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THE NEOINSTITUTIONAL PERSPECTIVE APPROACH FOR DEVELOPING COUNTRIES' COMPANIES' INTERNATIONALIZATION PROCESSES

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ABSTRACT

This theoretical essay seeks to associate the current knowledge of internationalization processes that considers economic aspects as motivators and cultural aspects as barriers, with aspects related to the Institutional Theory. Institutional theory concepts aren't considered thoroughly when dealing with country level variables regarding to internationalization processes, and some authors barely study institutions' influence in the internationalization process of a given company. There was performed a review of literature regarding internationalization processes and institutional theory, and it was complemented by an approach that assumes an institution-based view complementing the industry-based view and resource-based view for internationalization strategy, constituting these three views the strategy tripod. The literature review also considers the influence of the institutional environment when a multinational company chooses the entry mode in a new country. It is concluded that the presence of institutional aspects is, at least, implied when dealing with cultural issues in internationalization processes and cannot be disregarded while aiming the success of such strategies.

Keywords: Institutional theory; Internationalization process; Cultural aspects; Developing countries.

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1 INTRODUCTION

The internationalization of companies from emerging countries (such as Brazil, China and India) and the globalization they have become part are accompanied by the interaction of cultural, organizational and institutional differences, which makes contemporary managers' work more difficult as it requires the adoption of administration practices originated in different cultures and institutional environments other than their own (CHU; WOOD, 2008; FERREIRA; SERRA, 2008; PENG; WANG; JIANG, 2008; PENG; SUN; PINKHAN *et al.,* 2009; ROCHA; ÁVILA, 2015; RODRIGUES; DUARTE, 1997; TANURE; PATRUS, 2011). Therefore, these differences imply the occurrence and the need of organizational changes, reviewing and adapting their way of working, affecting interpersonal, group, intergroup and organizational relationships, and these cultural and institutional differences have to be taken as variables to be considered before competing in global markets (FERREIRA; SERRA, 2008, HOFSTEDE, 2001; PANG; WANG; JIANG, 2008; ROCHA; ÁVILA, 2015).

The way companies' internationalization process takes place varies between mergers, acquisitions and joint ventures. In cases of mergers and acquisitions, the existence of common points between the organizations involved is an important factor for the success of the change process that will occur. When it comes to the formation of joint ventures, the cultural differences between organizations, as well as institutional differences between the countries of origin of each organization, can influence both the choice of entry mode in a foreign country (KOGUT, 1983; ÁVILA, 2015), as how to determine the way to build this alliance. The need of common points among the organizations involved is not limited only to Organizational Culture, but also to the National Culture of the origin countries of the companies involved, because of their influence on the companies' culture (HOFSTEDE, 1993, 2001, 2011, 2013; JOHANSON; VAHLNE, 1977, 1990; KOGUT, 1983, 1988, 2004; RODRIGUES; DUARTE, 1997; TANURE; CANÇADO, 2005; TANURE; PATRUS, 2011).

The difference between the level of economic development of the origin countries of the organizations involved must be considered, and analyze both the implementation of organizational practices considered to be global, but foreign to the culture and institutions of the subsidiaries' host countries (FERREIRA; SERRA, 2008; HOFSTEDE, 1993, 2001, 2011, 2013; JOHANSON; VAHLNE, 1977, 1990; KOGUT, 1983, 1988, 2004; PENG, 2002; PENG; WANG; JIANG, 2008; PENG; SUN; PINKHAN et al., 2009; ROCHA; ÁVILA, 2015), as well as the impact the deployment of these practices has on the organizations. The business culture has an effective influence on the results of international negotiations and ventures, and Rodrigues and Duarte (1997) point out that, although this subject has already been discussed over the last decades of the twentieth century last decades, it is still possible to find out unpredicted problems and conflicts in companies' internationalization processes that are currently conducted. However, giving credit to differences of national cultures for the problems encountered in internationalization processes seems to be the most obvious answer.

In the presented scenario, considering the internationalization process of a company from an emerging country, such as Brazil, in an association with a company from a developed country, there is a chance for organizational and national cultures clashes to occur, which can entail changes in the culture of both companies and conflicts arising from the differences between the institutional environments in which these companies grew. The resistance to these changes will grow proportionally to the lack of consideration for the existing cultural differences (FERREIRA; JOHANSON; VAHLNE, 1977, 1990; RODRIGUES; DUARTE, 1997; TANURE; PATRUS, 2011), as well as to the existing institutional differences (FERREIRA; SERRA, 2008, HOFSTEDE, 1993, 2001, 2011, 2013, HOFSTEDE; MINKOV, 2010, PENG; WANG; JIANG, 2008; ROCHA; ÁVILA, 2015).

If there is considered that the cultural and institutional differences between companies' origin countries that are inserted in an internationalization process contribute to the greater or lesser success of this enterprise, then it becomes necessary to understand its influence in the internationalization of companies. Thus, this theoretical essay aims to associate the current knowledge about internationalization processes (mergers, acquisitions and joint ventures), which consider economic aspects as motivating and cultural aspects as barriers to be faced, to the aspects inherent to the Institutional Theory, sometimes considered to be residual when dealing with variables at the country level in an internationalization process, and not always deepening the study on institutions influence in the internationalization of a company. The contribution of Institutional Theory to internationalization processes will follow the approach of Peng, Wang and Jiang (2008), Peng (2002), Peng, Sun and Pinkhan et al. (2009), which assume an institution-based view as complementary to industry and resources based views, constituting these three views the strategy tripod, necessary when dealing with the decision to internationalize itself and how to proceed with this internationalization, besides of the influence of the institutional environment on the choice of a multinational company for an entry mode into a new country (FERREIRA; SERRA, 2008; ROCHA; ÁVILA, 2015).

