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## **THE ROLE OF INSTITUTIONAL CONTEXT IN CORPORATE DIPLOMACY: SDG 16 SOLUTIONS FOR REFUGEE INTEGRATION**

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### **INTRODUCTION**

Multinational enterprises (MNEs) can contribute solutions to global challenges (GCs) through a variety of activities and initiatives, combining both market and non-market logic with civil society organizations (CSO) and governmental partners (Sun, Doh, Rajwani, & Siegel, 2021). Yet despite growing agreement within international business (IB) and management scholarship that MNEs play an important role in addressing GCs (George, Howard-Grenville, Joshi & Tihanyi, 2016; Van Tulder, 2018), there remains scope to understand how a firm's home and host institutional settings impact the ways in which it engages in such activities, by reconciling theory and context (Welch, Paavilainen-Mäntymäki, Piekkari & Plakoyiannaki, 2022: 8). This is particularly salient for GCs that require MNEs to engage in forms of corporate diplomacy in the international arena.

Given the relative nascency of corporate diplomacy literature (Henisz, 2014), and the concept's potential for normative development (Fort, 2015; Westermann-Behaylo, Rehbein & Fort, 2015), this paper theorizes how the concept of corporate diplomacy may be impacted by the institutional settings of an MNE's home and host countries, by exploring differences in MNE efforts to engage in corporate diplomacy with respect to refugees. Scholarship has not yet investigated whether the different ways in which MNEs engage in corporate diplomacy may be affected by different structures of society and government. This paper, therefore, aims to address this gap by theorizing how the corporate diplomacy practices of MNEs related to refugee integration - and in turn their collaborations with CSOs and governments - are impacted by the institutional setting. To do so, it builds on concepts from the literature on Varieties of Institutional Systems (VIS) (Fainshmidt, Judge, Aguilera & Smith, 2018), and Pestoff's (1992) discussion of the differing logics in relationships between business, government, and civil society. Through this approach, the paper contributes to the extant literature by highlighting the ways in which business, along with state actors and CSOs, can generate social impact on the issue of refugee integration. We conclude with suggestions for further research to deepen scholarship at the intersection of corporate diplomacy and GCs.

## **THEORETICAL BACKGROUND**

Across the varied bodies of literature, corporate diplomacy can be understood as occurring between not only firms, but also other sovereignty-free non-state actors, including international organizations (IOs) and CSOs, such as social and religious organisations and concerned individuals (Bolewski, 2007: 100), either within their own nation state or abroad (Saner et al., 2000). As a result of interdisciplinary scholarship and limited consensus on what corporate diplomacy entails in terms of how it is conducted and its objectives (Westermann-Behaylo et al. 2015), a plethora of perspectives have emerged, which can be classified according to three overarching categories, namely, market-oriented (or instrumental), societally-oriented (or proactive), and state-oriented corporate diplomacy.

Market-oriented or instrumental corporate diplomacy can be considered as a “practice through which senior managers build and maintain relationships with external stakeholders in order to deliver on the greatest needs or objectives of those stakeholders in a way that delivers shareholder value” (Henisz, 2014: 12). Through this perspective, market logic embodied by profit maximization plays a key role in the activities and approaches firms undertake. A state-oriented approach to corporate diplomacy emphasizes the implications of geopolitical tensions and IR theories on corporate activities and approaches (Li et al., 2022: 1010- 1011). Such an approach incorporates market and nonmarket (political and social) strategies that both respond to and shape country diplomacy and international relations, and is embodied by the national logic of state interests (ibid). Lastly, a societal (proactive) approach to corporate diplomacy sees MNEs initiating engagement and taking direct leadership of collaborative efforts to fill governance gaps and the resulting institutional voids in the firm’s host environment (Westermann-Behaylo et al., 2015). This societally-oriented perspective may be further amplified by MNEs that engage in the direct leadership of collaborative efforts to address governance gaps, through activities that fall within the realm of political corporate social responsibility, peace-building and peace-making (Westermann-Behaylo et al., 2015), and involve external stakeholders such as local public sector groups and CSOs (Henisz, 2016: 187).

