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# **INSTITUTIONAL INFLUENCE ON CROSS- BORDER ALLIANCE DEVELOPMENT: RENAULT-NISSAN STRATEGIC PARTNERSHIP**

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## **ABSTRACT**

Nowadays, strategic alliances are a valuable option for firms to pursue various benefits, including growth opportunities, risk hedging, etc. International alliances are of particular interest since represent one of the quickest ways to join a foreign market and can help with economies of scale as well as access to external resources. The Institution-based view depicts one of the strategic management lenses for the better examination of the strategic alliance activity. It has been agreed that institutions greatly influence performance rates, which are utilized for alliance assessment. Using the Renault-Nissan alliance, the prominent strategic partnership, as a case-study method object, this Master Thesis aims to analyse the institutional paradigm impact on the alliance development and contribute to deeper knowledge about both the Renault-Nissan partnership and the Institution-based view. Additionally, the framework of causal relations between the institutional influence, managerial decisions in response, and outcomes for the alliance is elaborated.

Keywords: Renault-Nissan, strategic alliance, automotive industry, institutions, culture.

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## 1. INTRODUCTION

Nowadays, despite the significant time of historical existence, alliances still represent an important option for firms to pursue various benefits, starting with growth opportunities and ending with the risks hedging (Filiou & Golesorkhi, 2016). According to the PricewaterhouseCoopers (PwC, 2019) “22nd Annual Global CEO Survey”, which included 1,378 respondents in more than 90 territories explored, alliances are viewed as one of the most attractive strategic decisions for revenue increases, that is 40% of answers. Another study “2022 CEO Outlook”, held by Klynveld Peat Marwick Goerdeler International (KPMG International, 2022), included 1,325 global CEOs across 11 markets and found that 26% of chief executive officers consider that strategic alliances are “the most important strategies for achieving organizational growth objectives over the next 3 years” (p. 7), and that the importance of partnerships grew recently because they can foster growth with flexibility and toughness. International alliances are of particular interest because they are considered one of the most rapid ways to enter a foreign market, which can be beneficial not only with access to foreign resources and capabilities but also with economies of scale (Li & Ferreira, 2008). In the academic literature, the drivers of alliances development have been deeply discussed (Bidault, 2020). Considering the strategic management as a field of study, researchers have mainly referred to the Resource-based view, analyzing internal resources and capabilities as reasons for entrance and further enhancement of ties, and the Industry-based view for the investigation of antecedents of the alliance creation (Čirjevskis, 2021; Kim & Kim, 2017; Lin & Darnall, 2015; Lioukas, Reuer, & Zollo, 2016; Peng, 2021). In other words, these lenses were used to better examine an object under the study and given the direction of this work, were used as tools for assessing the activities of the strategic alliances. The “third leg” of the “Strategy Tripod”, the Institution-based view, which represents one of the core theoretical frameworks of this Master Thesis, has lately emerged as a leading perspective in the strategic management literature (Peng, Wang, Kathurina, Shen, Eleazar, 2022). Considering that this paradigm, combining economics and sociology, started its development later than the previous two, the key purpose of its emergence was rooted in complementing resources and industry considerations, which were criticized for lack of contextual features (Garrido, Gomez, Maicas, & Orcos, 2014). The application of this view to the investigation of an alliance's circumstances of performance can give a better understanding of how managers respond to multiple conflicting institutional demands simultaneously, that is contextualizing the research object, giving a wider perspective on the alliances' activity. However, since the Institution-based view includes two dimensions with additional supporting pillars and also, according to some researchers, culture is considered to be a constituent of informal institutions (Filiou & Golesorkhi, 2016; Golesorkhi, Mersland, Randoy, & Shenkar, 2019; Peng, 2021), for purpose of accuracy, researchers have focused on several of the components separately, such as formal dimensions, culture, trust, etc. (Andrés, Asongu, & Amavilah, 2015; Guo, Yang, Li, & Lyu, 2020; Lyu, Ma, & Zhang, 2023; Mikami, Ikegami, & Bird, 2022; Sahasranamam & Nandakumar, 2020).

Taking into account the mentioned above, the comprehensive investigation of the Institutional paradigm impact, including both dimensions and cultural aspects, on strategic alliance development has been identified as an area of lack of attention and a possibility to enrich the

strategic management field of study and international business as a whole. To conceptualize and deepen the work of broad institutional research, the case-study method was selected, referring specifically to the Renault-Nissan Alliance (RNA). Hence, the main research question of this Master Thesis is the following: How does the Institutional paradigm influence Renault-Nissan strategic alliance development? In other words, the objective of this work is to elaborate a comprehensive framework of causal relationships, proving the importance of institutional conditions, under which the alliance is shaped. More precisely, the focus of the investigation is on three particularities, forming the chain of interdependence: analysis of the impact of formal and informal institutions and cultural dimensions on the Renault-Nissan Alliance, identification of the strategic managerial decisions as responses towards influence, and diagnosis of the corresponding outcomes for the alliance development.