This theoretical essay is divided into four sections, starting with this introduction, followed by a brief theoretical review, reaching the discussion, to the final considerations, and concluding with proposals for future work.

2 THEORETICAL REFERENCE

The theoretical framework developed here is divided into: internationalization processes, cultural aspects of internationalization processes, institutional aspects in internationalization processes and the influence of the institution-based view for internationalization processes. This set of subjects will allow to elaborate considerations on how the neoinstitutional theory can contribute to the understanding and development of internationalization processes of companies from emerging countries.

2.1. Internationalization Processes

Foreign direct investment (FDI) is just one of the possibilities for international economic involvement. The company's search for international production is the result of market failures, making it less advantageous for companies to produce only in their home countries to subsequently sell on the international market. Therefore, without the existence of failures of the international market, the reason for international production would cease to exist (DUNNING, 1988; MACADAR, 2009; PINTO; GASPAR; FERREIRA et al., 2010; STAL; CAMPANÁRIO, 2011).

There are three characteristics that enable multinational companies to exploit in a unique way international market distortions: (1) the ability to arbitrate institutional constraints, (2) the capture of information externalities in conducting international business, and (3) the cost savings obtained by the joint production of manufacturing and marketing – scope economies. The creation of free trade zones, with the considerable reduction of tariffs and non-tariff barriers to trade between nations, has helped to minimize these risks, resulting in international strategies (BARNEY; HESTERLY, 2011; CAVUSGIL; GHAURI; AGARWAL, 2002; MACADAR, 2009; PAIVA; HEX-

SEL, 2005).

International strategies are examples of corporate strategies, specifically focused on the expansion of a company's market beyond the territorial limits of its origin country, and as such must meet two value criteria: they (1) must explore real scope economies and (2) must be costly to imitate by competing companies. Scope economies can be created when companies operate multiple businesses and can also be created when operating in multiple geographic markets. By adopting international strategies, companies seek to enable themselves to explore environmental opportunities or to neutralize environmental threats (BARNEY; HESTERLY, 2011; BARTLETT; GHOSHAL, 1989; DUNNING; LUNDAN, 2008). In order for international strategies to be a source of companies' sustainable competitive advantages, they must explore resources and capacities that are both valuable, rare and difficult to imitate, and a company that adopts an Internationalization strategy needs to be organized in order to realize the full competitive potential of its resources and capacities (BARNEY; HESTERLY, 2011; PAIVA; HEXSEL, 2005).

Among the different entry modes in a foreign country, three are highlighted in particular, both for the complexity and the frequency with which they are employed: (1) form a *joint venture*, (2) build a new plant *(greenfield)* or (3) acquire an already existing company. The greater the cultural difference between the origin country of the investor company and the country of entry of this company, and greater the aversion to uncertainty within its organizational practices, the greater the likelihood that the company will choose to form a *joint venture*, or so by building a new plant rather than an acquisition (KOGUT; SINGH, 1988). Entry barriers to foreign competitors can also be created institutionally, raising the influence of the institutional environment in choosing the entry mode into a new country (FERREIRA; SERRA, 2008; PENG; WANG; JIANG, 2008; ROCHA; ÁVILA, 2015).

Mergers and acquisitions have played a growing role in the world economy since World War II. These transactions have intensified due to the reduction of entry barriers to foreign capital in several countries, the insertion of emerging countries into the global market, the end of some monopolies and market reserves, institutional modernization and issues of succession processes in family companies. However, cultural differences between buying companies and target companies have always been particularly problematic. Buying companies need to estimate the cost of organizing themselves to implement a merger or acquisition strategy, and to cash that cost from the value of a target company. Despite this, mergers and acquisitions are still strategies used as a guarantee of companies survival, in order to use free cash flow to solve one of the company's agency problems, and for the existing potential of higher profits (BARNEY; HESTERLY, 2011; TANURE; CANÇADO, 2005; TANURE; PATRUS, 2011).

The formation of a joint venture solves the foreign partner's problems regarding cultural factors, although it has the cost of dividing control and ownership of the company (BARNEY; HESTERLY, 2011; KOGUT; SINGH, 1988; KOGUT, 2004). It is more likely to have joint ventures between large companies than between small firms. This type of alliance is motivated by the search for market power and by synergies between the participating companies (BARNEY; HESTERLY, 2011). There is a positive impact on the profitability of parent companies when they enter a joint venture (BARNEY; HESTERLY, 2011; SEIFERT; CHILD; RODRIGUES, 2012).

