizations of institutional theory. Instead, what matters are systems of meaning rather than the governance of "societal transactions" (Peng, Wang & Jiang, 2008).

### *2.2. Institutional duality*

A point of departure motivating work on institutions and MNEs is that MNEs must operate across multiple and potentially conflicting institutional contexts. From the perspective of the overall MNE, the difficulties of achieving overall organizational legitimacy have long been known (Kostova & Zaheer, 1999). Indeed, the literature that has developed to explore what has been termed "institutional duality" (Hillman & Wan, 2005; Kostova & Roth, 2002) often considers this complexity as a challenge that the MNE (parent and/or subsidiary) must overcome. Thus it has been discussed using words like "confronted", "pressures" (Kostova & Roth, 2002), "tug-of-war", "competition" (Zhang, Zhao & Ge, 2016) and "contested" and "complex" (Nell et al., 2015).

Where the duality is seen as a resource, it is typically because different institutional contexts have desirable differences, for example different technological specializations (Cantwell, 2009; Cantwell & Mudambi, 2005). But where the MNE's home institutional environments is more developed than the host country of the subsidiary, institutional duality has been understood especially in terms of the challenge of legitimacy, whether inside the larger MNE (Beddewela, 2019; Holm et al., 2017), in the host country (Kim et al., 2018) or both (Nell et al., 2015; Zhang et al., 2016).

We depart from this literature, and argue that from the perspective of executives working in institutionally weak environments, there is likely substantial value in having access to multiple institutional contexts. Kostovaet al (2008) point out that the parent can be more important as a source of resources for subsidiaries than the local external environment, and explain:

> The diversity among the many institutional systems that they are exposed to and the unique sets of arrangements that each MNC unit faces give these organizations broader latitude in picking and choosing which models to adopt and to what extent they should respond to institutional influences. (2008:999)

We suggest that "picking and choosing" primarily from the parent makes sense for subsidiaries in institutionally weak environments when they need to deal with challenges like political and social unrest that can hinder economic activity. Precisely because the institutions of the MNE differ substantially from institutional resources that are available in emerging and developing countries, executives in those subsidiaries may at some points choose to engage with the MNE rather than with their various home country institutions.

### *2.3. Weak institutions*

Institutions have been widely studied by scholars of business in emerging countries (Mudambi & Navarra, 2002; Peng, Wang & Jiang, 2008; Wright et al., 2005). The (weak or evolving) nature of their formal institutions poses particular challenges to those economies (Meyer & Peng, 2005; 2016), and terms like "institutional voids" (Khanna & Palepu, 2010) and "institutional hardship" (Luo & Wang, 2012) suggest that formal institutions in emerging and developing countries are often compromised in various ways.

A long-standing area of interest has thus been in what happens when formal institutions are weak, and a key distinction has been between formal and informal institutions. Formal institutions are defined as written laws, rules and regulations – i.e. are closely aligned with a regulatory understanding of institutions – whereas informal institutions are "norms of behavior, codes of conduct, practices and conventions" (Sartor & Beamish, 2014). Given that formal institutions function imperfectly, informal institutions often take their place in governing business.

Interpersonal ties have been found to be especially important in institutionally weak environments. Peng and Heath (1996) argued that personal relationships and networks are important during periods of transition where formal institutions are in flux and/or still weak. Those relationships are argued to offer greater constancy and predictability than the formal institutional framework. Their findings were echoed in Puffer and McCarthy's (2011) work on Russia, while Goyal (2017) for the case of India finds that the informal networks of civil servants shape how even the formally constituted bureaucracy operates.

These examples suggest the extent to which "choices are governed by normative rules and embedded in networks of mutual social obligations" (Scott, 2013:82), i.e. function through normative and cultural-cognitive institutions. Indeed, the abundance of evidence about the non-economic forms of governance in institutionally weak environments suggests the value of paying greater attention to how sociologists understand institutions. Sociologists conceptualize institutional theory not primarily as systems that facilitate economic exchange, but instead place greater emphasis on the normative and cultural-cognitive dimensions of institutions where shared expectations and understandings rather than rules form the basis for compliance.

In reviewing work on institutions in emerging markets, Kostova and Marano (2019) point out that current work almost completely leaves out the micro-perspective of institutions, i.e. the views of individuals. To explain why this is an oversight, they reference the need to more fully engage with normative and cultural-cognitive understandings of institutions, and suggest:

> Incorporating the micro level is of paramount importance especially in the organizational institutionalism tradition, where institutions are conceptualized not only as regulatory but also as cognitive and normative arrangements, which are "held" by individual cognitions, values and norms. (Kostova & Marano, 2019:118)

We want to suggest that from a micro-level perspective, weak institutions are understood primarily in terms of whether they are somehow remediable or not. Consider for example how managers would respond to Marquis and Raynard's (2015) categorization of the institutional differences between emerging and developing markets, e.g. differentiating between "Moderate to high levels of government intervention" and "Constraining government policies" respectively, or the "Marginally developed capital markets with low levels of market liquidity" of emerging markets compared to "Stifling bureaucracy [that] hinders entrepreneurship, trade, and investment" in developing countries (Marquis & Raynard, 2015:303).

When viewed from the perspective of the individual manager, the distinction between stifling and constraining policies versus marginally developed capital markets and some degree of government interference is likely to be a salient one. But those categories are likely to be experienced especially in terms of the likelihood that they present (or not) insurmountable challenges to the business. Managers are thus likely to judge the specific manifestations of their institutional environment in terms of the extent to which they are able to remedy institutional weaknesses.

Corruption is a very visible manifestation of weak institutions since, as Cuervo-Cazurra (2016) points out, corruption manifests when institutional control measures are inadequate, e.g. when politicians interfere with business or courts are not impartial. But it is unlikely that managers consider corruption in terms of whether it is public or private, petty or grand, or even pervasive or arbitrary, to refer to some common categorizations of corruption (Bahoo et al., 2020; Cuervo-Cazurra, 2016). Instead, the evidence presented by Luiz and Stewart (2014) suggests that managers not only perceive corruption as remediable or not, but also act in accordance with those perceptions.

We see this manager-centric categorization between remediable and non-remediable dysfunction as a useful addition to current scholarship, and further explore it in the rest of the paper.

### *2.4. Religion, faith and spirituality in business research*

One area where systems of meaning and the "symbolic realm" is particularly important is in religion. From the perspective of the sociology of religion, the roots of the word "religion" (*religio*) emphasize two dimensions:

> The first meaning recognizes the importance of religious foundations in creating the social bonds of human groups, and the second meaning points to the disciplinary functions of morality that are necessary for creating and controlling human beings. (Turner, 2010a:13)

Both social organization and control are definitional to religion. Thus religion encompasses both the meaning making dimension of institutions suggested by scholars like Suddaby (2011) and Kostova et al. (2009), and a regulatory dimension. But in spite of the continuing importance of religion in society at large, general management scholars have long had little interest in studying religion (Tracey, 2012). Tracey's (2012) review paper finds relatively few papers combining religion and management, and quite a number of those (e.g. Iannaccone, 1998) examine religion or religious organizations through the lens of management and economics. Much less has been published on the reverse, the influence of religion on secular organizations.

The area is slowly becoming better studied; for example, *Academy of Management Perspectives* in 2019 published a special issue on "Faith in Management Scholarship and Practice". But although the sociology of religion is clear about differences in terms, in the management field, the terminology is not yet stable: the issue refers to "spirit" (Neubert, 2019), "faith" (Busenitz & Lichtenstein, 2019; Dyck & Purser, 2019) and "religion" (Gümüsay, 2019). A special issue in *Journal of Business Ethics* (Astrachan, Astrachan, Campopiano & Baù, 2020) examines values, spirituality and religion in family business.

Most management research in the broad domain has been done on "workplace spirituality" (Krishnakumar, Houghton, Neck & Ellison, 2015), which is defined as the expression and incorporation of personal spiritual ideals in the work setting (Kolodinsky, Giacalone & Jurkiewicz, 2008). This body of work focuses mainly on individual-level outcomes, e.g. perceptions of unethical business activities (Giacalone & Jurkiewicz, 2003), actual ethical behavior (McGhee & Grant, 2017), stress (Daniel, 2015), attitudes to work (Milliman, Czaplewski & Ferguson, 2003), turnover intent (Beehner & Blackwell, 2016), job outcomes (Walker, 2013) and job satisfaction (Neubert & Halbesleben, 2015). The general trend emerging from this work is that workplace spirituality plays a positive role for individuals in the workplace.

A much smaller body of work deals with how the beliefs of an individual translate to organizational-level outcomes, e.g. the notion of "spiritual leadership" (Fry, Vitucci & Cedillo, 2005; Krishnakumar et al., 2015; Fry, Latham, Clinebell & Krahnke, 2017) and the positive relationship between workplace spirituality and commitment to the organization (Bell-Ellis, Jones, Longstreth & Neal, 2015). A review paper looking at 140 papers (Karakas, 2010) found that organizational performance was positively affected because spirituality increased the sense of well-being, purpose and/or connectedness experienced by employees. An updated review paper (Vasconcelos, 2018) confirms the positive effects of (largely individual) spirituality on the organization.

This focus on individual outcomes is not surprising. Spirituality focuses on individuals as exercising their own authority rather than in interaction "with one another, and within institutions and organizations (however formal or informal)" (Wood, 2010:267). This focus on the individual stands in contrast to most of the work on religion in sociology, where religion as an institution has long been a major topic (Turner, 2010a). We thus focus on religion, although we acknowledge the potential gains of a broader review of the constructs related to religion, faith and spirituality.

