Institutional and Cultural Implications on Internationalization Analysis of Multinational Firms

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Abstract

This paper is aimed to analyze some of the institutional and cultural implications on internationalization analysis of multinational firms. The analysis begins questioning what the main institutional and cultural variables are considered in the involvement of internationalization of multinational firms. To answer this question, firstly it is reviewed the literature on internationalization of multinational firms based on institutional and cultural frameworks to find the main research tendencies. Secondly, these institutional and cultural variables are analyzed to integrate findings. Considering some findings of the reviewed literature on institutionalism and culture, this paper centers the analysis on the implications of intangible capital, learning and innovation on multinational firms. This paper also explores a more dynamic and multivariable approach to organizational culture to explain the complexities of multicultural distributed teams and contextual factors on performance of multinational firms. While doing so, the paper reviews the involvement of organizational culture in internationalization processes of multinational firms centered on strategic alliances and joint ventures and the creation of a third culture of management and leadership styles. Finally, it is discussed and concluded the need to design a better institutional and cultural balance among the development of a glocal-regional transformation, convergence and governance**.**

Keywords: Institutional variables, cultural variables, internationalization, multinational firms.
JEL: B52, F21, F23, M14, M16.

Introduction

To take advantages of the global economy, multinational firms must learn how to manage a wide variety of institutional, organizational, governmental, etc., relationships. Among other institutional variables, some academics have referred to poor infrastructure, lack of institutional capacity from the government and a sound enabling business environment as challenges posed to multinational firms that may become part of the solution contributing to the prosperity of society in developing economies (Peinado-Vara, 2005).

Regarding some cultural variables that have some effects on the performance of multinational firms, scholars have proposed some static and dichotomous perspectives based on some demographic variables and cultural dimensions.

The market-centered approach, the institutionalism and cultural approaches and the resource-based theory are the theoretical frameworks that can be used as an integrated theoretical approach to explain the internationalization processes of new multinational firms and business groups. Here, in this paper it is analyzed some institutional variables such as the outflows of foreign direct investment, influence of government policies, governmental institutional arrangements, etc. Considering some findings of the reviewed literature on institutionalism and culture, this paper centers the analysis on the implications of intangible capital, learning and innovation on multinational firms.

Later, this paper explores a more dynamic and multivariable approach to organizational culture to explain the complexities of multicultural distributed teams and contextual factors on performance of multinational firms. While doing so, the paper reviews the involvement of organizational culture in internationalization processes of multinational firms centered on strategic alliances and joint ventures and the creation of a third culture of management and leadership styles.

One of the most important orientations that multinational firms have to face when making decisions to compete in foreign economies is based on the implications of local-global culture of corporate social responsibility strategy. Finally, this paper also discusses and advances some conclusions based on the tendency towards a development of a glocal-regional institutional and cultural transformation, convergence and governance**.**

Institutional framework

Institutionalism and evolutionary economics approaches consider firms as dynamic economic agents of economic and social institutional networks. Institutional models are used to explain foreign direct investment (FDI) from emerging economies. In the post-globalization period multinational firms face strong institutional arrangements, lower costs of investing abroad, and other inducements. These necessary measures are proper institutional and legal arrangements centered around foreign investment laws and to guarantee a competitive and stable exchange rate mechanism.

Modernization of the economic institutional system of any country fuels foreign direct investment inflows and also outward flows. It has been assumed that foreign investments should be highly responsive to local differences in the investment climate, institutional financial arrangements, rates of return, taxes and other regulations and labor costs. Influence of government policies and other institutional factors such as academic and research and financial institutions are important, as well as supportive structures and network linkages to facilitate trust, cooperation and coordination among entrepreneurs.

Weak governmental institutional arrangements and settings hardly can provide stability in fragile environments but can be compensated by other organizations such as private firms. Prior experience of new multinational firms in emerging economies with weak institutional environment is crucial in the development of capabilities to compete in foreign markets. New multinational firms emerge in less developed economies where the institutional, legal and political environments are weak. This situation may be one of the reasons why the institutional investors maintain a peso exposure and diversify the credit risk of their portfolios away from issuers, the Federal Government and large Mexican corporations.

Intangible capital, learning and innovation

Multinational firms have some specific advantages on ownership of intangible assets and common governance of cross-border value-added operations, internalizing firm's managerial, organizational and institutional dynamic capabilities and locating in a particular foreign market. Multinational firms from emerging economies are adopting soft and intangible capital such as managerial and organizational techniques and skills as firm specific ownership assets besides the institutional and home country specific and internalized advantages to be used across the borders.