As the economic aspect is one of the drivers of the enterprises internationalization process, it is important to present John Dunning's eclectic theory of internationalization (1980, 1988, 2000, 2001), also known as the Eclectic Paradigm, which proposes to explain why a company decides to produce abroad. This proposal considers that certain market failures, such as information and transaction costs, agent opportunism and asset specifics, would lead a company to opt for foreign direct investment rather than serve a given market through exports or licensing. To do so, the main hypothesis is that for the company to commit to an FDI, three conditions must be met (DUNNING, 1980):

The company must possess **ownership advantages** compared to companies of other nationalities to meet particular market, usually related to intangible assets;

In order for the first condition to be satisfied, it should be more beneficial for the enterprise to exploit these assets directly than to sell them or to give them up in the form of leasing for foreign companies, and it should be worthwhile to **internalize** the advantages as part of its activities rather than externalizing them to other companies by licensing or other type of contract;

Additionally, it should be more profitable for the company to make use of these advantages in association with some external factor to the domestic country (e.g. natural resources, low-cost labor, protected market) to make it more advantageous to produce abroad than to export (**location advantages**).

The three advantages need to be present for a company to carry out a direct investment abroad, and to generate greater added value than domestic companies. The advantages of **ownership**, **location** and **internalization** explain the scope and geographical distribution of the activities of multinational companies (PINTO; GASPAR; FERREIRA et al., 2010; STAL; CAMPANÁRIO, 2011). The most successful multinational companies are those that better nourish and explore both resource ownership and transaction advantages. The greater the perceived costs of a market transaction failure, the more multinational companies will explore their competitive advantages through international production rather than contractual arrangements with foreign companies. The imposition of trade barriers has led to many foreign-manufacturing investments by multinationals. In this case, the reduction of transport costs and the formation of customs unions and economic blocs have led to major regional production specializations by multinationals (DUNNING, 1988). The kind of innovative advantages generated by multinationals reflects the allocation of resources, markets, culture, attitudes and institutional structure of the country of origin. Some economic activities are more prone to internationalization than others (DUNNING, 1988; PINTO, GASPAR, FERREIRA et al., 2010, STAL, CAMPANÁRIO, 2011).

The uniqueness of multinational companies is its ability to dominate its geographically dispersed resources in different currencies, thereby taking advantage of structural and transactional imperfections of international capital and exchange markets. As companies become more focused on a multinational performance and assume a more global perspective of their operations, their competitive ownership advantages become less reliant on the exclusive ownership of certain intangible assets, specific to the origin country of the companies, and more in their ability to successfully coordinate and manage a network of global activities (DUNNING, 1988; PINAD, GASPAR, FERREIRA et al., 2010, STAL, CAMPANÁRIO, 2011), seeking to harmonize the existing cultural differences in a global scale act.

2.2. Cultural aspects of internationalization processes

Regarding to the cultural aspect of the internationalization process, culture is treated as a social construct that comprises shared values, beliefs and ways of behaving and thinking that they are unique to a specific organization (CHILD; FAULKNER, 1998). Within the study of culture, two collectivities should be considered as the origin of specific cultures. There are organizations in which individuals work, where there can be found what is known as Organizational Culture, and also the society in which individuals live, which is related to the National Culture (CHILD;

FAULKNER, 1998).

The facts, values and artifacts that the members of an organization have as being of guaranteed existence and therefore believe that it constitutes a reality in which they live form the concept known by Organizational Culture. It can be interpreted as being divided among members of an organization, acting as a unifying force that integrates people around a common task or operation, which sets up a strategic alliance; as subcultures of different groups within the organization, which act as a differentiator or divisive force that can threaten a strategic alliance; and also as a fragmented, paradoxical and ambiguous blend of personal identities, promoted by the constant flow of change in organizations and societies, which can be a source of confusion for members of an organization, by alienating them during the formation of a strategic alliance (CHILD; FAULKNER, 1998).

The National culture, in turn, is acquired through education and is deeply rooted in an individual because of this (CHILD; FAULKNER, 1998). For this reason, cultural differences become a matter of interest and concern in the occurrence of international strategic alliances. The choice of entry mode of a company in a new country/market is influenced by cultural differences and by the company's experience (KOGUT & SINGH, 1988). Thus, the use of the **Cultural Dimensions** of Hofstede (1993, 2001, 2011, 2013) is essential in understanding which countries will be best suited for the entry of a company into its market.

The investment standards of each country can be generated by differences in the sectoral characteristics of foreign direct investments in the origin countries, and the choice of entry mode is significantly influenced by the cultural characteristics of the origin country of the investing company (KOGUT; SINGH, 1988). In this case, the variables that influence the decision of which entry mode to follow can be divided into three groups. **Industry-level** variables reflect entry barriers and oligopolistic behavior patterns, while **enterprise-level** variables are related to the concept of transaction costs, where the transfer of specialized resources between firms is prevented by market failures, making it necessary to expand the company, sometimes across borders, to internalize this cost transfer (COASE, 1937; WILLIAMSON, 1996). When economic choice is compared at the **country-level**, cultural characteristics will likely have profound implications (KOGUT; SINGH, 1988). No matter how superior the current multinational corporation replaces the skills of traders by the international extension of organizational boundaries, the management of these companies is probably influenced by the dominant culture of their home country (KOGUT & SINGH, 1988).