Based off the three aforementioned perspectives on corporate diplomacy, namely, market based, state based, and societally based, firms may choose to engage with different stakeholders to varying degrees, depending on the economic context, cultural norms, extent of stakeholder pressure (Amman et al., 2007) or level of fragility or stability (Jamali & Mirshak, 2010) of their host country. Corporate diplomacy by MNEs, therefore, can be implemented both instrumentally as well as proactively, in line with the continuum of corporate diplomacy proposed by Westermann-Behaylo and colleagues (2015).

## **CONTEXTUALIZING CORPORATE DIPLOMACY: INTEGRATING INSTITUTIONAL SYSTEMS**

While there has been some debate in scholarship about the nature of activities and goals of corporate diplomacy, to date, the literature has not fully considered how the context in which corporate diplomacy takes place can impact the activities and goals of the firm. This is particularly apparent with regards to the firm’s level of nationalism, instrumentality or proactivity as discussed above, especially in the context of grand challenges. Differing priorities and logics can impact how the state, markets, human capital, social capital and corporate governance are organized and how they engage with one another. Pestoff (1992) suggests that

business, government and civil society must work together to achieve societal goals. Pestoff's framework envisions the relationship between business, government, and civil society as a triangle, where the actors are interdependent, but each has its own specific roles, goals, and logics, as displayed in Figure 1.

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 Figure 1 about here  
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The relationship between business, government and civil society can also be understood through the varieties of institutional systems (VIS) construct, which considers how societies are organized. It refers to the different structures, norms, and rules that shape the functioning of institutions, systems of economic organization, and the conduct of business (Fainshmidt et al, 2018). The VIS framework provides a beneficial lens through which to understand the ways in which GCs are addressed in different country contexts. Although the three most important societal actors – namely, governments (states), firms (markets) and civil society (communities) – play different yet complimentary roles in different country contexts, societal triangulation can provide further insight into corporate diplomacy activities concerning refugee integration and support (Van Tulder, 2018: 50).

We, therefore, advance the literature (Van Tulder, 2018; Pestoff, 1992), by adapting the concept of societal triangulation to account for different institutional contexts, in which governments (states), firms (markets) and citizens (communities) play different roles. We propose a new form of societal triangulation that accounts not only for more diverse institutional settings (Fainshmidt et al, 2018), but also aims to highlight the ways in which MNEs can engage in corporate diplomacy, across a continuum ranging from instrumental to proactive activity (Westermann-Behaylo et al., 2015), with varying degrees of state intervention.

## **RESEARCH APPROACH**

This paper adopts a “contextualized explanation” approach to understand and explain our focus phenomena in different settings (Welch et al., 2011; Welch et al., 2022). Through contextualized explanations to advance societal triangulation (Van Tulder, 2018; Pestoff, 1992), we aim to overcome the challenges associated with an overemphasis on generalizability and provide the requisite weight to contextual sensitivity, particularly within understudied regions (Welch et al., 2011; Fainshmidt et al., 2018). We advance this perspective by addressing the following research questions, namely how do MNEs engage in corporate diplomacy to provide solutions to refugee integration? And how are these activities impacted by their home and host institutional settings? Through this approach, we aim to reconcile theory with context and incorporate both interpretive and positivistic perspectives (Welch et al., 2022: 9). By combining existing theoretical frameworks and empirical observations across different locations in the form of case studies, this abductive approach enables us to identify patterns and influences upon the observed corporate practices. Propositions on the role of home and host institutional settings are advanced in the paper alongside societal triangulation to illustrate how firms may engage in corporate diplomacy to develop solutions for refugee integration and support.