Critical activities of knowledge and innovation tend to be retained in home countries despite the ongoing globalization processes. Global brands promoted by multinational firms in global markets can take advantage of affinities with national brands by inducing positive images based on national cultures. Multinational firms identify global knowledge relevant to management across national borders despite the values embedded in national cultures that push for knowledge and expertise operationalized with local adaptation (Sparrow et al., 2004: 110). Management styles having different background in terms of national cultures may result in the emergence of a third culture and redefine the exchange relationships (Pothukuchi et al., 2002; Rodriguez and Wilson, 2002).

In the global and transnational context, transnational learning structures are relevant for the global learning outcomes related to the assignment of tasks and collaborative generation of organizational knowledge among formed committees, project groups, development and diffusion of global and national policies and capabilities, capture and sharing of global organizational culture and best practices. Transnational learning structures through global policy, global culture and best practices, may contribute to global integration using mechanisms based on person to person (Sparrow et al., 2004).

One form of tacit embedded organizational knowledge is cultured knowledge based on the assumptions, beliefs and norms of organizational practices and determined by the globalization priorities. Variations in cultured knowledge in multinational firms are high across the borders in different national settings. National cultures affect knowledge sharing (Simonin, 1999; Yoo & Torrey, 2002). As a mechanism, socialization of cultured knowledge facilitates shared communication and understandings through the surfacing of norms and assumptions (Senge, 1990). As an example, the embedded cultured knowledge can be accessed through the connections of the social network created by the relationships of the expatriates (Nohria & Ghoshal, 1997: 158).

Institutional factors and forces explain how multinational firms organize their knowledge and innovation activities. The institutional environment and organizational contingencies influence the learning structures of multinational firms operating across national boundaries. Transnational learning structures are more significantly to diffuse developing know-how, best practices and core competencies, development of a global organizational culture and in a lesser extent in development and adaptation of global policy (Tregaskis, Edwards, Edwards, Ferner, and Marginson, 2010).

The institutional context plays an important role in shaping organizational learning behaviors of multinational firms. Organizational learning as a dynamic process of the individual knowledge moves through learning structures with the knowledge from the individual, group and organizational levels captured within the organizational processes, competences and culture (Huber, 1991).

The analysis of learning behavior in multinational firms is embedded in national institutional context and the organizational contingencies framed by the institutional and learning theories to explain learning structures across national borders. Transnational social learning structures are a set of cross-national intra-organizational structures based on social interaction that support learning associated with the development and diffusion of global policies, organizational competencies and culture, and best practice and know-how (Tregaskis, Edwards, Edwards, Ferner, and Marginson, 2010).

Institutional forces embeddedness play a crucial role in the supporting learning structures and interactions with learning processes (Lundvall, 1999). Tregaskis, Edwards, Edwards, Ferner, and Marginson (2010) found that the interaction between the institutional and firm-level contexts provide explanations of learning structures used by subsidiaries of multinational firms. Business capabilities at firm-level and institutional arrangements are significant in the transnational multi-level learning processes.

National knowledge and innovation system structures provide continuous interactions between multinational firms and institutional environments. Multinational firms are more likely to adopt national innovation systems for local labor markets in host countries that share similar institutional arrangements (Guerreri & Tylecote, 1997) and technological specialization (Pearce & Papanasatassiou, 1999). The national business and innovation systems are related with national institutional forces shaping the skill systems and technological specialization required by local labor market which also have an impact on the transnational learning systems of multinational firms.

Infrastructural and institutional support structures and intermediary organizations providing resources, technology transfers, financing, etc., facilitate innovation processes based on learning and knowledge processes acquired in the spillovers occurrence (Doner, 2001; and Aoki, 2001). Spillovers have been conceptualized narrowly and always related to multinational firms disregarding the efforts of local firms and supportive factors within the national innovation systems, the systemic infrastructure and the institutional support systems. Spillovers occurrence also depend on absorptive capacities, support institutional structures, trade and interactions, ownership structure, firm size, performance, etc., besides the presence of multinational firms and foreign direct investment.

The suggested alternative framework for complex analysis of spillovers occurrence is an endogenous, evolutionary and institutional model that approaches firms as dynamically embedded and changing economic-social and institutional networks from the perspectives of cluster and network dynamics and technological innovation frameworks of reference.