The boundary of business operations uncertainty abroad is related to the psychic distance, defined as the sum of the factors that interfere in the information flow between countries. The Uppsala School, or Nordic School, considers that the perception of psychic distance occurs at the collective level. The greater the difference between the origin country and the foreign country in terms of development, educational level and content, language, culture, political system, among others, the greater the uncertainty level (HILAL; HEMAIS, 2003; JOHANSON; VAHLNE, 1977; MACADAR, 2009). This model, however, does not apply to companies and industries that operate in highly internationalized markets (HILAL; HEMAIS, 2003, JOHANSON; VAHLNE, 1977). There is a relationship between the **Psychic Distance** and the **Cultural Dimensions** of Hofstede. Both the psychic distance and the cultural dimensions work at a very high level of aggregation, with results obtained at the national level and hence are generalized, thus omitting regional, institutional, sectoral and individual differences, especially regarding to the accumulation of experience in the latter aspect, disregarding the existing subjective aspects (HILAL; HEMAIS, 2003).

Considering the culture as the substrate in which institutions are established, the institutional aspects of a society, especially those regarding to informal institutions, permeate all the organizations of a nation (KOGUT; SINGH, 1988; MEYER; ROWAN, 1992).

2.3. Institutional aspects of internationalization processes

The influence of existing institutions in the processes of internationalization is implicit when speaking about country-level variables. By the late 1940's, organizations were not recognized by American sociologists as being a social phenomenon and, therefore, should not deserve a proper study (TOLBERT; ZUCKER, 1999). Prior to the introduction of institutional conceptualization, organizations were seen as production systems, or exchanges system, and their structures were seen as shaped by their technology, their transactions, or the power and dependence relationships that grew from such interdependencies (SCOTT, 1987).

The study of the institutions within the organizational analysis began with Selznick, in 1949, who empirically analyzed the relationship between the organizations and the institutional environment, and with the theorizing of Parsons (SCOTT, 1995), who emphasized the fact that institutions were part of an organization with another one in society, through universal rules and contracts, and authority (THORNTON; OCASIO, 2008).

Institutions are diversely understood by cognitive, normative and regulatory cultural elements that, along with associated activities and resources, provide stability and meaning for social life, and reflect instrumental relations oriented towards specific goals (SCOTT, 2004). Coercive pressures are exercised by established laws and exercise of authority, resulting in faster changes aiming at compliance with established standards. Normative pressures are exerted by the influence of professional categories in shaping their environment and defining their direction, having a more voluntary character of adoption, and the authority here is a legitimated, normatively regulated power. Finally, there are Mimetic pressures adopted when characteristics considered as a guarantee of obtaining success by other organizations that are already institutionalized, aiming to gain legitimacy for the new adopter, even if the mimetized practices are not sufficient to guarantee the effectiveness of the actions taken by the organization (CARVALHO; VIEIRA; LOPES, 1999; DIMAGGIO; POWELL, 1991, 2005; SCOTT, 1987, 1995). The institutional approach to organizations emphasizes the environmental dependence of the organizational structure, the political and cultural dimensions involved and the effects of these dependencies on defining the nature of modern organizations, particularly the fluid and complex nature of organizations created in highly institutionalized environments (SCOTT; MEYER, 1994).

Institutions imply historicity and control. Initial formulations of the process of institutionalization reinforce the role of habit and history in restricting the choice, or the strength of moral pressures, in cementing the social order. Recently, emphasis has been placed on the importance of symbolic systems and mental maps that guide behavior (SCOTT, 2008). Institutionalization is understood as a process that takes place in an organization over time, reflecting its own distinct history, the people who were part of it, the groups that were involved, and the interests embraced, and the way it adapts itself to the environment (SCOTT, 1995). Institutionalization represents a process conditioned by the logic of conformity to socially accepted norms, as well as by the incorporation of a system of knowledge built throughout social interaction and, in search of legitimacy and social acceptance, organizations seek to conform their actions and structures to the environmental values and concepts considered socially accepted (MACHADO-DA-SILVA et al., 2003). Zucker (1983) recalls that the process of institutionalization is rooted in conformity, not a conformity generated by sanctions, positive or negative, or resulting from a hermetic set of knowledge arising from this process, but rather a compliance rooted in guaranteed aspects of everyday life. Institutionalization operates to produce common understanding about what is appropriate and about what is meaningful behavior (SCOTT, 1987; ZUCKER, 1983).

There is a consequent homogeneity of structures and actions that can be better understood by the institutional principle of isomorphism (CARVALHO; VIEIRA; LOPES, 1999; DIMAGGIO; POWELL, 2005). The essence of institutional arguments is fundamentally concerned with social stability and draws attention to a "particular set of reproductive social processes," with the connotation of "stable projects for sequences of repeated activities" (SCOTT, 2008, p. 428). This tendency towards the stability of the social system exerts an influence in the field of strategy, more specifically in corporate strategies, within which are the strategies of internationalization. The growth of number of institutional theorists, since 2002, which began to explain the organizational change from institutional theory, bringing concepts such as institutional entrepreneurship, institutional logic and an enlarged concept of institutional field, contributed to give a more dynamic and less deterministic role to institutional theory when it comes to organizational changes, such as those arising from internationalization processes of companies.