### *2.5. Religion as an institution*

The potential gains of considering religion in institutional theory are increasingly recognized by management scholars (Greenwood, Hinings & Whetten, 2014; Hirsch & Lounsbury, 2015; Moore & Grandy, 2017). These scholars are not considering the formal institutions of religion, e.g. how congregations are constituted or Sharia law, but instead the lived experience of believers (Turner, 2010b).

The domain where the study of religion as an institution has perhaps been best developed is entrepreneurship (e.g. Audretsch, Boente & Tamvada, 2013; Block, Fisch & Rehan, 2020; Gümüsay, 2015; Zhao & Lounsbury, 2016). This is not unexpected, as entrepreneurs need to deal with considerable uncertainty. In other words, the primary concern of entrepreneurs may not be around the effective regulation of contracts, but rather dealing with uncertainty. Religion can help deal with that uncertainty through its “stabilizing and meaning-making properties” (Scott, 2013:56).

Scholars of entrepreneurship in emerging and developing countries in particular have pointed out that religion is often useful because of the ambiguity in the formal institutional environment (Henley, 2017; Uzo & Mair, 2014). Henley argues that “religious institutions may act as substitute-formal structures in the presence of weak government” (2017:613) and suggests that especially Scott's (2013) normative and cognitive pillars are useful in shaping the discussion of religion as institution.

There is precedent (e.g. Madhok & Keyhani, 2012) for using entrepreneurship insights to develop international business scholarship on emerging markets. We similarly use scholarship on religion as institution in entrepreneurship to theorize international business in the African context.

It is important to remember that institutions are not simply structures, but are created, inhabited and “given life” (Fine & Hallett, 2014) through the actions and interactions of people. A sociologist of religion, Turner, claims that the state struggles to function “without a set of shared values. The role of religion […] may be to provide a necessary support of social life as such” (2010b: 659). Given the often substantial limitations of formal institutions (Bratton, 2007), there is a pervasive need for stabilizing and meaning-making institutions. This leads to our first proposition:

**Proposition 1:**

In a context where formal institutions are weak, religion is a social structure that provides meaning and stability

In their study of Nollywood in Nigeria, Uzo and Mair (2014) emphasized the opportunities that “exist outside formal institutional boundaries” and demonstrated how the religious orientation of a firm was its primary source of meaning and stability. Indeed, the institution of religion was so strong that the firm defied formal rules of employment and ownership. The documented practices were not illegal or corrupt – instead, practices were governed by different logics: The making and distribution of films took place without contractual agreements and were rather governed through shared expectations and obligations.

Although there is extensive evidence that corruption on the whole is non-beneficial (Cuervo-Cazurra, 2006; d’Agostino, Dunne & Pieroni, 2016), it is often beneficial to the firm (Goedhuys, Mohnen & Taha, 2016; Williams & Kedir, 2016). Whether it involves speeding up bureaucratic processes or protecting firms from sometimes apparently random decisions, paying bribes can serve to “grease the wheels” of business. Indeed, Williams and Martinez-Perez (2016) argue that corruption can become a legitimized practice, and can thus become an informal institution in its own right.

Because religion can operate as a normative institution, and because legitimacy for normative institutions is morally governed (Scott, 2013), religion has the potential to guide believers in responding in a more pro-social way when they are confronted with corrupt and illegal practices in their institutional environment. Xu, Li, Liu, and Gan (2017) found that the strength of religion in various Chinese provinces was negatively associated with corruption, and also that the relationship was weaker in provinces with stronger legal institutions. We want to suggest that especially in institutionally weak environments, religion and interaction with other believers can provide the values to support the emergence of a counterpoint to the informal institution of bribery and corruption. This leads to our second proposition:

**Proposition 2:**

Religion acts as a normative institution that helps believers respond to remediable dysfunction in the institutional environment.

We emphasize "remediable" dysfunction, because it is possible, albeit potentially costly, for an executive to decline to pay a bribe. Where religion acts as a normative institution, the actions of religious executives can act as a moral counterforce to corrupt practices.

Yet it can also happen that an institutional environment is characterized by such dysfunction that executives may not be able to take meaningful action to counter it. Non-remediable dysfunction can encompass a range of manifestations. Marquis and Raynard (2015) mention institutional failings like ill-advised and constraining policies, non-responsive bureaucracy and (the risk of) social unrest and war. What these failings have in common is the uncertainty they induce in the institutional environment. The environment can also suffer from corruption, but it is not the corruption that matters most. Rather, uncertainty is key in affecting firms' actions (Sartor & Beamish, 2020).

In contexts that are perceived as non-remediably dysfunctional, religion can be a cultural-cognitive institution that functions to help believers make sense of their world. Scott points out that the "cultural-cognitive conception of institutions stresses the central role played by the socially mediated construction of a common frame of meanings" (2013:68). Suddaby (2010) argues that its central purpose is to allow executives to make sense of and attach meaning to elements in the environment. Consistent with these understandings, we present our final proposition:

**Proposition 3:**

Religion acts as a normative institution that helps believers respond to remediable dysfunction in the instituce:section-title>ce:Religion acts as a cultural-cognitive institution that helps believers make sense of non-remediable dysfunction in the institutional environment.

Because we conceptualize non-remediable dysfunction as those elements in an institutional environment that cannot be "managed" in the conventional sense of the word, such as macro-economic turbulence, political uncertainty or non-responsive governments, religion under those circumstances does not function to direct the actions of executives. Instead, executives need to find ways of making sense of the unsettled, uncertain context within which they find themselves.

We are mindful, however, that the institutional duality of the MNE is likely to affect how managers make sense of their social reality. A cultural-cognitive understanding of institutions emphasizes the "taken-for-grantedness" of institutions (Scott, 2013), and therefore provides a way of accepting even desperate conditions. But because an MNE is shaped by a range of different institutional environments, the taken-for-grantedness of institutions in a single location is disrupted. Instead, managers working for MNEs have a counterpoint to the institutional dysfunction of a given location. MNE managers' perceptions of the institutional environment in which a given subsidiary is located are therefore likely to differ from the experiences and perceptions of managers of local firms in the same location.

It also seems likely that the perceptions of managers working for DMNEs will differ from those working for EMNEs, because EMNEs are themselves shaped by the relative institutional weakness in their home country (Cuervo-Cazurra & Genc, 2008; Gammeltoft, Barnard & Madhok, 2010). We explore those differences through how we design our work.

## 3. Research design

### *3.1. Motivation for research setting*

This study is set in Africa, because the continent is characterized by generally weak formal institutions (Bratton, 2007). Moreover, religion is important across the continent. Sub-Saharan Africa is the region with the greatest proportion of Christians worldwide (26%) and by 2060, is expected to represent 42% of all Christians. It also currently hosts 16% of all Muslims (ranked behind Asia-Pacific, the Middle-East, and North Africa); by 2060, it is expected to be the second largest home of practicing Muslims, with 27% of all Muslims living in sub-Saharan Africa (Pew Research Center, 2017). Considering also all the other formally recognized or traditional religions, it is clear that religion matters to people living in Africa.

Many scholars suggest that religion shapes the functioning of African society at large, with evidence supporting its role in aspects as diverse as transforming unequal societies (Agbiji & Swart, 2015); delivering healthcare under difficult circumstances (Emmanuel, Elo, & Piekkari, 2019; Whyle & Olivier, 2017), and entrepreneurship (Namatovu, Dawa, Adewale & Mulira, 2018; Ojo, 2015). Religion in Africa is pervasive, and we build on the work of Barnard, Cuervo-Cazurra and Manning (2017) who argue that it is an important but understudied institution shaping firms’ behavior in Africa. In particular, we examine how religion provides meaning and stability in an often-dysfunctional institutional environment, and how it helps executives to deal with remediable and non-remediable dysfunction in the environment.

### *3.2. Motivation for selection of cases*

How managers operate within their institutional contexts requires an investigation of both the phenomenon and the context; therefore, we adopted a case study design (Eisenhardt, 1989; Yin, 2018). Although there is much commonality across Africa, the continent encompasses 54 countries that differ in terms of their cultures, economies, institutions and more. We therefore decided on a multiple-case design. We started data gathering in two neighboring countries with dramatically different institutional situations: Botswana is an institutionally stable and quite prosperous country, whereas Zimbabwe is noteworthy for the number and depth of its institutional and economic crises (Helliker & Murisa, 2020).

As insights about the role of religion started emerging, we added two more countries. We sought to inductively theorize religion as an institution, and to develop its empirical constructs (Eisenhardt & Graebner, 2007; Ridder, Hoon, & McCandless Baluch, 2014). Theoretical sampling of the cases was guided by the propositions that were developed as new insights on religion were emerging (Eisenhardt, 1989).

Both Botswana and Zimbabwe are overwhelmingly Christian, and it is known that religious diversity can have negative outcomes (Jiménez et al., 2019). We therefore added two countries with greater religious diversity, Kenya and Nigeria. Although Kenya is still predominantly Christian, Islam represents a sizeable minority (more than 10%). In Nigeria, Christianity and Islam attract a similarly-sized number of followers. Table 1 lists some characteristics of the four countries selected, Botswana, Kenya, Nigeria and Zimbabwe.