## CONTEXTUALIZED EXPLANATION

### **Mastercard and Inkomoko's Involvement in the Global Compact on Refugees**

Due to conflict in neighboring countries such as the Democratic Republic of Congo and Burundi, Rwanda has become home to over 149,546 refugees, with the majority living in refugee camps (Global Compact on Refugees, UNHCR, 2023). During the Global Compact's Leader's Summit on Refugees in 2016, the Government of Rwanda committed to improving the livelihood opportunities, documentation, education and healthcare of refugees, particularly for those living in camps. To fulfill these commitments, the Government has received support from UN agencies, NGOs and other CSOs, as well as the private sector, through the Global Compact on Refugees. Mastercard, an American financial services company from an LME market context, and Inkomoko, a Rwandan company focused on training, advisory and low-cost financing to entrepreneurs, provide examples of corporate diplomacy within a fragmented fragile state (Fainschmidt et al., 2018) institutional context.

To support sustainable livelihood opportunities for refugees in camps in Rwanda, Mastercard has contributed to educational opportunities with CSO partners, including free English language courses and the development of leadership and management skills. The aim is to provide refugee youth with a "visualization of something that leads them to work and an action plan to guide them toward achieving it" (Mastercard Foundation, n.d.). The company aims to explore refugee inclusion and engagement within the Rwandan private sector, by preventing the spread of misinformation that can hinder refugee employment (ibid). Much of the company's work takes place with local partners such as Inkomoko, who are able to recognize local needs and voids, yet may require additional financing and partnership to facilitate their mission. Additionally, much of Mastercard's work is done in reference to initiatives such as the SDGs and international partnerships, which allow for global dissemination of their work. Through these initiatives, Mastercard is able to support the emergence of a stronger business community, in line with the market logic of the LME market-based institutional context, however adapted to the Rwandan context.

As a Rwandan company, Inkomoko works with micro and small-scale entrepreneurs across Africa, including refugees (Inkomoko, 2023). With a focus on helping refugees in Rwanda achieve social and economic independence, Inkomoko takes a proactive approach to addressing challenges that fall beyond the typical purview of companies, to support the Government and CSOs in their efforts to address institutional voids. The company's efforts are largely focused within Rwanda, however in recent years they have expanded to Kenya and Ethiopia, and work with over 10,000 entrepreneurs per year, with aims of creating positive livelihoods impact for over 7 million people by 2030 (ibid). Through business advisory services and access to finance and market linkages, the company aims "to support entrepreneurs to create thriving communities," with the support of many partners, including foundations, private sector companies and government agencies (Inkomoko, Rwanda, 2023). As a company originating in a fragmented with a fragile state institutional context, Inkomoko's efforts aim to address the institutional voids that persist between the state, civil society, and the private sector. By focusing on both market and societal/community-oriented logic and with the support of other external actors such as Mastercard and UNHCR, Inkomoko is able to address these voids, across boundaries that blur the spheres of private and non-profit activity.

*Proposition 1: In a fragmented fragile state institutional context, foreign firms from an LME context may be willing to engage in corporate diplomacy in a way that is consistent with the local developmental state logic but still within market logic.*

*Proposition 2: In a fragmented fragile state institutional context, local firms from a fragmented with a fragile state context may be willing to engage in corporate diplomacy that goes beyond market logic and into the realm of civil society and international organizations (i.e., UNHCR).*

These propositions, concerning the corporate diplomacy efforts of both Mastercard and Inkomoko, are illustrated below in Figure 2.

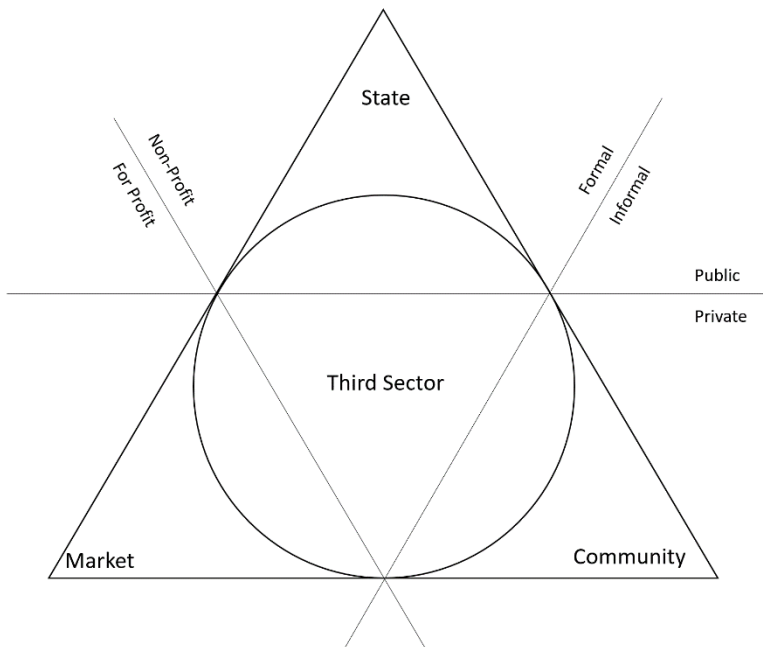
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Figure 2 about here  
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## **DISCUSSION & CONTRIBUTION**