Mike Peng (2002, p.251) asks "why do firms' strategies from different countries and regions differ?". In addition to the obvious responses involving cultural differences, industry-level and firm-level conditions, one must also consider the (considerable) influence of sources such as the state and society when developing and implementing a company's strategy. This set of factors is called the Institutional Framework (DIMAGGIO; POWELL, 1991). No firm is immune to the institutional framework in which it is inserted, and there must be a constant concern on the part of researchers on this subject regarding the influence of institutions and how they influence the development and routine of firms, under what circumstances this influence occurs, which is its extent and in what form it occurs (PENG, 2002). Institutional frameworks interact with organizations, giving signals of which choices are acceptable and can be supported. Therefore, institutions help to reduce uncertainty for organizations when they have to make their choices (PENG, 2002).

2.4. Influence of institution-based vision for internationalization processes

A view of the international expansion strategy based on institutions emerged simultaneously with the rise of New Institutionalism in Social Sciences, with a strategic focus on the importance of institutions in the academic environment and highlighting the lack of due attention to the institutional context of each country by the views based on industry and resources (PENG; SUN; PINKHAN et al., 2009). The association of the institution-based view with the industry-based and resources-based views would then form the strategy tripod, giving greater consistency to decision-making in organizations, especially when entering into unknown environments in internationalization processes (PENG, 2002; PENG; WANG; JIANG, 2008; PENG; SUN; PINKHAN et al., 2009). With the complementary adoption of this view, the interaction between institutions, organizations and strategic choices would become considered, and the decision making and construction of the expansion strategy would go beyond the analysis of the organizational environment, because "the institution-based view directly connects the process of building firm-level strategy with both micro and macro institutional economy approaches "(PENG; SUN; PINKHAN et al., 2009, p.73), providing greater chances of success for a company's international expansion initiative.

The use of the term "institution-based view" is preferred because it is not limited only to the sociological view or the economic view of institutionalism, since it considers that both are complementary and then the use of this term in the research in Administration makes it possible to take advantage of the best in these two perspectives of institutional theory (PENG; SUN; PINKHAN et al, 2009), covering both formal and informal institutions, and may even be incorporated into the three components of the Eclectic Paradigm (DUNNING; LUNDAN, 2008). Formal and informal institutions shape the strategy and performance of firms, both domestic and foreign, in emerging economies, and research in international business related to competition in emerging economies, and growth in the global scenario (PENG; WANG; JIANG, 2008), allows it to be investigated as how institutions influence and play a role in this area, as well as to ensure that the institution's view of the strategy complements industry-based and resources-based views in shaping the strategy tripod. Peng, Wang and Jiang (2008), as well as Peng, Sun, Pinkhan et al. (2009) see strategic choices such as the dynamic interaction between institutions and organizations, in the same way that formal and informal institutions are compensatory structures. Therefore, when formal institutions fail, informal institutions begin to act to reduce uncertainty and guarantee the legitimacy of actions. There can be noticed the predominance of informal networks of relationship in building strategies, and aiding decision making processes in emerging countries like China, between executives of Chinese companies, or in the relationship between consumers and industrial suppliers (PENG; WANG; JIANG, 2008; PENG; SUN; PINKHAN et al, 2009), where such relationships contribute to the growth not only of the firm, but of the economy as a whole (PENG; SUN; PINKHAN et al, 2009). According to the institution-based view, when a company cannot lead in costs, differentiation or focus, it can still win the competition in the informal political relationships arena (PENG; SUN; PINKHAN et al., 2009).

A consideration is usually made relating strong economic growth with a stable and well-defined institutional framework, thus reminding the paradox of economic growth in countries such as China, whose economy is unregulated. According to Peng, Wang and Jiang (2008), underdeveloped formal institutions are eventually informally replaced by interpersonal networks grown by managers in that society, fulfilling the role of formal institutions when they are weak or non-existent. This type of arrangement can be found in several emerging economies, where there is a predominance of informal relationships in the establishment of commercial relations, as in Brazil (SEIFERT; CHILD; RODRIGUES, 2012). However, this intercompany relationship should not be understood as uniformity of behavior and strategies, because within the same institutional environment the various existing companies tend to look similar but differ due to peculiarities of their own institutional frameworks, leading them to behave in different ways (PENG et al., 2009).

The profound differences regarding the institutional framework of emerging economies (such as Brazil, China and India) and developed economies (such as North American and part of European countries) lead to the need for changes when companies belonging to certain institutional realities begin to do business in a different reality. There is a need for institutional transitions, fundamental and comprehensive changes introduced in the formal and informal rules that affect firms that participate in this arena, often in more than one participating country, since the business relationship is a meeting of marketing intentions between countries of different cultures and institutional frameworks, and both sides need to adapt to this new reality (PANG; WANG; JIANG, 2008).

> The key question proposed by Peng, Wang and Jiang (2008), valid for both domestic and foreign companies in emerging economies, is to know how to proceed when the rules are changing and are not fully known. One of the changes handled by these authors involves anti-dumping laws as barriers to entry into a market. While tariff barriers are no longer tolerated in the current economy, non-tariff barriers such as anti-dumping regimes become important as a means of protecting a country's industry, indicating that an institutional change has taken place with this movement, turning anti-dumping actions an entry barrier, resulting in a liability of foreignness of a multinational company (JOHANSON; VAHLNE, 2009; ZAHEER, 1995).