Culture has a significant effect on knowledge transfer (Sarker, 2005). Firms with diverse international experiential knowledge are more likely to develop and institutionalize dynamic capabilities such knowledge transfer routines. Globally distributed teams share organizational knowledge as the result of individuals learning different cultures and divergent norms and beliefs. Culture of teams has a significant effect on knowledge transfer (Sarker, 2005).

Individuals centered on individualistic cultural values are perceived as transferring more knowledge than those individuals from the collectivist culture. Knowledge transfer routines require be developing and institutionalizing for effective knowledge transferring (Dyer & Kale, 2007).The institutional entrepreneurial ability is related with the skills or know-how needed to operate in the peculiar institutional conditions of less developed countries (Caves, 1996; Lall, 1983; Lecraw, 1993).

Also, it is important to analyze diverse perspectives on dissemination and transference of management practices (Rogers, 1995) management discourse, (Barley and Kunda, 1992) and national, organizational and management culture (Hofstede, 1991; Hampden-Turner and Trompenaars, 1997).

Cultural framework

Culture is defined from the point of view of different perspectives (Jenks, 1993; Stohl, 2001; Ting-Toomey, 1999). Culture is defined as a "patterned ways of thinking, feeling, and reacting," which "Both national and professional cultures come into play" (Gibson & Gibbs, 2006, p. 114). Culture is a set of values shared by a group of people and frequently used to distinguish one group from another (Gibson & Gibbs, 2006, p. 284). "Culture is the set of deep level values associated with societal effectiveness, shared by an identifiable group of people" (p. 474). Culture "includes systems of values; and values are among the building blocks of culture" (Hofstede, 1984, p. 21). "Culture is associated with a unit in which members share a common set of elements-assumptions and worldviews, values, behavioral norms, patterns of activities, and material artifacts" (Rousseau, 1990, p. 160).

Culture infuses meaning and identity into the practices and activities governed by organizations and institutions. Culture is "a history of experiences and concomitant expectations that shape their encounters" (Gibson & Gibbs, 2006, p. 37). Culture is "broadly defined as characteristic ways of thinking, feeling, and behaving shared among members of an identifiable group" (Gibson & Gibbs, 2006, p. 460).

Conceptualization of culture may include multiple nationalities, demographic features, multiple teams and organizational cultures. Culture is a multilayered construct that includes several markers such as nationality and citizenship, national culture, ethnicity, religion, language, etc. Conceptualization of culture is related to salience and how consequential it is (Brannen, 2003; Osland & Bird, 2000). Culture has a complex multifaceted nature (Erez & Gati, 2004) modeled as a cultural mosaic (Chao and Moon, 2005) suggesting a complex pattern of geographic, demographic, ethnographic and associative facets making up an individual's cultural identity.

Culture has been researched in terms of one-dimensional and static views of nationality, gender and race. It is necessary to explore beyond this static and dichotomous perspectives and to move towards a more dynamic and multivariable approached to culture and distribution to explain the complexities of the culture processes and outcomes of multinational and multicultural distributed teams.

Cross-cultural group development is influenced by the multiple cultures and subcultures in distributed team dynamics, processes and outcomes. The model of cultural dimensions presented by Hofstede (1980) provides support for the study of cross-cultural team cultural processes, particularly the individualism-collectivism dimension (Sarker, 2005). The GLOBE cultural project as a theoretical framework on culture identifies the national cultural dimensions of power distance, in-group collectivism, uncertainty-avoidance, performance-orientation and gender egalitarianism. Uncertainty avoidance "the extent to which the members of a culture feel threatened by uncertain or unknown situations" (Hofstede, 1991, p. 113).

Triandis (1995) studied different cultural dimensions and found that individualism-collectivism is the key to understand values, norms, behaviors, norms, etc. (Sarker, 2005, 19). Hofstede (1980) found that individualist oriented cultural dimension, the Mexican culture scored 30 while the US cultures scored 91, the higher in the individualist dimension.

Organizational adaptability may be high for new multinational firms because of their meager international presence and low for more traditional multinational firms because of their ingrained organizational structure and culture (Guillén and García-Canal, 2009). Contrary to traditional multinational firms from developed economies, new multinational firms originated from emerging economies are more dynamic and away from path dependence without deeply ingrained organizational culture, values and structure.

National culture has been depicted as the software of the mind by Hofstede (1980) to explain the different behaviors and logics of people. National culture has an impact on work values and other social factors that affect organizational behavior (Rousseau and Schalk, 2000). National culture is "The collective programming of the mind which distinguishes the members of one human group or category of people from another" (Hofstede, 1991, p. 5). The constructed TMT culture is assessed using a simplified version of the Kilmann-Saxton Culture Gap Survey (Kilmann and Saxton, 1983) that measures behavioral and operating norms as descriptions of what actually happens in the group.