**Table 1**. Overview of selected countries.

| | Botswana | Kenya | Nigeria | Zimbabwe |
|---|---|---|---|---|
| **Population** | 2,3 million | 48,3 million | 203,4 million | 14 million |
| **Official language** | Setswana | English and Kiswahili | English | English, Shona and Ndebele |
| **Other languages** | Negligible | Various – eleven sizable ethnic groupings | Hausa, Yoruba, Igbo, Fulani and an additional 500 indigenous languages | Negligible |
| **Dominant religion(s)** | Christianity (80%) | Christianity (83%) | Islam (50%) Christianity (50%) | Christianity (87%) |
| **Other religions** | Indigenous | Islam (11%) and indigenous | Negligible | Indigenous |
| **GDP/capita (PPP)** | US$17,000 | US$3,500 | US$5,500 | US$2,200 |
| **FDI net inflows (% of GDP)** | 1.2 | 1.9 | 0.5 | 3.1 |
| **FDI net inflows (BoP, current US$, million) 2018** | 228.72 | 1, 625.92 | 1,997.49 | 744.64 |
| **Corruption Perception Index** | 61/100 34/198 counties | 28/100 137/198 countries | 26/100 146/198 countries | 24/100 158/198 countries |
| **Growth rate** | 2.4% | 4.9% | 0.8% | 3.7% |
| **Urbanized population** | 70% | 27.5% | 51% | 32% |

Source: CIA World Factbook, 2017 data; Transparency International (2019), World Bank (2018)

Because MNEs are embedded not only in the institutions of the host country, but also the institutions from their home country (Kostova & Roth, 2002), we wanted to examine both local and foreign firms. As for local firms, we spoke to executives from both the substantially-sized domestic firms that operate only in their home country, and firms that are themselves “nascent multinationals” (Ibeh et al., 2018); e.g. a Kenyan firm also operating in Uganda and Tanzania.

It is known that the performance of DMNEs and EMNEs in developing countries differs (Cuervo-Cazurra & Genc, 2008). Because EMNEs themselves originate from institutionally weak environments, they are more used to institutional dysfunction. In contrast, DMNEs originate in countries with more stable institutions. To capture these home country differences, MNEs from South Africa and Europe (including the UK) respectively were selected because of South Africa's substantial and increasing FDI into wider Africa, and because of the long history of European MNEs on the continent.

We also sought variety in terms of industry, and chose three sectors that contribute significantly to the GDP of the four countries and indeed continent: Agro-processing, finance, and retail. These industries differ in terms of their likely exposure to formal institutions. Agro-processing contributes to food security, and is therefore likely to experience both regulation and institutional support. Finance is likely to be heavily regulated, whereas retail is likely to be characterized by the relative absence of both institutional support and regulation. Fig. 1 provides a map of the cases, highlighting countries, firms’ country of origin and industries.


**Fig. 1**. Case mapping of multiple embedded case study research design.

**Table 2**. Conceptual categories.

| | | |
|---|---|---|
| **Non-remediable institutional dysfunction** | | **X** |
| **Remediable institutional dysfunction** | **X** | |
| | **Normative functioning of religion** | **Cultural-cognitive functioning of religion** |

### 3.3. Embedded units of analysis

The main objective of our study is to theorize how executives use their religion as an institution. We use Scott's (2013) normative and socio-cognitive pillars of institutions as embedded units of analysis, and seek to explain how religion enabled the functioning of those two pillars in environments characterized by remediable and/or non-remediable dysfunction. In principle, that results in four conceptual categories (see Table 2.) However, we suggest that only two categories are relevant. The normative dimension explained executives' responses to remediable dysfunction, specifically where they were expected to engage in corrupt activities. The cultural-cognitive dimension explained how executives responded to non-remediable dysfunction resulting from macro-economic challenges and unwise policies. These categories are further explained in data analysis section.

### *3.4. Data collection*

Each country was visited for three weeks at a time. The second author visited Botswana on her own because executives requested an interviewer who was proficient in the official language, Tswana (even though eventual interviews were conducted in English), but the other countries were visited by multiple researchers. We made contact with the targeted firms in each country before each visit, but most interviewees were hesitant to commit to an interview before having met us. Therefore, the first week involved making contact with the various companies – typically by going to the company site – to set up formal interviews. Most interviews were conducted during the second and third weeks, and most were audio-recorded. Almost all the interviews were conducted by two interviewers, except in Botswana and in a few cases where meeting times clashed.

The interviews were then professionally transcribed and reviewed for quality by the interviewers. Some initial data analysis was done in the periods between visits to the different countries. To make sure that data would be as comparable as possible across countries, we decided to be conservative in terms of making changes to the interview guide. Therefore, interview questions did not much change over the course of data gathering.

Given our desire to develop an understanding of the micro-perspective of institutions, executives were selected as the units of data collection, the sources of information (Yin, 2018). Senior executives across a range of corporate functions were interviewed. About 20% of the interviewees were CEOs, but there was also representation from functions like operations, finance, human resources and marketing. In total, 90 executives from 43 firms (twelve European MNEs, fourteen South African MNEs and seventeen local firms consisting of domestic firms and nascent MNEs) were interviewed over the course of 76 interviews. Unexpectedly, no expatriate managers were interviewed, perhaps in part because the most senior executives of many of the European MNEs declined to be interviewed. This means that the views expressed, although representing a range of different firms, were all the views of Africans.

Most interviews were conducted individually, although in some cases, executives preferred to be interviewed collectively. The average solo interview lasted just over one hour; the average group interview lasted about an hour and a half. Table 3 shows the characteristics of the sample.

**Table 3**. Details about participants.

| **Interviews conducted** | **76** |
|---|---|
| **Format used** | Group 8, Solo 68 |
| **Group interviews** | |
| **Group size** | 5 pairs, and one group each of 3, 4 and 5 members |
| **Industries of firms** | 2 each in agribusiness and retail, 4 in finance |
| **Country of location of firms** | 1 in Botswana, 2 each in Kenya and Zimbabwe, and 3 in Nigeria |
| **Country of origin of firms** | 2 South African MNEs, 2 Kenyan nascent MNEs, 2 Nigerian nascent MNEs, 1 Zimbabwean nascent MNE and 1 Zimbabwean domestic firm |
| **Roles in firm** | 2 CEOs, 1 MD, 3 Financial Directors, 3 Directors of Marketing, 4 heads of HR, 5 heads of Production and/or Operations, and 4 various others, e.g. head of New Business Development and of Strategy |
| **Group interview duration** | Average: 95 minutes (standard deviation: 69 minutes, shortest: 44 minutes, longest: 253 minutes) |
| **Solo interviews** | |
| **Industries of firms** | 5 Agribusiness, 15 finance, and 17 retail |
| **Country of location of firms** | 9 each in Nigeria, Botswana, and Kenya, and 10 in Zimbabwe |
| **Country of origin of firms** | 10 South African MNEs, 7 European MNEs, 5 Zimbabwean domestic firms, 4 Nigerian domestic firms, 1 Nigerian nascent MNE, 3 Kenyan nascent MNEs, 3 Kenyan domestic firms, 2 Botswana MNEs, and 2 Botswana domestic firms. |
| **Roles in firm** | 14 CEOs, 5 MDs, 2 Financial Directors, 22 heads of HR, 14 heads of Production and/or Operations, 6 of Marketing and 5 various others, e.g. heads of Corporate Affairs, Sales etc. |
| **Solo interview duration** | Average: 62 minutes (standard deviation: 20 minutes, shortest: 21 minutes, longest: 117 minutes) |
| **Demographics of all interviewees** | |
| **Countries** | 19 Botswanan, 20 Kenyan, 24 Nigerian, 27 Zimbabwean |
| **Race** | 76 black, 10 white, 4 brown |
| **Gender** | 59 male, 31 female |
| **Total** | 90 |

Data gathering was guided by a semi-structured interview guide. The guide consisted of two sections. It started with firm-level questions about one of five areas: the overall management of the firm (answered by CEOs and country directors), and the management of operations, people, customers and social responsibility respectively. At that start of the interview, we asked people about their core responsibilities, and then decided which set(s) of questions to use. In group interviews, we asked questions about all the represented areas. The interviews concluded with questions at the individual level of analysis.

We wanted to develop a baseline understanding of business and management practices in Africa. Questions were anchored on specific incidents. For the firm-level, functional sections, marketing executives were for example asked to think of and explain why an important client/customer group was lost (and the same for a client/customer group won) and HR executives about the types of challenges typically experienced by employees and how the firm tried to respond. Other questions dealt with how interviewees thought the firm was perceived in the environment, and they were asked to describe key relationships (suppliers, competitors, other MNEs, people outside of the organization including family, government, society etc.) and how those relationships functioned. The questions at the individual level of analysis sought to get an understanding of who executives were. Table 4 displays that section of the interview protocol.