The decisions of multinational companies on how to enter new markets are influenced by the institutional environment, both from the origin country the investments and from the country of destination. The choice of the entry mode cannot always be taken freely by the company due to the existence of legal barriers to the majority participation of foreign capital in industries that are considered strategic. In this case, an initial decision to open wholly-owned subsidiaries can be amended, deciding to carry out a joint venture with another native company of the host country (ROCHA; ÁVILA, 2015). This imposes the need to consider, in addition to the cultural distance between the two countries, also the institutional distance - differences between the institutional environment of the origin country of a multinational and the host country where it wants to expand its market (KOSTOVA apud ROCHA; ÁVILA, 2015) - between these countries.

This may hinder the legitimacy of a multinational by establishing itself in a country with a very different institutional environment from its origin country. It may be difficult to transfer organizational practices to a subsidiary to be installed in a country with a very different institutional environment. In this way, it is possible to consider that a greater institutional distance between the two countries indicates preference for the establishment of joint ventures, whereas a smaller institutional distance may lead to the opening of a wholly-owned subsidiary, which is a decision factor for the entry mode into a country (ROCHA, ÁVILA, 2015).

In addition to the institutional distance itself, the quality of institutions should be considered, asking what is more important, whether "the difference between the institutions standards from the origin and destination countries" or "the host country institutions quality level" (ROCHA: ÁVILA, 2015, p 249). Low-quality regulatory institutional environments may reflect local political instability, which would imply greater difficulty in meeting the regulatory requirements specific to these environments. The association with a local partner who knows this environment can minimize this impact (ROCHA; ÁVILA, 2015). Multinationals from emerging countries are already embedded in institutional environments of low regulatory quality (in relation to developed countries), and so the regulatory distance should not directly affect the choice of the entry mode in another country, regardless of whether it has an institutional environment of high or low regulatory quality (ROCHA; ÁVILA, 2015). This analysis no longer applies to normative and cognitive institutional environments.

In relation to the institutional cognitive environment, or also called cultural-cognitive environment, this has its institutional distance measured, in general, with the use of the **Cultural Dimensions** of Hofstede (ROCHA; ÁVILA, 2015). The mimicry of successful companies in the foreign markets to be explored reveals itself not only as an institutional pressure in this environment, but also as an alternative to the incoming multinational that wishes to be successful in this country (FERREIRA; SERRA, 2008). Corruption and bureaucracy are included in the normative institutional environment analysis. In general, "the higher the level of corruption in the host country, the more likely it is that an investing firm will prefer entry modes with less equity participation" (ROCHA; ÁVILA, 2015, p.253), leading to the organization to rethink its expansion strategy in certain institutional environments.

Institutional pressures (coercive, normative and mimetic) of the host country of the investment of a multinational company, combined with the beyond borders operations strategy, will determine the entry mode of this company in each country. It is possible to separate the strategies of multinational operations in market search strategy and strategic resource search strategy, as Ferreira and Serra (2008) do. The influence of the institutional environment will lead companies to seek legitimacy in this environment and, for this, as Ferreira and Serra (2008, p.15) bring, "companies need to properly select the environment in which they will operate, conform to this environment and eventually manipulate the environment in a way that facilitates the organization's compliance. "

The search for legitimacy in the selected market and the entry mode chosen by a multinational company end up reflecting the degree of rooting of the company with the chosen country, reducing the liability of foreignness (JOHANSON; VAHLNE, 2009; ZAHEER, 1995), and the adaptation of its products to the consumer public of the host country (FERREIRA; SERRA, 2008). The restrictions imposed on multinationals are reflections, observed with the aid of institutional theory, of the higher levels of structural and environmental complexity to which they are subject compared to local business.

There is a recent trend in relation to the strategies adopted by multinational companies to value the learning and increase of companies' resources, in an approach based on knowledge and skills, aiming not only the influence of a market expansion in the decision of the entry mode into a country (FERREIRA; SERRA, 2008). Companies would not only seek new markets to harness their existing capacity and remain competitive, but would also seek to increase the range of resources and capacity they already have, in order to access knowledge-intensive assets they do not have among their repertoire of business capacities, as well as specific knowledge of new markets where they can act, with the purpose of "learning from other companies and host countries" (FERREIRA; SERRA, 2008, p.17). This search for strategic resources presents itself in many ways, but in general companies will seek new knowledge in more developed countries, which brings back to the question of the choice of entry mode of multinationals from emerging countries (PENG; WANG; JIANG, 2008; PENG; SUN; PINKHAN et al., 2009; ROCHA; ÁVILA, 2015).

The institutional distance affects differently multinational corporations that follow market search strategies of those who follow strategic resource search strategies. In the case of large institutional distances, the market search strategy would indicate that multinational companies should minimize the involvement of resources in the new host country, choosing to export their products, by licensing to local partners. On the other hand, the strategic resource search strategy would indicate a maximization of resource involvement, through joint ventures or acquisitions, in order to guarantee access to new knowledge and thus gain legitimacy and rooting in the foreign country (FERREIRA; SERRA, 2008). These differences between the strategies adopted by multinational companies are also reflected in the reaction to internal isomorphic pressures of the new institutional environment, having a lower impact for companies that adopt a strategy of searching for new strategic resources, giving in to these pressures in their quest for conformity and legitimacy, but impacting more companies that follow a market search strategy, which do not want greater involvement with the new environment and have no intention of giving in to these isomorphic pressures (FERREIRA; SERRA, 2008).