National culture is related to communication, trust and context as it was found on Hofstede's dimensions. Culture may be constructed as barriers that divide individuals. Individuals from various nationalities have different cultural orientations. French and American culturally grounded beliefs about business models and practices contradicted and rejected certain aspects of knowledge held by the 'other' (Baba et al. 2004, p. 573).

The cultural dimensions depicted by Hosftede (1980) can explain cultural differences and subtleties of culture among individuals from various nation-states, so nationality is an indicator of culture. Rao (2009a, b) examines the dimensions of national culture influencing the staffing practices in México and analyzes national cultural dimensions adopting normative equivalences strategies to identify relationship-building with survey-response strategies and their significance. He also identifies the cultural dimensions in the Mexican culture as predictors for predominant staffing practices associated with, and proposes a model for staffing practices related to cultural dimensions.

Cultural distance presents two boundaries, distance and culture that presents critical discontinuities to manage for effectiveness of global organizational contexts (Cogburn & Levinson, 2003, Watson-Manheim, Chudoba, & Crowston, 2002), and constraints to be overcome (Yuan & Gay, 2006). Distance to national cultures may result in partners with longer duration relationships than partners with close distance national cultures (Park and Ungson, 1997 and Pangarkar and Klein, 2001). Distance is also a leadership and trust building challenges for multinational multicultural distributed teams (Oertig & Buegri, 2006) and complicates processes and outcomes (Cogburn and Levinson, 2003) distributions in learning environments (Zakaria et.al., 2004), temporal and spatial distribution of knowledge sharing culture.

Temporality considering time as culture bound and stages in multinational multicultural distributed members are related. Time as culture bound is defined on cultural background (Saunders et al., 2004) by connecting time of an individual is dependent on the interactions with organizations and society.

This third new culture is more inclusive that the two original cultures because it shares a communality of values, mores, attitudes, meanings and actions (Adler, 1980; Casmir, 1993; Starosta and Olorunnisola, 1992, Shuter, 1983, Broome, 1993; Kumar and Andersen, 2000). The emerging third culture is the synthesis of combined elements and components of the two merging organizational cultures. The emerging third culture may be hybrid since the cultural elements and components to be converged, merged assimilated or adapted can be negotiated.

Strategic issues is affected by cognitions, motivations of decision makers and meanings are conditioned on personality traits and characteristic in centralized firms and organizational culture in decentralized firms (Dutton and Jackson, 1987, Kets de Vries and Miller 1986). The development of common grounds of organizational culture is more based on individual competencies than in differences of management traditions and national cultures (Chi Cui *et al.*, 2002, Dollinger and Danis, 1998).

Corporate culture can be created or reformed in a short period of time to transform values and promote organizational change in settings of multinational firms, as for example in the case of TRW (Ashton, 2002, a, b). To create the corporate culture of TRW, it is used compensation incentives and benefits, internal communication, team working and employee development. The emerging third culture is the result of the managers input contributions.

Perez Chavarria (2001) analyzes the creation of common meanings—culture—through formal communication in a multinational Mexican company Cementos mexicanos (CEMEX). Perez Chavarria (2001) has studied the way organizational culture is formally communicated in a Multinational Mexican company (CEMEX assuming that the organizational culture is composed essentially of cultural substance and forms (Trice and Beyer, 1993; Bantz, 1993) to reach the inference of meanings that can be taken as the basis or support of its culture.

Cultural intelligence is the capability that a person has to adapt to new cultures and be effective to bridge activities and issues between two or more cultures. The findings reflect a possible interpretation of the culture that sustains the symbolic reality of the organization.

Davila, Pérez y Habermann (2005, 2001) use organizational culture theory to analyze the basic assumptions, shared values and the behaviors of organizational members in a subsidiary of a Mexican multinational corporation. Culture affects the way “information and knowledge is conveyed and learned” (Gibson & Gibbs, 2006, p. 17). Under the assumption that the economy gains from labor division, differentiation and collective efficiency on firms of one sector cluster between each other developing specialized knowledge reinforced through a common organizational culture (Young, 1928).

Individuals form subcultures based on membership dispersion and the interactions of whom are collocated form norms and cultures. Subcultures in cross-cultural organizations emerge based on nationality and participative decision making and develop on shared national cultures (Sagie and Aycan, 2003). Thus, two subcultures are identified as parts of the multinational, each one with congruent systems of assumptions and values, although opposite cultural patterns.