In seeking to explain how institutional settings impact how a multinational enterprise (MNE) will engage in corporate diplomacy with CSOs and governments to develop solutions to the issue of refugee integration, this study makes three contributions. First, we contribute to the research on corporate diplomacy, which has not yet sufficiently grappled with the implications of context in relation to the nature of actions firms may take. Second, we develop the literature on the varieties of institutional systems by considering the implications that these variations may have on corporate action, and more specifically corporate diplomacy on GCs across contexts. By focusing on refugee integration and support, we aim to contribute to advancing examples of multinationals' solutions to societal GCs through international business activities. Finally, through societal triangulation and the development of propositions, we develop a body of contextualized explanations of corporate diplomacy on the issue of refugee integration and engage in comparisons to shed light on the institutional factors that may influence corporate diplomacy activity. Key to our argument is the realization that solutions are reflective of both their home and host contexts and that firm corporate diplomacy activity may take a multiplicity of forms, depending on the state, market and societal logics of each respective context. These findings are particularly pertinent for studying how MNEs collaborate with CSOs, governments and other actors to address GCs, such as those pertaining to refugee integration.

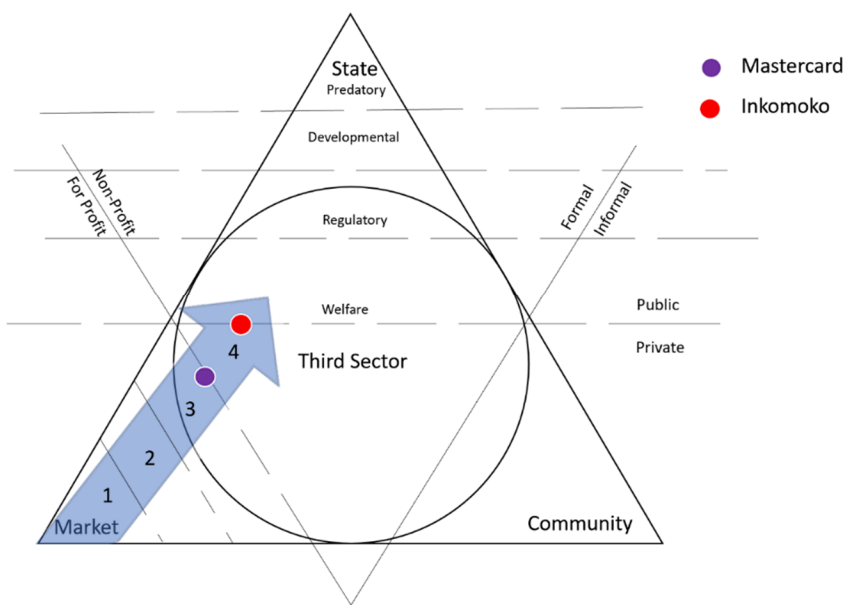
## **REFERENCES AVAILABLE FROM THE AUTHORS**

**FIGURE 1**  
**Societal Triangulation Based Off Pestoff's Triangle**



(Adapted from Pestoff, 1992; Van Tulder, 2018)

**FIGURE 2**  
**A Societal Triangulation of Mastercard & Inkomoko's Corporate Diplomacy Activity**



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