Table 4. Section with individual questions from interview protocol.

| | |
|---|---|
| **1** | Describe one of your more "typical work days" in the last week from beginning to end. |
| **2** | **ADDED if people already mentioned religion: (How) do you incorporate your religion in the daily management activities at work? Do you also involve your team members and employees? If yes, how and when?** |
| **3** | **ADDED if people did not mention religion: (How) does religion play a role in your life? In your work?** |
| **4** | **Describe something that happened recently at work in which you felt either very successful or quite unsuccessful? How did you respond? What happened next?** |
| **5** | **When people look at you, what do you think they see about you? How do you see yourself?** |
| **6** | **On a personal level, how did you grow to become the leader you are today?** |

Interviews had already been concluded in Botswana, and it was only halfway during interviews in the subsequent country, Zimbabwe, that we started paying attention to the recurring mentions of various matters related to religion. A retrospective analysis of the interviews conducted in Botswana revealed that religion was also an important recurring theme there. As a result of the apparent importance of religion, a follow-up question was added in subsequent interviews (see Table 4.) The section where executives were asked to describe a typical workday had already frequently resulted in people describing religious practices such as prayer or meditation. For people who had described a religious practice, we asked a follow-up question about the role of religion in their lives. For people who had not included a religious ritual in their description of their typical workday, we asked whether (and if so, how) religion played a role in their life.

Table 5. Mentions of different dimensions of religion*.

| Country | Total number of executives interviewed | Number of executives who described religion as important in their work life | Executives mentioning religion as a source of meaning | Executives mentioning religion as a way to deal with remediable institutional dysfunction | Executives mentioning religion as a way to deal with non-remediable institutional dysfunction | Total mentions of different dimensions of religion, faith, belief, God and related concepts |
|---|---|---|---|---|---|---|
| **Botswana** | 19 | 10 | 4 | 1 | 0 | 32 |
| **Zimbabwe** | 27 | 8 | 5 | 5 | 5 | 30 |
| **Kenya** | 20 | 13 | 9 | 3 | 7 | 69 |
| **Nigeria** | 24 | 13 | 5 | 3 | 2 | 43 |
| Total | **90** | **44** | **23** | **12** | **14** | **174** |

∗In this paper, we only focus on how executives used religion as an institution guiding business. In addition, executives frequently expressed thanks to God, expressed how God has guided them in their professional life, highlighted how their leadership has been shaped by their religion, explained how they sought God's help, e.g. with employees or personal issues, and so on.

This change resulted in somewhat richer data gathered on the role of religion in Kenya and Nigeria. Due to time constraints, we were not able to follow up with research participants in Botswana and Zimbabwe who were interviewed before we discovered the role of religion in business. But even when we did not actively probe, many executives provided rich information on the role of religion in their work-life. Moreover, many examples were mentioned in response to questions about the firm, and not only in response to individual-level questions. Table 5 gives an overview of mentions of religion across the interviewees, and specifically how religion was used as an institution. We left out topics that are not related to this paper, e.g. how executives linked their religion to their leadership.

We had not selected interviewees on the basis of their religious orientation and were expecting some Muslim respondents in Kenya and Nigeria. Although Islam was mentioned as one of the dominant religions in their region, most executives in Kenya and Nigeria identified as Christian. However, executives frequently communicated a shared and inclusive understanding that there is one higher power or God. One Kenyan sales director of a domestic agro-processing firm explained:

*We have to have one belief and that belief does not depend on whether you are Muslim or Hindu or Christian; it is knowing that there is a bigger being.*

In our analysis we show that religion-specific practices and views did sometimes matter, but this type of commonly expressed view, in addition to the fact that almost no mentions were made of formal religious institutions like churches suggest that we captured the lived experience of religion, rather than its formal institutional manifestation.

Collecting data from multiple executives located in the four selected countries who were managing different organisations operating in finance, agribusiness, and retail was one way of achieving data triangulation (Denzin, 2017). In this study, we used the converging evidence in data triangulation to improve the robustness of the construct and internal validity (Yin, 2018). Thus, multiple insights gathered from the participants contributed to the formation and interpretation of the study's key constructs which are how the normative and cultural-cognitive dimensions of institutions are used to deal with remediable and non-remediable institutional dysfunction. These constructs are discussed in the data analysis and discussion sections. Internal validity is discussed in the next section.

### *3.5. Data analysis*

Following the guidance by Eisenhardt (1989), we conducted within- and across case analysis. We commenced with the within-case analysis (Yin, 1981) to ensure that the narratives of each case were aligned with the study's research question. The approach to the within-case analysis was to first immerse ourselves in the data by having several conversations about the emerging insights from each country during the data collection process, as we were reviewing the transcripts, and before continuing to the next country for data gathering.

We anonymized and grouped the transcripts according to the different countries, and also focused on the industry and country of origin of firms. The second author started with the analysis, while the first author validated the results, based on the theoretical lens of the study. Within each country, we focused on executives' explanations of how religious beliefs influenced their day-to-day business management. Second, we identified concepts, categories, and themes per country. Broadly, these themes brought to light how religion contributes to people making sense of and attributing meaning to their work environment, navigating through the prevalent difficult macro-economic conditions, and mitigating some of the institutional challenges such as requests for bribes. Finally, we used the results to formulate a preliminary data structure, which was the basis for the cross-country analysis.

The cross-case analysis was based on Gioia's analytical framework (Gioia, Corley & Hamilton, 2013). Using this framework strengthened the rigor of our inductive data analysis, and showed the connections of the emerging concepts. One of the assumptions of Gioia's approach is that participants are “knowledgeable agents”, so allowing the participants to freely talk about their experiences led to the discovery of religion as an institution in a context with institutional inadequacies. The analysis was conducted in three levels, starting with the first order-concepts, followed by second order themes, and lastly, aggregate dimensions.

In the first level of analysis or open coding, we adhered to the participants’ terms that emerged from the raw data. More than fifty primary concepts such as hope, peace, resisting temptations, not lying, and glorifying God emerged from the data. We noted a range of differences and similarities between the concepts or open codes. Concepts that had similar meanings were grouped into second order themes or conceptual categories, and we removed those that did not have any theoretical traction (Grodal, Anteby & Holm, 2020). Thus open codes that were related to not stealing, not coveting what others had, resisting telling lies and paying bribes, and so on were all grouped to form a second order theme labelled “resisting temptation”.

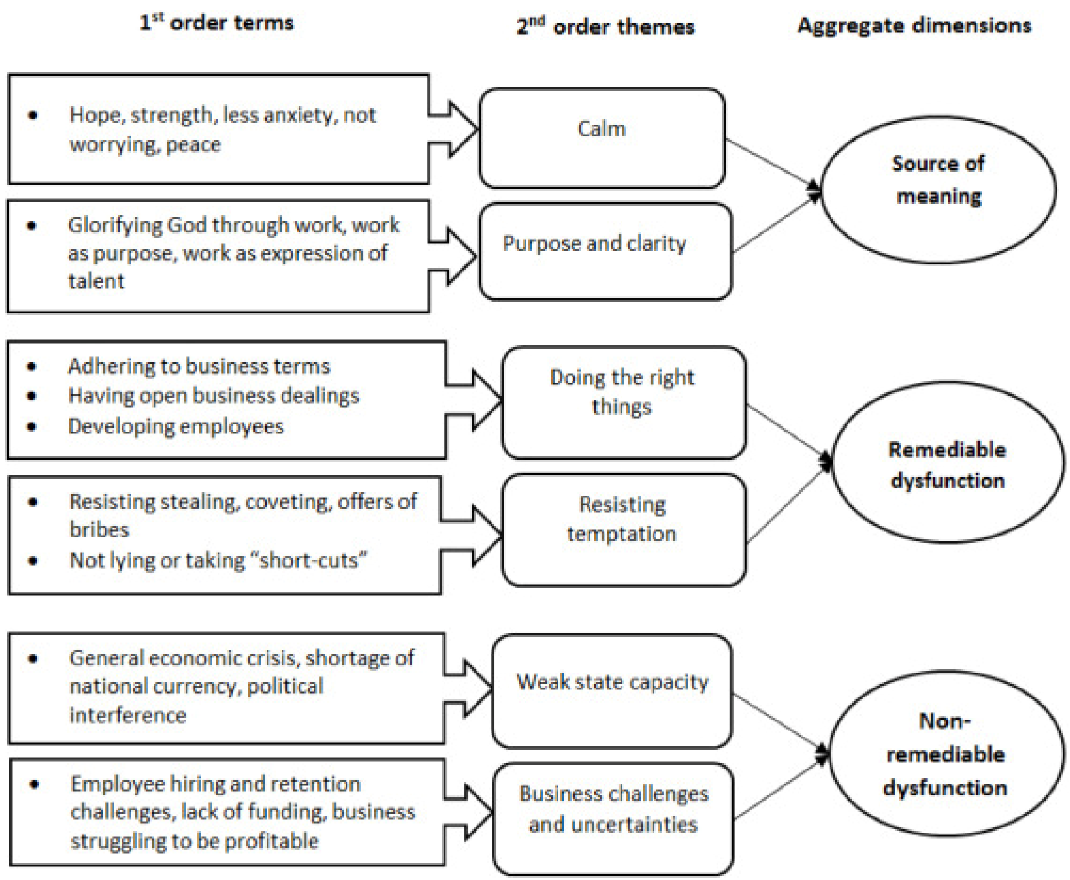


**Fig. 2.** Outline of data structure.

The developed second order themes were deemed adequate to formulate “aggregate dimensions” (Gioia et al., 2013). Fig. 2 displays the data structure that emerged from the analysis. The first aggregate dimension reveals that religion is an important source of meaning that provides participants with a sense of purpose and stability. The second aggregate dimension positions religion as a mechanism to deal with the remediable dysfunctions in the environment, i.e. when it is possible to behave in a pro-social way, even when institutions do not support such behavior, specifically when there is widespread corruption. The last dimension highlights religion as a way to make sense of the non-remediable dysfunction in the organization and broader business context. With non-remediable dysfunction, we refer to negative elements that executives or firms cannot rectify, such as unpredictable or non-responsive governments.