National culture relates to the effectiveness of distributed team effectiveness, but is less relevant in situations of swift trust development (Jarvenpaa, et al. 1998). Cultural differences among individuals from different nationalities assessed by the cultural dimension (Hofstede, 1980) may affect team effectiveness processes and outcomes. Cultural differences are conceived as ideologies and attitudes influence trust of multinational multicultural differenced teams (Cogburn & Levinson, 2003). Baba et al. (2004) uses this framework based on cultural differences to sustain the ethno history of global virtual teams.

Individual cultural differences configure the development of a third culture to benefit relationships as a mutual an interactive process (Shuter, 1983, Casmir, 1993) of common communicative (Cronen and Shuter, 1983) actions and interactions.

Cross-cultural capital of individual members is essential of global virtual teams’ processes and outcomes (Paul et al., 2005). Virtual teams studied by Kayworth and Leidner (2001-2002), in France, United States and Mexico based on nationality as a cultural index to analyze multiple cultures. In an environment of multiple cultures, nationality of culture is the base of an index of members’ cultures (Oertig and Buegri, 2006).

National cultures influence organizational culture related to teams (Lee & Barnett, 1997; Lindsley, 1999). Organizational culture and team culture are two variables related. Top management team culture is “cultural differences reside mostly in practices, less in values” (Hofstede, 1991, p. 182). The individualism dimension can be used to explain a distributed team context. The formation of team network ties, socio contextual variables are more important than race and sex (Yuan and Gay, 2006).

“In virtual teams, the individualism–collectivism dimension is an important dimension of culture as it reflects the extent to which members are inclined toward teamwork and open to accommodating others’ views” (Paul et al. 2005, p. 190). However, Ancona (1987) sustains that the individualism-collectivism dimension that team members from different nation states are also influenced by the cultural context in which they are engaged confirming that culture is a dynamic and fluid dimension.

Rigid classification based on the nature of national cultures does not explain movements and relocations of populations. A collectivist orientation enhances collaboration. The family, community, governments and firms are institutions in a collectivistic culture. Collaborative cultural orientation is influenced by a more collective oriented culture (Paul et al., 2005). These cultural indicators can explain the decisions of locational distributions of multinational firms.

Multinational multicultural distributed teams imply the consequentiality of culture presenting some other additional challenges (Kayworth & Leidner, 2002-2002). The multifaceted view of culture influence team processes and outcomes in the complexity of distributed teams. Multinational multicultural distributed teams have two layers of complexity for potential influences, the multinational and multicultural and distribution that have on processes and outcomes. The complexities of partial and full distributed teams are related with the complexities of national cultures and subcultures depending of the locations (Orbe, 1996).

Multinational multicultural distributed team focuses on the geographic facet to frame national cultural differences to equate nationality and culture. This approach neglects the dynamic multiplicity of culture. The team composition is an important factor for multinational multicultural distributed teams. When the members of a multinational multicultural distributed teams understand other nationalities' beliefs (Baba et al., 2004) they are effective to share knowledge. However, Goodwin and Halpin (2006) found resistance in multinational and multicultural distributed teams to the development of one culture where there are several pre-existing cultures.

The role of distribution and culture of individuals have influence on team processes and outcomes. Multinational multicultural distributed teams influence organizational processes and outcomes. Multiple cultures and subcultures emerge on distributed teams. National culture and subcultures have influence in the decisions of multinational distributed teams (Oetzel, 1998). Multiplicities of culture and variations in distribution are related to multiple team cultures and organizational cultures. Subcultures as part of the larger organizational culture affect team processes and outcomes when occurring at the team level (Workman, 2005). Despite that the subgroups form subcultures they add to the larger culture of the multinational multicultural distributed team, a culture that it is beyond the face-to-face team.

Multinational multicultural diverse distributed teams have become the norm prevalence in organizational settings of business and governments (Rasters, Vissers, & Dankbear, 2002, Wright and Drewery, 2006). Multinational multicultural distributed teams may have different purposes: to conduct future research (Maruping & Agarwal, 2004), to advice practical recommendations (Harvey et al., 2005). Team members may work and perform effectively "across major time zone differences, across internal business units, and across cultures" (Chudoba, Wynn, Lu, and Watson-Manheim, 2005, p. 280).