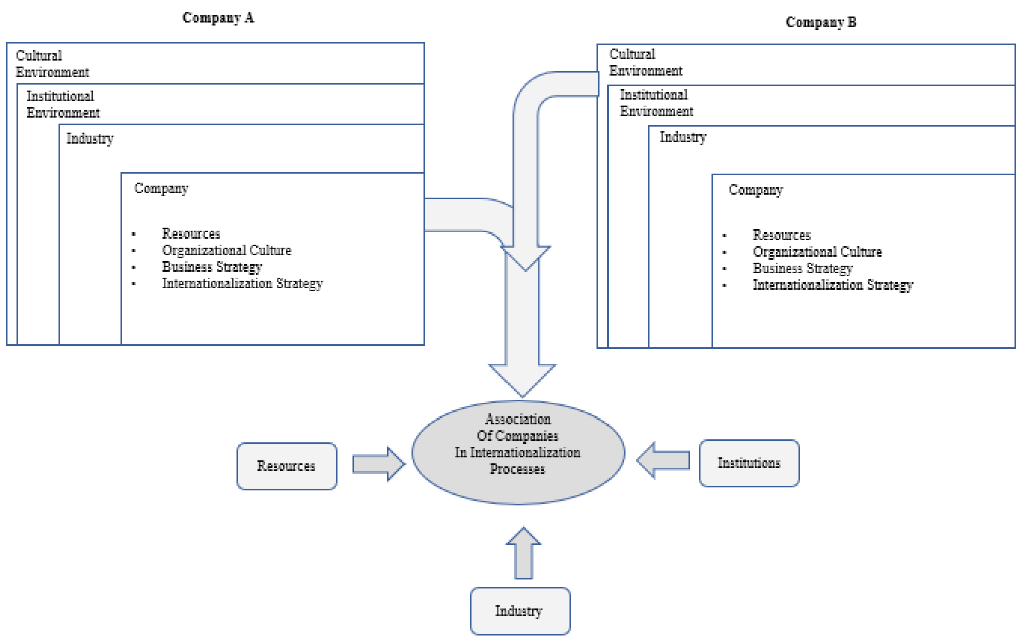
Multinational companies can also be used as laboratories for experimentation and transfer of institutional changes between national borders, due to their reach and depending on their influence in the countries which they have operations, such as the diffusion of the divisional organizational model outside the United States, or the hybridization of organizational and institutional models, such as that of Lenovo company, in China, where Chinese cultural practice found space even after its acquisition by IBM in 2005, adopting management practices of the incoming multinational in the emerging country (DUNNING; LUNDAN, 2008). This also leads to multinational companies that focus on standardizing products and services, basing their overall strategy on a business model aimed at the profit coming from costumers from the top of the socio-economic pyramid to focus also on the basis of the pyramid as a source of profit, while competitive in the emerging economies, precisely because of the different socioeconomic, cultural and institutional framework (PENG; WANG; JIANG, 2008).

3 DISCUSSION AND ANALYSIS

When it comes to cultural issues in internationalization processes, the presence of the institutional aspect is at least implied. Figure 1 helps to understand the various environments in which companies from different countries are inserted, since it summarizes the different environments in which two companies are inserted during the association process between them, by an internalization process.

This means that foreign companies will find institutional differences by associating themselves with the potential partners they seek. As it is spoken in a globalized world, it should be reminded that institutions seek the continuity and stability of the social system and there will be an exchange, a commitment relationship between the partners, emerging and developed ones, if they want to form long-term business alliances. However, to expect this to happen smoothly is to underestimate the strength and importance of institutions within internationalization processes. Regulatory and coercive institutional pressures can lead incoming multinational companies in an emerging country to feel compelled to adapt to the new reality if they wish to thrive in the new market, and on the other hand, companies from emerging countries (such as Brazilian ones) can mimic practices of developed countries by launching themselves on the international market.

Figure 1 - Interaction between two companies belonging to different (cultural and institutional) environments



The elements of the Eclectic Paradigm (or OLI Paradigm)

relate themselves to institutional theory so that the recognition of an institution-based view when developing an enterprise's internationalization strategy is a differential in this process. How to use location advantages, manufacturing in different countries, without knowing the practices and customs of the labor environment of these countries? A firm should really internalize its production, knowing that one of its target countries surcharge imported products, but on the other hand, benefits these same products if they are produced in this country, with local manpower? What is the safety that a firm will have to operate in an emerging country that allows the breach of patents, as Brazil did with generic drugs, this just to mention a Latin American example (China has many other examples) where much of its value comes from its patents? The knowledge of the institutional reality of the countries in which a multinational will operate, as well as the institutional differences to be faced, besides the cultural differences that are usually mentioned, can imply in changing the decision on the entry mode into a country. This decision should consider not only the institutional distances, but also its influence in the internationalization strategy adopted by the multinational company (FERREIRA; SERRA, 2008).