During the data analysis, we used replication logic (Yin, 2018), resting on the expectation that the different countries were likely to yield similar findings on religion as a source of meaning and as a way of responding to remediable and non-remediable dysfunction. The internal validity of our study was ensured by conducting pattern matching and also noting the differences that each case exhibited (Eisenhardt, 1989; Yin, 2018). As we identified patterns, we noted that some of the aggregate dimensions were more pronounced in some contexts than in others. For example, there was less evidence of requests for bribes and how executives used their religious beliefs to turn them down in Botswana than in Zimbabwe. Upon this realization, we examined this finding across the country cases and discovered that religious beliefs tended to be more prominent the weaker the institutional conditions in the country.

We then tried to understand if the differences were somehow also related to the industry in which a firm operated, or to the country of origin of the firm, trying to determine if each case followed the same pattern (Yin, 2018). Involving multiple researchers in the data collection and analysis process, known as investigator triangulation, helped us to cross-check our observations and to ensure accurate reporting of the findings (Eisenhardt, 1989). After data gathering in each country, we shared our views which enriched the descriptions of the organizations we visited and the settings surrounding the cases (Creswell, 2013). As we were articulating and making sense of our findings, we shared them with experienced scholars to validate the constructs that emerged from the data (Gibbert & Ruigrok, 2010). Sharing the results provided us with further clarity on our thought processes and reinforced our key arguments.

In the next section, we discuss our findings.

## 4. Findings

Our evidence suggests that religion is indeed an important “meaning system” (Suddaby, 2010) that provides “stability and meaning to social life” (Scott, 2013:56) for many of our interviewees across Africa. Moreover, this institution shaped not only their lives generally, but also specifically informed how these senior executives thought about and conducted business. To the extent that religion represents a belief in an all-powerful higher being, it is hardly surprising that it affects all parts of the believer's life, but we contribute to scholarship by examining how religion plays the specific role of an institution in business.

### *4.1. Within-case analysis*

As we examined the four countries, some within-case differences became evident. These differences were typically associated with political and economic challenges experienced in the countries.

The institutional dysfunction and economic devastation of Zimbabwe was the most extreme that we studied. Religion was often mentioned – indeed, it was during data gathering in the Zimbabwean setting that we realized the importance of religion for Africa executives. Industry seemed to make some difference to how firms experienced their environment. In the Zimbabwean agro-processing industry, firms explained that the government recognized the potential role they could play in countering food insecurity and hunger. This suggests that they experienced the institutional environment at least to some extent as remediable, and we did find comments suggesting that religion mattered in dealing with remediable dysfunction. In contrast, a “non-essential” industry like retail seemed to experience its institutional environment as so dysfunctional that it could hardly be remedied.

At the time of data gathering, Kenya experienced political uncertainties related to the election of a new president with challenging macro-economic conditions depressing business confidence. References to religion as an institution were made mostly by retailers, an industry that was experiencing particular pressure. For example, we observed in various media outlets mention of an “elephant on its knees” and an “elephant no longer at ease”, with reference to a Kenyan retailer that had an elephant as part of its logo. Religion was invoked for instances of institutional dysfunction that were perceived both as remediable and as non-remediable.

In Nigeria, most of the religion-related comments were made by executives working in the financial services sector. The country was dealing with the aftermath of a currency crisis that happened because lower global oil prices had resulted in an increasingly unsustainable peg with the US dollar, and the financial services sector was bearing the brunt of that crisis.

Botswana is institutionally the best developed of all four countries, and we were reassured by the general absence of comments regarding institutional dysfunction. Although a number of executives saw their religion as a central source of meaning in not only their lives, but specifically their work, only one reference was made to remediable dysfunction, an executive who mentioned petty corruption (officials asking for food hampers). In another case, an executive in Botswana made what we coded as a cultural-cognitive response, but it was not in response to institutional dysfunction. Instead, his comment had to do with the natural environment. Reeling from a drought, he commented: “God controls the rain. You don't control the rain.”

These patterns suggested that religion was more salient when the institutional environment was particularly challenging. It also suggested that firms used religion differently under different circumstances. We thus turned to cross-case analysis.

### *4.2. Religion as an institution that provides meaning*

Our first proposition is a general one: That religion provides believers with a sense of meaning and stability in the course of doing business. Numerous companies reported using prayer to open or close the day (“we deal with a lot of challenges, we deal with a lot of emotions during the day, so we need to be strong and we need to ask guidance from our Lord”) and one firm asked God's blessing whenever it launched a new strategy. Multiple quotes from respondents suggested that their religion gave executives a sense of confidence, peace and inspiration in executing their professional obligations. In all, religion seemed to function as an enabler, consistent with Scott's observation that institutions not only serve to control and constrain action, but also to “support and empower activities and actors” (2013:58). Table 6 provides illustrative quotes across the four countries.

**Table 6.** Religion as a source of work-related meaning.

| Botswana | Nigeria |
|---|---|
| *God has blessed me with the ability to give, so I can only give as much of myself as I can every day to my stakeholders. Now who are my stakeholders? It is my shareholders, my customers, the people… suppliers. All of them are stakeholders in our business and I have to engage with all of them every day. (South African MNE, Agro-processing, CEO)*<br><br>*Today I can see that the God was overlooking me, directed me, you know leading me so that I am here today. (South African MNE, Retail, HR Director)*<br><br>*For you to be a clever lady you have to fear God first, so that there is this thing that God will like. (Domestic firm, Agro-processing, Operations Director)* | ***Your faith helps you to be more insightful, more committed, more focused, less anxious, it just builds you up as a person because you know that while you have inherent skills and everything, but you just know that you are doing this for the glory of God and that in everything that you do it is not just about you it is about God. (South African MNE, Financial Services, Operations Director)***<br><br>***I am grateful to that spiritual force. […]The moment I took my role right now in this company there was something that came up in my head from a meeting and what I heard inspired me take a drive on that path, but it is looking like it is working right now. So to that Being I just said: "Thank you for bringing this into my head, that I do". (Domestic firm, Agro-processing, Sales Director)***<br><br>***So we are strong believers that God is with us, and that is our belief definitely (European MNE, Retail, Operations Director*** |
| Zimbabwe | **Kenya** |
| *So what I have found is the deeper you understand the Christianity and God, the better you are at executing your duties for business. (Domestic firm, Agro-processing, Financial Director)*<br><br>*God is the most important [for getting me this far] (European MNE, Financial Services, HR Director)*<br><br>*When we launch a strategy, we call a pastor or priest, to bless the strategy and to give us the strength to execute it. (Nascent MNE, Agro-processing, CEO).* | *When you have peace, then even if you have issues maybe from home and from work, then you are able to make decent decisions. Many people will have problems at home and bring them to work, or you have problems at work and you take them home but when you are praying you have peace and you are able to differentiate the two. (Domestic firm, Retail, Store Manager)*<br><br>*It shaped a lot of my own thinking around nothing is impossible, and in fact, don't worry – God is in the business, and don't worry you can fight this as an individual with God's help. (Nascent MNE, Financial Services, Marketing Director)*<br><br>*We will come in the morning and we pray, we will spend an hour, we close activities and then we pray […] I think the benefits are this, one you are able to know that we all believe in a great being, in that place because that greater being has allowed me to be that. To know that in the hierarchy in that organization, we are all the same because we believe that there is a great being. (Nascent MNE, Agro-processing, Sales Manager)* |

### *4.3. Religion in an institutional environment where dysfunction is potentially remediable*

It is hard to overstate the corruption-related challenges faced by some of the executives we interviewed. In countries with widespread hunger, various firms dealing with perishable foodstuffs needed to decide whether to pay bribes to officials to allow them to access imported staple foods, or to resist the temptation to pay bribes – and let the food go to waste.

Two firms in the context of cash-scarce Zimbabwe needed to decide whether to illegally procure materials to keep operations going, or to procure only the limited quantities allowed through legal means, but knowing that such a course of action would require of them to retrench employees in a country where the formal unemployment rate was estimated as somewhere between 90% and 95%, although no reliable evidence exists[1]. Their religion provided an "anchor" to help executives make decisions in those fluid situations. The CEO of a domestic Zimbabwean agro-processing firm explained his position:

*You need that anchor because you can often… you need to be flexible here and because things change and they are fluid… Someone who is living in the UK may have a very clear sense of right and wrong. You know, it can be very split down the middle. Whereas here you can start to sometimes lose sight of your sense of right and wrong. Should I deal with this person because of what they've done previously? So your… You refer back to that [your religion] a lot, I find, as you go. Not always an easy path to chart.*

We found that across the different countries, there was no difference in how executives relied on religion to respond to what they perceived as a form of remediable dysfunction in the institutional environment, namely corruption. The word "should" was often used, and strictures of religious texts (mainly the Bible, given that respondents were predominantly Christian) were frequently mentioned, either overtly or by invoking Biblical verses or language ("covet another man's property"). They often referred to the "temptations" for people to "take shortcuts" or "cut corners". They referred to bribes in terms of "unscrupulous activities" and "compromises" and invoked considerations of "right and wrong". In addition, respondents used phrases like spiritual background/perspective, conscience, ethics, values, faith and oath. Clearly, religion was seen as a normative institution in the face of remediable dysfunction. Table 7 provides some illustrative quotes, arranged by industry.