Culture encompasses broad national differences to include ethnic, genetic, racial, gender, religion, associations and collectivities, and other demographic characteristics. Besides national culture Paul et al. (2005) have focused on markers of culture and examine cultural diversity and cultural backgrounds and found that more diverse teams develop a more collaborative conflict management style. Culture creates differences in group behaviors and communication. Cultural diversity is represented by differences in backgrounds, life, philosophies, norms, social identity, language, etc.

Culture may be looked at as the degree of heterogeneity and diversity among team members. Chao and Moon (2005) based on the demographic tile approaches cultural diversity and heterogeneity of team's members. Cultural diversity and cultural heterogeneity may strengthen teams if the team members are capable to respect other languages and cultures. Diversity of team members involves the composition of different cultural backgrounds, unit affiliations, skills, etc. Individuals working in multinational and multicultural diverse and distributed teams have diverse national and cultural backgrounds.

Cultural, institutional and individual differences are related to risk and safety attitudes and behaviors in organizations. The meaning of risk and danger in organizational settings are shaped by cultural and institutional differences challenging the assumption that training programs of safety can be applied to any organization within a country and across the borders.

National cultures expressed in values, beliefs and attitudes shape individual marketing behavior and market orientations (Norburn *et al.* (1989). International markets are highly fragmented despite the economic globalization processes due to control variables such as culture, language and other intangible barriers, which in turn may influence the location of Mexican multinational firms. The culture and language-specific attributes of host countries benefit Mexican multinational firms when competing with other home countries that do not share these specific characteristics in investing (Barrios, and Benito-Ostolaza, 2008).

Human beings must be aware of their capabilities to assimilate, contribute, share an experience the new opportunities offered by the exchange of cultures. Full development of human potentialities requires participating actively in experiencing other cultures and ideologies of economic, political and social systems to become more cosmopolitan citizen of the world. Rabbino, H., Chávez, A. and García, R. (s.f.) describe the transformations of Mexican multinationals driven by systems thinking approach to coordinate all the activities while maintaining personal culture.

The enactment of the North American Free Trade Agreement (NAFTA) and the lack of policies focusing to support and encourage entrepreneurship were two important causes that triggered the development of a new entrepreneurial culture. Business community suffers from lacking business culture skills and understanding others cultures. An initiative focused on Mexican culture, the Business Culture in Latin America (BUCLA) provides a solution through e-learning.

This new entrepreneurial culture led to the emergence of business more oriented to international markets. Some medium businesses are developing a transnational business culture, such as the software industry. Hildebrando is the largest software producer that started operations in the 1980s opening the software factory in México City and offices in the three largest cities in México, in Miami and Madrid. Female's migrants confront greater risks of international migration because of a culture of domesticity (Kanaiaupuni, 2000) and the lack of a more entrepreneurial culture oriented towards transnational processes.

Involvement of organizational culture in internationalization processes of multinational firms.

The new multinational firms from emerging economies follow some patterns of development and expansion consistent with the staged theories of internationalization and product life cycle theory besides the tendency to expand in foreign markets that have similar culture.

Organizational culture has an impact on the outcomes and the degree of organizational involvement in strategic alliances and international ventures (Meschi and Roger, 1994; Pothukuchi *et al.*, 2002). The design of organizational cultures incorporates the cognitive diversity of partners and provides intercultural fits between and among the firms structured in international strategic alliances. The design of the strategic alliances own corporative and organizational culture considers the formation of more intercultural oriented relationships cooperation and shared leadership (Rodríguez, 2005).

National cultures are the anchors of organizational cultural that may dilute with the negations of the emerging third culture to define relationships of the new management style, behavioral mechanisms, trust development and access to strategic knowledge (Brannen and Salk, 2000; Casmir, 1993;Barkema *et* *al.*, 1996; Rodriguez and Wilson, 1995, Inkpen, 2000). The intercultural fit makes compatible the involved national cultures in an organizational culture as the determinant of relationship performance (Rodriguez and Wilson, 2002, Rodriguez and Wilson, 1995; Sarkar *et al.*, 2001).

Similarity of national cultures may have less impact on strategic alliances than organizational cultures and compatibility of organizational processes (Brown *et al.*, 1988; Inkpen and Birkenshaw, 1994; Kogut, 1989). Congruence between national cultures and managerial practices influences the strategic alliance performance (Newman and Nollen, 1996; Baird *et al.*, 1990, Davis and Rasool, 1988). Differences between individualist and collectivist value oriented national and organizational cultures as a mind frames may affect the cross-cultural relationships and the nature of managerial and attitudinal interactions in strategic alliances (Chen *et al.*, 1998, a, b.; Hofstede,1980).