Globalization, understood as an autonomous economic movement, benefits mainly the economically stronger countries through policies and practices established and institutionalized by their governments. The loss of power of nation-states occurs mainly with countries and economically weaker governments, which employ disproportionate measures of attracting foreign capital, such as the use of high interest rates, putting their domestic economies into recession, but attracting foreign investors. Together with the practice of devaluation of their currency, lowering values of land, property, capital and labor, they lead to the contradictory practice of appropriation of domestic resources, forcing local companies to compete under unfavorable conditions (RODRIGUES, 2004). As a consequence of this external dependence on resources, there is a reduction in consumption and economic recession in emerging countries, stimulating the mass migration of skilled labor to countries in which investment in labor results in financial compensation and opportunities to grow. The alternatives that are under consideration in developing countries are increase in exports and the internationalization of firms (RODRIGUES, 2004). Many small and medium-sized enterprises can no longer survive operating only in domestic markets, and others are forced to follow their customers as they move towards the foreign market in order to maintain their relative position within the supply chain, what is a trend found in several emerging countries, not only in Brazil. However, small and medium-sized enterprises are relatively deficient in terms of ownership of the resources needed to support an internationalization process (RODRIGUES; CHILD, 2012; SEIFERT; CHILD; RODRIGUES, 2012). Within the resource shortage reality of small and medium-sized enterprises, they follow a strategy of establishing closer relationships with their target partners in the international market, basing the relationship not only on economic interests, but developing a trust relationship closer to the personal level with the existing contacts, so that the partnership that can be developed has not only an economic and commercial character, but also an interpersonal relationship, bringing mutual trust to the internationalization process, similar to what is practiced by business leaders of Chinese companies (PENG; WANG; JIANG, 2008). These relationships are initiated by small and medium-sized enterprises when they are part of business circles or commercial boards that come together in searching for international partners, through connections with institutions that may mediate the first meeting between a small or medium-sized company and a possible international partner (RODRIGUES, CHILD, 2012). In the case of small and medium-sized enterprises, the cultural factors that could hinder the process appear to have less influence due to the business personal and trust relationship developed between the partners. The cultural factors present greater negative interference when it comes to large corporations, possibly because the trust relationship between the partners is based more on business relationships than personal relationships (RODRIGUES; CHILD, 2012; SEIFERT; CHILD; RODRIGUES, 2012).

Therefore, the importance of recognizing the influence of institutional aspects in internationalization processes is highlighted, starting from the elaboration of corporate strategies with the adoption of an institution-based view to complement the already existing resource-based and industry-based views, thus covering the micro, meso and macro social and economic environments in which the organizations are embedded. Although institutional aspects initially present barriers to the implementation of strategies for internationalization of companies, especially in emerging countries, where cultural and institutional differences are greater, their knowledge and understanding of the rules of the game can become a competitive advantage both to a company from a developed country that wants to enter in an emerging country, as well as a company from an emerging country that wants to launch itself into the international market, going into not only emerging markets, but also developed ones, where they will face entry barriers, but which may be circumvented knowing how to deal with the peculiarities and inserting themselves in the current social system.

4 FINAL CONSIDERATIONS AND PROPOSALS FOR FUTURE DEVELOPMENTS

The purpose of this theoretical essay is to raise the issue of the importance of institutional aspects in internationalization processes, especially when companies from emerging countries, such as Brazil, and companies from developed countries are involved. It is often considered only cultural differences as barriers to be transposed for the success in companies' internationalization processes, especially from point of view of the emerging side. However, a cultural consideration is not complete without proper institutional analysis, which can be considered complementary to it, just as it is complementary to economic analysis.

Brazil has changed its formal institutions to attract international investment since the 1990s, owing to the greater influence and strength of external institutions over national ones, and suggesting less effort of institutional adaptation of multinational companies that have arrived at the country, or else that expanded their investments in the country. However, formal institutional changes are not always followed by informal institutional changes. The main issue, as an emerging country, lies precisely in the interaction of multinational enterprises with emerging partners, whose influence may change existing legislation, but it cannot, in the same way, alter legitimized behaviors of the country population that will constitute the consumer market and, possibly, their workforce.

Starting from the theoretical basis presented here, an empirical study can be conducted to analyze the institutional aspects that influence the internationalization of multinational companies operating in an emerging country, more specifically Brazil. For this purpose, it would be necessary to choose foreign companies that operate in the Brazilian market and that have already undergone institutional changes in the country over the last 30 years, to analyze the difficulties initially encountered, how did the companies deal with these difficulties and how have they adapted both the institutional differences found and the institutional changes that occurred in Brazil and the reaction to them in their matrix.

The reverse situation is also valid to be investigated. What measures have Brazilian companies, as well as those from other emerging countries, needed to take when entering markets of developed countries, with protectionist laws such as those of the United States of America, and without the economic and political power of their country in their favor? Could institutional differences be circumvented by adaptation, by mimicry? These are questions that are still being answered, although not always clear enough to indicate a trend to be followed. It is necessary to analyze the influence of the globalization discourse on the movement of Brazilian companies that are seeking international insertion and if it inhibits the consideration of the influence of the Institutional Framework, both in the one that the company is already inserted and in the one it hopes to be inserted during its internationalization process. In addition, is the need to check other social and institutional aspects in the existing theory that can also influence companies' internationalization processes.

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