**Table 7.** Religion and remediable dysfunction in the institutional environment.

| Financial services | Agro-processing | Retail |
|---|---|---|
| *Aligning people and making sure that they do the right thing… because we live in a society where taking shortcuts is very tempting. […] In a society that professes a very high level of Christian level, if I may call it that, but those Christian principles don't apply when temptations arise in the office and for me it is a struggle. You get the feeling that religion is just a defense; it is not something they believe in their heart, or* | ***So from my spiritual background, for me it is ethics. It is ethics, building a character on how to resist, because in Zim there are a lot of bribes going on and a lot of unscrupulous activities going on. And for me to be able to say no to that… It is not easy to say no, especially when you are running a business, there is always that temptation to take shortcuts. (Zimbabwe, Domestic firm, Financial Director)*** | ***I think Christianity is very strong in me. It is one of our biggest values.... I struggled with in the beginning when I got here, because I would get border agents coming to me: "Where is my parcel?" Because the franchise would give, would operate completely differently and they [border agents] would get hampers and we don't do that. It's strictly business. (Botswana, South African MNE, General Manager)***<br><br>***I can say maybe as a Christian*** |

| | | |
|---|---|---|
| *if they do, it is something that evaporates and needs a recharge. (Kenya, Domestic firm, CEO)*<br><br>*You see, one of the things I go for here is that openness for us. Here there is no hidden agenda, and we don't try to cut corners. The reason is because I have a name and a value I present and that is what I present to my people. […] I'm a Christian and a strong one for that. I am not a pastor, but I am a minister of the gospel. (Nigeria, Domestic firm, CEO)*<br><br>*There are certain things you cannot do because of your faith. For instance, it says you should not covet another man's property. (Nigeria, South African MNE, Operations Director)* | ***It is also an issue of conscience, of right and wrong. We are one of few companies that is not afraid to say it in public. In some companies it is not politically correct to say you are a Christian but not here. (Zimbabwe, Nascent MNE, CEO)*** | ***that there are commandments of the Bible that say you should not steal, you should be obedient, so my theory is all those people who work under me they know what they should do and not do. If the Bible helps us to move on, they need to have spiritual growth, it helps us, so maybe some people won't do something contrary like steal. (Kenya, Domestic firm, Store Manager)***<br><br>***So I always take up my strategies from a Biblical principle. I always want to develop the complete human being. So having a personal interest, you need to feel for people: you can't be insensitive in environments like this. If you are insensitive, people will take you out. They will steal from you, they will do things that will catch you up in business. (Zimbabwe, South African MNE, Operations Director)*** |

We probed to see if industry mattered, but there was no systematic relationship between industry and how the institutional environment was perceived. However, we noted that none of the executives of European MNEs mentioned religion as a way of dealing with the remediable institutional dysfunctions in the environment, although executives of South African MNEs did.

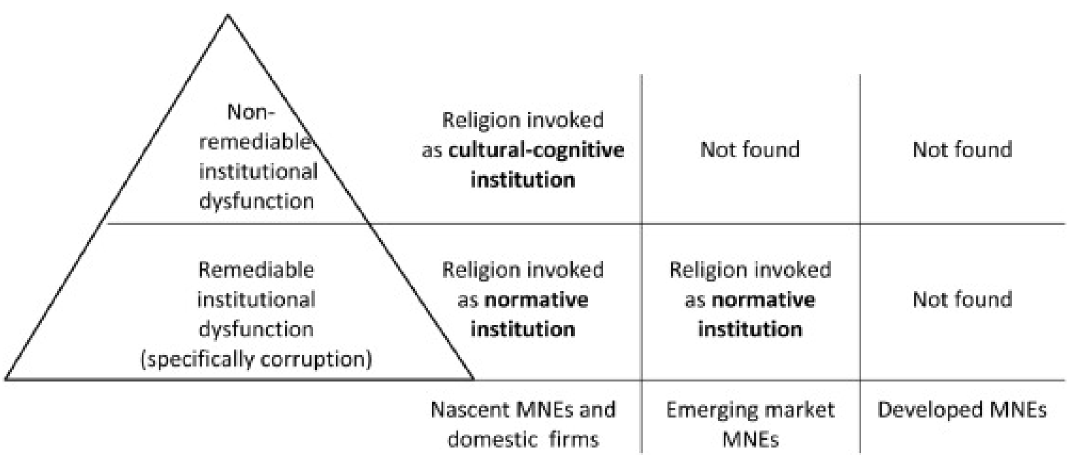


**Fig. 3**. Role of religion as an institution governing business in Africa.

This pattern not only persisted when examining non-remediable institutional dysfunction, but actually strengthened. None of the executives of foreign MNEs, whether developed or emerging, mentioned religion as a response to non-remediable institutional dysfunction. In fact, very few of them seemed to experience the institutional environment as similarly fraught compared to executives who were working for domestic firms or nascent MNEs that were present only in other (often even institutionally weaker) African countries. Where the institutional environment was perceived as suffering from non-remediable dysfunction, the only people who mentioned religion were the executives of the local firms. In those cases, religion functioned as a cultural-cognitive institution. Fig. 3 summarizes the pattern that we observed.

### *4.4. Religion in an institutional environment where dysfunction is non-remediable*

When executives shared perceptions that the dysfunctions in the institutional environment were non-remediable, they mostly spoke about the uncertainty posed by the environment.

*You have those regulations, not respected by themselves [policymakers] and then they change the law. There are many laws that can be changed overnight, so the uncertainty is from that perspective where they change laws willy-nilly. No country or no investor is going to be comfortable. (Zimbabwe, Domestic firm, Retailer, Chairperson of the Board)*

*Last year was a terrible period because when things are politically induced, you have absolutely no control and you feel a bit helpless coming to work. You don't know what to do next, because every day has its own surprises. So that was really a bad thing. (Zimbabwe, South African MNE, Retail, Operations Director)*

*In this difficult time, there is that sense of hope because the company has been through the journey before and we have quite a number of remnants who have been there through the seasons, changing seasons. So there is the sense… element of hope, but again, there is the uncertainty. The challenge comes in marrying the two. Yes, there is the hope, but there is still uncertainty (Kenya, Domestic firm, Retail, HR Director)*

Probing revealed that there were multiple sources of the pervasive sense of uncertainty. Respondents spoke about weak policies, underdevelopment and social tension. Thus their sense of non-remediable dysfunction did not map precisely onto extant characterizations of institutional weakness, other than underline the strong negative effect of uncertainty (Barnard & Luiz, 2018).

There was no mention of religious texts like the Bible or expectations of appropriate behavior when executives spoke about non-remediable environmental dysfunction. Instead, prayer was the most salient response. Executives reported praying on their own and in groups at their organization. They reported how prayer supported the perceived resolution of their challenges, e.g. the Treasury Manager of a Nigerian financial services firm commented that after a night of prayer "like magic" the problem was solved. Executives also reported using prayer to help them accept painful situations, e.g. the various Zimbabwean executives who commented that prayer helped them when needing to retrench good employees in order the save their firms.

In these cases, religion served not to concretely guide action, but instead provided a set of shared beliefs, certainties and understandings. Yet it was an important part of the institutional dimension of religion, as it provided executives with a way to accept, and it seemed, to persevere in the face of severe challenges. Religion was thus key in creating in executives the conviction that continued action was both possible and meaningful. Table 8 provides some illustrative quotes.

**Table 8.** Religion and non-remediable dysfunction in the institutional environment.

| | |
|---|---|
| Botswana | Nigeria<br><br>***This is testimony. There was a time when we were in a tight situation and then there were some midnight prayers going on at that point. I wasn't really part of it, I am more part of working with the challenge that we had. And that night I joined actually in the night prayer, and the next day before 10 am like magic it happened. (Domestic firm, Financial Services, Treasury Manager)***<br><br>***In a nutshell, truly it has been a problem in this country, this tribal issue, but I think it is high time for us to begin to have this orientation that it has nothing to do with tribe, it is an individual. If we keep on saying tribal, tribal issues we will not get to where we want to go to. For instance, if I've known that it is an Igbo company from Day 1 would I say, "no, I am not going there"? That would have hurt me. I know it is a problem in this country but I believe by God's grace, especially when you start preaching, let people's orientation change, and that it will help us. (Domestic firm, Financial Services, Marketing Director)*** |
| Zimbabwe<br><br>*I prayed to God first because I thought that I could never have done it [cut US$ 1 million from payroll] without that wisdom that comes from above. Because how do you deliver that without cutting jobs? […] You don't want to wake up in the morning, come to work and just hunt for who can I remove, so that I can save. (Domestic firm, Agro-processing, HR Director)*<br><br>*When we went through the worst [when land redistribution resulted in sales dropping to less than 5% of the year before], some junior staff members, prayer warriors, just emerged. Over lunchtime you would hear them singing and praying. We didn't attempt to stop it. […] There's nothing that we do before we pray. (Nascent MNE, Agro-processing, CEO)*<br><br>*So for me it [faith] has affected how I deal with other people. The most challenging thing, morally, that you have to deal with is to let people go. Because it is not necessarily on poor performance that you have to let them go: it is guys that performed well. (Domestic Firm, Agro-processing, Financial Director)* | **Kenya**<br><br>*I remember there are some documents we were actually expecting from government, and I remember the first time when it was really important that we get it. I remember K asked one of our team members to pray and after that prayer there was to be a meeting. I think there was to be a board meeting, and then there was to be a meeting with the government and then we received the document. In as much as it was not as detailed as expected, but at least we received it. (Nascent MNE, Retail, HR Director)*<br><br>*Actually we had gotten to a point whereby we thought this company was cursed somehow, because everything that we put our efforts towards achieving something just comes by and it cut the process. Maybe that is when he told us there is one thing we need to do, we need to pray and pray hard. Why? Because there is a demon amongst us. (Nascent MNE, Retail, Operations Director)*<br><br>*It shaped a lot of my own thinking around nothing is impossible, and in fact don't worry: God is in the business, and don't worry, you can fight this as an individual with God's help, (Domestic firm, Financial Services, Marketing Director*) |

As noteworthy as the challenges mentioned by the executives of the local firms, whether domestic or nascent MNEs, is the almost-complete absence of such challenges from the comments of executives working for foreign MNEs. We explore this further in the discussion section.