Culture influences traits, perceptions and responses of followers to managers and leaders in power positions in strategic alliances. Different national cultures influence the requirements of values in management and leadership styles and practices (Newman and Nollen, 1996, Brodbeck *et al.*, 2000). Culture of the top management members may influence management and leadership style and contribute to the performance of the strategic alliance as a whole (Bettis *et al.*, 1978; Das, 1981).

The interaction and interdependence of national cultures are part of strategic alliances which may combine elements and create a more coherent third culture (Cartwright and Cooper, 1993). An organizational culture functioning as the result of negotiations between values and attitudes to develop a compatible third culture in the organizational context is the critical factor in cross-cultural strategic alliances and joint ventures (Lane and Beamish, 1990; Perlmutter and Heenan, 1986; Teagarden and Von Glinow, 1990). Differences in national cultural values influence the implementation of management and leadership skills in strategic alliances. National culture influences top organizational leadership which in turn permeates the design of organizational cultures and define managerial and leadership styles in the strategic alliance (Hollander and Offermann, 1990; Likert, 1961; Pothukuchi *et al.*, 2002).

Managerial values of complex cultural organizations involved in strategic alliances through social interactions and negotiations between each other shape the nature and shared content of a hybrid new culture (Brannen and Salk, 2000). Management in international alliances face the challenge of reconciles managerial practices based on cultural backgrounds and the corporative and organizational culture.

The management of a multiplicity of meanings in different national cultures may determine the success of strategic alliances in the international global market (Kumar and Andersen, 2000). When selecting partners of strategic alliances, managerial capabilities (Hitt *et al.*, 2000) and management practices which are congruent with their national cultures, organizations improve performance (Newman and Nollen, 1996). However, management practices are more congruent with national culture dimensions such as individualism orientation of innovation in US managers, task support and social relationships in Mexican management practices (Rodríguez, 2005, Newman and Nollen, 1996; Parkhe, 1993; Very et al, 1993).

Managers from different cultural backgrounds developing relational assets in partnerships with international strategic alliances maybe instrumental to develop a new common third culture (Rodriguez and Wilson, 2002) based on individual and structural ties (Inkpen and Beamish, 1997).

Support from the state and implementation of strategies to enter into institutional strategic alliances between different stakeholders and business groups may be only to steps in the right direction for internationalization. Management culture cognition, values and interpersonal relationships dynamics affect the strategic leadership styles in organizations, management decisions and thus, organizational performance (Hambrick, 1989).

The culture of the top management team has effects on organizational performance (Bantel and Jackson, 1989; Finkelstein, 1988; Hage and Dewar, 1973; Tushman *et al.*, 1985). Organizational culture dimensions of Mexican and US strategic alliances are determinants of management rules and social norms. US management style is shaped task innovation in management team culture and manager's personality in emotional stability focusing on long-term planning and emotional responsibility, innovation, personal change and individualist orientation (Rodríguez, 2005).

For example, Mexican-US strategic alliances are shaped by an intercultural fit through a predominant management style framed by national culture and management team culture (Rodríguez, 2005). Rodríguez (2005) found that the organizational culture existing in the Mexican and American alliance is bounded by the values and norms that construct the social reality by management to converge into a third culture characterized by being more participative and consultative style.

Management styles in international strategic alliances with different national cultural dimensions coexist; negotiations for a new organizational culture blend the styles of adaptor and innovator in one common management style. The predominant management styles in strategic alliances are strongly influenced by the organizational culture and are not shaped by national cultures (Rodríguez, 2005).

National cultures of managers are positively related to their management styles in US-Mexican strategic alliances. The US-Mexican strategic alliances are supported by two different national cultures; one belongs to a developed market and the other one to an emerging market. Each one of these two cultures has different approaches to management styles and relationships (Dorfman and Howell, 1988; Hellweg *et al.*, 1994; Pavett and Morris, 1995). Managerial culture in US-Mexican strategic alliances is influenced by top management and leadership styles of both national cultures.

Predominant management styles of Mexican and US managers are converging in strategic alliances where Mexican is trying to be more consultative and US more authoritative. US management is shaped by task innovation in top management culture and emotional stability in manager's personality. Predominant Mexican management style is a function of task support and social relationships as part of management culture focused on short term planning a close working relationships, although not linked to manager's personality and national culture (Rodríguez, 2005).

Mexican management style is not linked to manager's personality and national culture but determined by task support and social relationships in management team culture focusing on short term planning, efficiency oriented supported by group cooperation and friendship, intrinsic collectivist nature shared decision making and work fair assignment (Rodríguez, 2005, Chen *et al.* 1998a, b and Hofstede, 1980).

Managers of joint ventures (JV) may introduce some variations to management control systems of a global multinational firm to institutionalize a global management control system. The global management control system may match technical and institutional criteria to satisfy the logics of JV´s managers. This may facilitates post-acquisition strategy to facilitate integration of new firms to the organizational and work culture.

Local-global culture of corporate social responsibility strategy

Global corporate social responsibility is equally common among all types of multinational firms (Husted, and Allen, D., 2006). Actions of corporate social responsibility may depend upon the processes of institutional isomorphism that are linked to the organizational strategies in the multinational firms conceived as a response to different pressures in their product markets (Prahalad and Doz, 1987). The UN Global Compact provides an institutional structure for global corporate social responsibility issues of multinational firms in partnership with nongovernmental and governmental organizations. Husted, and Allen, D. (2006) conclude that multinational firms are more likely to manage corporate social responsibility according to some institutional pressures rather than an organizational strategic logic.

Multinational corporations have to foster a culture of corporate social responsibility strategy involving all stakeholders to improve the effectiveness of strategic alliances (Weyzig, 2006). Multinational firms from emerging economies are challenged by their firm and country specific institutional distance to face the obstacles presented by foreign emerging markets and economies such as the issues such as social and environmental corporate responsibility (Dunning 2006). Husted, and Allen, D. (2006) conclude that corporate social responsibility conforms to the multinational organization strategy established for marketing activities suggesting that this multinational organizational strategy influences the design of other strategies through institutional processes.

CSR strategy in Mexico as in any developing economy is driven and molded by specific national and institutional factors but private investor initiatives are effectively disempowered (Jamali and Mirshak, 2007). Stakeholders of Mexican multinational firms lack engagement in a strategy of CSR due to a no ideal chaotic environment framed by historical confrontational attitudes and the lack of alliance culture, although sometimes firms may be inclined to make some philanthropic actions. Advancement of CSR in Mexican multinationals requires a commitment on a strong regulatory culture capacity building instead of taking a voluntary approach, more involvement with civil society actors and more public pressure to address specific barriers.

The strategy CSR followed by Grupo Bimbo is part of the natural activities immersed in its culture with internal and external, economic, social and environmental aims. The environmental internal purpose is to create a more environmental friendly awareness culture among its associates and use resources in the most efficient way (Grupo Bimbo, 2009, pp. 1). Grupo Vitro the Mexican glass multinational firm has implemented the CSR strategy in community service activities such as recycling, environmental protection and the promotion of art and culture, supporting schools, development programs and the glass museum in its founding city Monterrey (Paul et al., 2006).

The international organizational strategy followed by multinational firms operating in Mexico in relation to local-global corporate social responsibility (CSR) that guides decision making is to respond to institutional pressures for responsiveness rather than to replicate strategic analysis of social and environmental issues**.**

Discussion: Glocal-regional institutional and cultural transformation, convergence and governance

The term glocal is a short designation mixing the terms global and local and meaning the inextricable interrelationships between both levels of the same scale. Without glocal-regional institutional and cultural convergence, economic globalization processes are complicating glocal-regional governance for the achievement of a more fair and equitable global economy. However, in an era of economic globalization processes, manufacturing and marketing activities are becoming more transnationals and internationals in irreversible tendency while retiring from the nation-states as the dominant institutional frame of reference. Consumers and workers are important stakeholders in multinational firms who can get a position of bargaining over institutional and cultural transformation.

The internationalization of operations and activities of multinational firms are supported by the cultural and institutional geo-centralization affecting the nation-state and the national systems. The tendency to institutional and cultural geo-centralization is not limited to operations of multinational firms but also to other institutions such as operations of labor unions and national governments, education, etc.

An example of this argument is sustained by Teague (2003) who examines a tri-national institutional arrangement the Labor Side Accord of NAFTA called North American Agreement on Labor Cooperation (NAALC). The institutional design of NAALC arrangement for the labor market in a regional trading agreement is horizontal and decentralized but still is required that the three participating economies in NAFTA should adopt a more proactive approach to labor relationships transnational collaboration.

To find a balance among the interests of multinational, regional and local actors involved in internationalization economic processes, it is required new institutional and cultural arrangements in order to develop new forms of governance capable to manage economic growth and development. The new institutional and cultural arrangements should be able to facilitate the integration of investments, financial, technological, manufacturing and marketing activities without ignoring the interdependence with environmental, social, political and cultural variables.

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