## 5. Discussion

By taking a micro-perspective and theorizing the experiences of executives in their often challenging institutional environments, this paper makes three contributions to institutional theory. First, by offering a manager-centric perspective on institutions, and specifically religion, we can see that for the people living and working inside them, it is more useful to characterize institutions as dysfunctional than weak. Moreover, it mattered whether such dysfunction was perceived as remediable or not. Second, we theorize some implications of religion as an institution guiding business. Finally, we show how institutional duality provides important resources to subsidiaries in uncertain, institutionally dysfunctional countries. We discuss these contributions in turn.

### *5.1. A micro-level perspective and institutional dysfunction*

Kostova and Marano (2019) point out that most analyses of institutions rely heavily on indicators drawn from secondary data sources. It is hardly surprising that those indicators measure the extent (from weak to strong) to which there is rule of law, economic freedom, business-friendly policies and the likes. But managers on the inside of what can be categorized as “weak institutions” understand their world differently. Our evidence suggests that what matters most to them is whether and how they are able to conduct business in that environment. On this basis, we differentiate between perceptions of remediable and non-remediable institutional dysfunction, namely whether managers believe they can (or not) somehow mitigate the dysfunction.

We can quite clearly explain the essence of what constitutes non-remediable institutional dysfunction: An institutional environment that is perceived as pervasively uncertain. Studies (e.g. Hansen, Langevang, Rutashobya & Urassa, 2018; Sartor & Beamish, 2020) are increasingly pointing to uncertainty as central in weak institutional environments. Indeed, Barnard and Luiz (2018) find that business responded more negatively to the uncertainty accompanying the post-Apartheid reforms during Mandela's tenure than to the problematic institutional context preceding it.

Remediable dysfunction is a broader category, and in our study, the most prominent example of remediable dysfunction was corruption. It can perhaps be expected that an illegal manifestation of institutional weakness, corruption, will be salient in a study that focuses on religion. But corruption is not the only or even main type of remediable dysfunction. Institutional entrepreneurship in less developed contexts is often directed at existing institutional dysfunction (Becker-Ritterspach, Lange & Becker-Ritterspach, 2017), and there is evidence that institutional entrepreneurship sometimes (to some extent) helps to remedy those dysfunctions, e.g. the absence of an environmental protection system in China (Child, Lu & Tsai, 2007) and pollution in Mexico (Forcadell & Aracil, 2019).

More work is needed to flesh out the categories of remediable and non-remediable dysfunction. But perhaps the more important question is not so much what are those dysfunctions, but what drives (some?) managers to feel that they have the agency to seek to remedy (some?) of them. Luiz and Stewart (2014) show how executives from South African MNEs who claim to lack agency in combating corruption tend to reinforce the norm of corrupt activities. In explaining how he stopped corrupt practices, an executive from Botswana explained that “Christianity is very strong in me”, suggesting that the strength of his faith was central to his ability to counter corruption. What else drives the development of that sense of agency? How executives develop the conviction that institutional dysfunction is either remediable or not is an important area of future research.

### *5.2. Religion as an institution guiding business*

Religion represents a codified, cross-national institution. Across the world, members of religious groups congregate at regular intervals at designated spaces that are open to all who share that belief. Even though it is known that a shared religion can act as a source of social capital abroad (Elo & Volovelsky, 2017), religion as an institution governing business, and specifically business across borders, has hardly been studied.

We show how religion acts as an institution guiding the actions of believing executives. Our findings are consistent with research on the role of Islam in business negotiations in Malaysia (Richardson & Rammal, 2018), where Islam was described as "a way of life" and a guide in business negotiations. But although evidence on the role of religion in business and management is scarce, it is not limited to emerging and developing countries. Indeed, we want to suggest that the role of religion as an institution that provides not only common beliefs but also shared logics of action deserves additional scholarship, not just in Africa, but also in other emerging and developing countries, and indeed beyond.

Extant scholarship has documented various ways in which religion operates as an institution. The effect of religion is strengthened by the presence of a greater number of believers, whether in the context of the decision to stock fair trade products (Salvador, Merchant & Alexander, 2014) or in the pricing of auditors (Leventis, Dedoulis & Abdelsalam, 2018). The sense of religion as an empowering institution likely underlies many of pro-social actions of believers from developed economies, such as the religiously-motivated buyers (Doran & Natale, 2011) and sellers (Cater, Collins & Beal, 2017) of free trade goods.

Religion is often found to be beneficial. Thus it is associated with greater honesty in business in arguably one of its most stringent tests – the reporting of earnings. Greater religiosity is associated with less overstatement of earnings, a clearer statement of liabilities and fewer irregularities in firms' financial statements (Dyreng, Mayew & Williams, 2012; McGuire, Omer & Sharp, 2012).

But at least some of the hesitance about considering religion in business is likely to stem from the fact that religion does not always play a positive role in business. Some studies suggest that religion is a problematic source of distance (García-Muiña et al., 2020; Jiménez et al., 2019). Our work offers examples of both an exclusionary and inclusive use of religion as an institution.

Although religion can have a formal institutional dimension (Turner, 2010b), e.g. through Sharia law in the case of Islam, we did not focus on its formal dimension, but only on religion as a lived experience. We did not ask respondents about any formal religious involvement, and a number of interviewees pointed out that members of various religions were represented in their organization. Yet when they were confronted with remediable dysfunction, there seemed to be a distinction between more and less "acceptable" religions. Thus one Christian store manager in Kenya commented about his Muslim employees that "even the Quran prohibits one from stealing, so they have to be guided by those, you know the fear of God." The normative power of religion seems tightly interwoven with the authority of a specific religion and its associated texts and commandments.

To the extent that religiosity becomes a part of self-identity with associated role expectations (Weaver & Agle, 2002), it is not surprising that believers are exclusionary in how they make sense of the strictures of their own versus other religions. It is also possible that the preference for one religion over another stems essentially from familiarity – Xu et al. (2017) found that native religions performed better than foreign religions as alternative sources of authority. But there is also evidence that different religions use different decision-making logics. Case studies of Muslim and Christian family firms in the same country, Lebanon, show that the Muslim firms preferred a rule-based approach and the Christian firms a principle-based approach to deal with ethical issues (Fathallah, Sidani & Khalil, 2019). It is critical for scholars to develop a better understanding of the complex relationship between personal religious beliefs and their application in a diverse, multi-religious world.

Ironically, religion was most problematic and potentially divisive when it was used to address dysfunction that was potentially remediable. When dysfunction was seen as non-remediable, religion was used in a far more inclusive way. God was invoked without reference to a specific religious denomination. Mention was instead made of a higher power and a divine being. As the sales director of a Nigerian agro-processing firm explained, “I'm using the word 'spiritual being', because I'm not sure everyone uses God. God is who I am referring to, actually.” Because executives did not attempt to “use” religion to address business challenges, but instead used it as a general, shared frame of meaning, i.e. as cultural-cognitive institution, they reduced the risks associated with excluding non-believers or people with different beliefs.

Uncertainty is central to both the use of religion as a cultural-cognitive institution and in the definition of non-remediably dysfunctional institutional environments. The work on religion in entrepreneurship (e.g. Elo & Volovelsky, 2017; Henley, 2017) also emphasizes religion in the context of uncertainty. Given that religion is used in a more inclusive way when it is seen as a mechanism to help deal with uncertainty, better understanding that link seems like a meaningful avenue for future research.

### *5.3. Institutional duality as a support in institutionally dysfunctional contexts*

Our work on firms that are well-represented on the African continent, but with different institutional heritages and backgrounds sheds important light on MNEs and institutional duality. MNEs per definition need to deal with institutional duality (Kostova & Roth, 2002), because the different parts of the MNE network are situated in different institutional contexts. Especially when the parent is from an institutionally better developed country than the subsidiary, this duality is often considered a challenge requiring trade-offs (Beddewela, 2019; Hillman & Wan, 2005; Nell et al., 2015; Zhang et al., 2016). Our evidence suggests that this is not always the case.

Institutional dysfunction places at risk the operations and indeed survival of subsidiaries (Getachew & Beamish, 2017) and local firms alike. But the resources of the MNE are critical. The subsidiary of a foreign MNE has both financial support from the parent, and the knowledge that the subsidiary is part of a portfolio within which decisions about strategy and ultimately its survival are made. Therefore, the decision about whether or not the unit will survive only partially lies with local executives. Both developed and emerging MNEs can provide supporting resources, although the more developed the MNE, the more extensive its resources (Gammeltoft et al., 2010) and thus the support it can provide.

In contrast, the executives of local firms are directly exposed to institutional dysfunction. They need to procure materials (with sometimes unavailable local currency) and transport them (using often-crumbling infrastructure staffed by corrupt officials) to sell to a generally poorer market under often-turbulent macro-economic conditions – without the support of a powerful parent. Nascent MNEs with operations in neighboring countries are not immune from these pressures, because their own resource base is still limited, and the institutional conditions in their host countries comparable to or even worse than their own.

Therefore, the most noteworthy difference between respondents in how religion was used was not between countries (except for Botswana, which did not have the same level of dysfunction as the others), or industries as much as between local and foreign firms. The (African) executives working for developed MNEs from Europe, even when those executives self-identified as religious, did not rely on religion as an institution guiding how they did business. The executives working for South African MNEs sometimes used religion as a normative institution when encountering remediable institutional dysfunction in host locations. But only domestic firms and nascent MNEs used religion as a cultural-cognitive institution when confronted with non-remediable institutional dysfunction.

To explain this in practical terms: The Africa-based subsidiary of a European MNE most likely has access – and can make reference – to organizational codes of conduct about how to respond to corruption, such as requests for bribes. The acknowledged importance of the DMNE to the development goals of the country (Narula & Dunning, 2010) means that local executives can ask senior executives from the parent or even home country diplomats to intervene if institutional dysfunction threatens operations, rather than attempt to deal with local bureaucrats themselves. Thus executives working for the European MNEs experience less pressure to respond to corrupt behavior, and religion becomes concomitantly less important as an institution guiding their business behavior.

South African MNEs can to some extent provide access to an additional set of institutional conditions, but those guiding institutions may not be (perceived as) much better developed than what exists in host countries. EMNEs do well in other institutionally weak countries partly because of the learnings from their own weak institutions (Cuervo-Cazurra & Genc, 2008) and EMNEs may in fact through their actions exacerbate the institutional challenges that they face (Luiz & Stewart, 2014). In all, the executives of South African MNEs may not find much value in referencing a code of conduct of their organization when confronted with corrupt business activities abroad, even if such a code exists. Relying on religion as a normative institution is likely to be more effective.

Previous literature has provided ample evidence that the institutional complexity of the MNE makes it hard to manage the MNE (Hillman & Wan, 2005; Kostova & Roth, 2002; Tempel et al., 2006). In particular, there seems a burden on subsidiaries to reconcile the demands of their host country with expectations of the parent (Ahworegba, 2018; Beddewela, 2019; Holm et al., 2017; Kim et al., 2018; Nell et al., 2015; Zhang et al., 2016).

Our evidence provides a different perspective. From the perspective of subsidiaries in institutionally weak environments, institutional duality is an important resource. It provides access to better developed institutional contexts, and thus mitigates some of the challenges experienced in the local country (and by the local firms). Access to a better-developed institutional environment has been found important for EMNEs internationalizing into developed economies (Barnard, 2021; Barnard & Luiz, 2018; Luo & Wang, 2012), but how this plays out for the emerging and developing country subsidiaries of developed MNEs has yet to receive scholarly attention.

## 6. Conclusion

By examining how executives from foreign and local firms operating in four sub-Saharan African countries draw on their religion to respond to pressures from remediable and non-remediable institutional dysfunction, this paper deepens our understanding of institutional theory.

In Africa, business tends to take place between religious people (Pew Research Center, 2017) who live in a challenging institutional environment (Bratton, 2007). We use a sociological understanding of institutions as a source of meaning and stability (Suddaby, 2010) to argue that religion is a normative and a cultural-cognitive institution (Scott, 2013) that governs business in Africa. In-depth interviews with 90 executives working for domestic firms, nascent MNEs, South African MNEs and European MNEs across Botswana, Kenya, Nigeria and Zimbabwe revealed the importance of religion. Many executives explained their religion as a source of a sense of purpose and clarity in executing their professional obligations. But their religion often did more than provide a sense of meaning to executives: It was also a way of dealing with the dysfunctional African institutional environment.

Religion played a normative role when executives from African (including South African) firms were confronted by remediable dysfunction, specifically corruption, in the countries we studied. In the absence of well-functioning regulatory institutional regimes, religious tenets and texts provided an alternative source of authority that executives could use to counter expectations of corrupt behavior.

Religion also acted as a cultural-cognitive institution when executives were faced with non-remediable institutional dysfunction. Where countries were experiencing macro-economic uncertainty, political tension and non-responsive governments, executives invoked religion to make sense of the challenges that they were experiencing. This was done inclusively, with reference to a collective “divine being”. Religion was not used to counter or manage challenges and uncertainties; instead, religion served to underline their inevitability.

It was however noteworthy that the only executives who used religion in such a cultural-cognitive way were working for local firms, even though all our interviewees were African (rather than expatriates), and almost all self-identified as religious. We suggest that executives from foreign MNEs are sheltered from the non-remediably dysfunctional local institutional environment because the foreign MNEs – even emerging MNEs – provide a range of alternative and potentially better institutions for them. Thus we provide evidence of how subsidiaries in emerging and developing countries benefit from the complex institutional system of the MNE (Kostova et al., 2008), advancing work on institutional duality.

We are mindful that this paper is exploratory, and that it raises many questions that need more robust examination. We observe the intent to use religion in a normative way, but do not know whether and if so, how this (potentially divisive) practice goes beyond lip-service and actually results in some remedy of institutional dysfunction. The selective use of religion as an institution by executives working for South African MNEs and its non-use by executives working for European MNEs is telling. We infer that the superior institutional home context of the MNE is itself a resource for subsidiaries that operate in institutionally dysfunctional contexts. However, we cannot rule out alternative explanations, for example an organizational culture within which it is unacceptable to discuss religion in an organizational context, even when executives self-identify as religious. Our suggested propositions need to be quantitatively tested to strengthen the theoretical robustness of our claims.

Our sample focuses on Africa, and mainly on Christian executives, challenging the generalizability of our findings. This also creates many opportunities for future research. As a first step, there is a need for research on the functioning of other religions in business and management, not only from monotheistic traditions like Christianity, Judaism and Islam, but also from polytheist traditions like Hinduism.

An important contribution of this paper is to explain how religion functions in an institutionally dysfunctional part of the world. But Africa is not the only part of the world where institutions do not function well, and scholarship can be enriched by studies examining how religion functions as an institution in other such regions with similar religions to Africa (e.g. the predominantly Christian Latin America), with other dominant religions, e.g. in various Asian regions, and across those different contexts. How different religious beliefs, motives, and practices support the normative and cultural-cognitive roles of religion as an institution if the religion already manifests as a regulatory institution, e.g. Sharia law in the case of Islam, is also a potentially fruitful area for future research.

Religion is not limited to institutionally challenging contexts. What role does it play in developed countries? The studies on religion in business suggest that religion can be a driver of pro-social behavior (Cater et al., 2017; Doran & Natale, 2011; Dyreng et al., 2012; Leventis et al., 2018; Salvador et al., 2014 McGuire et al., 2012). However, because religion is not well studied in business and management (Tracey, 2012), there is little systematic engagement with how religion functions in firms. Our research does not show the meso- and macro-effects of religion, leaving space for future studies to explore the organizational and national factors that explain the adoption or abandonment of religion as an institution guiding business. In this regard, it is perhaps relevant that we focused on C-suite executives. Future research should also explore whether and how religion is accepted and endorsed by other levels of management or employees.

In the context of international business, it is worth noting that the dominant religion from the home country of an MNE may be the same or different to the dominant religion in a host country. For example, how do deeply religious African managers, customers or employees perceive a Chinese versus an Indian versus a European MNE? In other words, should religion be considered part of how we conceptualize distance, and if so, how? It seems intuitive that divides would exist between different religions, but Richardson and Rammal (2018) found that not only a shared religion, but also the shared experience of being religious could be a bridge between people. This suggests that the distance experienced between people of different religions does not necessarily follow religious boundaries.

Understanding this complexity could help address one of the most consequential limitations of our work. Our study generally provides evidence of the “positive” side of religion as an institution, but evidence exists that religion does not always result in such positive outcomes (Jiménezet al., 2019). Future studies are needed to also examine the challenges that are encountered in promoting religion within an institution, and specifically how and when religion can be a dangerous institution.

Our issues need to be better understood before they can be fully taken on board by practitioners. However, we can already conclude that religion matters in business, especially when the formal, regulatory institutions are weak. The comments from executives often suggested that they did not make a distinction between their religion and their work. To the extent that companies insist on a religion-free workplace, they may be denying the firm the benefit of the sense of meaning and purpose that religion provides their employees. At the same time, when religion is a central source of authority guiding pro-social behavior, it can be dangerous. Such normative authority stems from one particular religion, and in a multi-religious workplace, that can be divisive. We observed a number of firms where all employees shared the same religion. But in most cases, it seems that firms may be better off if they use religious principles to develop organizational guidelines and texts, rather than rely directly on the strictures of a given religion.

We contribute to a small but growing body of work on religion in business (Tracey, 2012). We make a contribution to international business research by qualitatively and at the individual level (Kostova & Marano, 2019) examining the normative and cultural-cognitive pillars of institutions, pillars that are typically understudied in the field (Kostova et al., 2008). Our work raises important questions; questions that we hope the field will continue to investigate.

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