Based on the analysis of the impact of the “Fit for 55” package of the European Green Deal regulations on the automotive industry and the corresponding development of Electric Vehicles among the Alliance members, this Master Thesis contributes to the inclusion of the United Nations Sustainable Development Goal 7 “Affordable and Clean Energy” (UN, 2023) in terms of its influence on the object under study.

### **1.1 Relevance of the Work and Contributions**

To start with, the relevance of this work is undermined by the exclusivity of the specific alliance, taken as an object for the case study investigation. The Renault-Nissan Alliance is considered to be one of the most successful strategic partnerships in the automotive industry and one of the present most long-lasting alliances, which has been in existence for 24 years. Considering the 30-80% rate of strategic alliances failure and the 5-year threshold, the significance of longevity is evident (Neville, 2013; Peng, 2021). In addition, both manufacturers are represented in global rankings, including the list of the 20 biggest world automakers (Confino, 2022). Moreover, taking into consideration the combination of resources, the enriched with new member Renault-Nissan-Mitsubishi alliance took 4<sup>th</sup> place according to sales volumes in 2020-2021 (Carlier, 2023). However, despite the importance of the topic, the research on the RNA is limited. According to the results of the content analysis, using keywords for the topic filter, applied to the Web of Science and Scopus databases, 40 results for the former database and 155 for the latter were found. Considering the limitation of areas of research and repetitions, it can be assumed, that despite the scope of economics, including international business, strategic management, etc., it contains even less suitable studies on this strategic partnership. In addition, among the limitations is the fact that there is research on the companies individually, rather than as part of the alliance's activities. Thus, considering the outstanding results of the alliance's performance and lack of academic studies, the relevance of the work becomes evident. Second, in the scientific field, the research work was devoted to the study of the institutional context and cultural dimensions' impact on the various performance rates considered as variables for the alliance activity and success assessment (Golesorkhi et al., 2019; Guo et al., 2020; Jha, Kim, & Gutierrez-Wirsching, 2019). Thus, the relevance of the additional deeper investigation of such an influence is defined by the justification of its existence by the previous studies. Third, the study of cross-border alliances, the group of which the selected

partnership is a part, responds to the relevant agenda of internationalization of business within the strategic management area of study (Peng, 2021).

The main contribution of this Master Thesis is to enrich the research on two subjects: cross-border strategic alliances, in particular, the Renault-Nissan partnership, and the Institution-based view. First of all, considering the limited RNA investigation, this study may contribute with additional areas of consideration and lines for future research on the partnership and the reasons for its success as well. Second of all, the elaborated inclusive framework of causal relationships may give a broader look at the institutional paradigm's influence on business actors in the globalized world and rise the importance of institutional impact. Moreover, the research highlights the importance of cultural dimensions for the quality of synergy in international alliances by introducing the analysis based on a practical example (Pooley, 2005). Third of all, the comprehensive view of the third component of the “Strategy Tripod” with the application of the practical object can provide the clustering of identified institutions and the type of their influence under certain circumstances, going beyond the theoretical framework.

## **1.2 Limitations**

According to the requirements and scope of this Master Thesis, the study has several limitations. First, because of the attempts to create a comprehensive framework of the institutional influence, to avoid the diffusion of the results, the case-study method of analysis was selected. However, this methodological approach does not allow testing the results of the study on several examples, and therefore it is not possible to assert their inclusiveness. Moreover, despite the intentions to create a broader view on the Institution-based view, the case-study approach limits the scope of findings, that is the range of institutional manifestations identified. Second, because the study contains the analysis of secondary data, not the results of own collection of information, it cannot be considered as novelty, but a discussion of the performed research and identification of additional linkages. Third, even though Mike W. Peng, whose works are used as one of the theoretical bases for this paper, included ethics in the informal institutional dimension, this Master Thesis does not concentrate on its investigation for the purpose of scientific accuracy and fullness of the research. The concept of ethics is broad enough to be selected for a separate study. Fourth of all, the chosen alliance is concentrated on the business relationships between two members of the partnership, that is considered dyadic, although the third firm, Mitsubishi Motors Corporation, entered the alliance in 2016. The reason for this limitation is that the analysed cross-ownership does not apply to the third manufacturer, which did not contribute to the initial formation and is not associated with the further root events of the alliance development.

## **2. LITERATURE REVIEW**

In this section, the different theoretical concepts of the research will be introduced. Firstly, the institutional theory is discussed (see chapter 2.1). Secondly, the construct of strategic alliances as a whole and cross-border in particular, as well as the historical development of the selected partnership are presented (see chapter 2.2). Followed by this, the relationship between these two concepts will be analyzed (see chapter 2.3).

### **2.1 Introduction to Institutions**

To define the field, boundaries, and direction of the strategic management investigation process, the “Strategy Tripod” paradigm was elaborated – the framework of three key perspectives on a strategy as a discipline (Peng, 2021). In terms of historical sequence, the Industry-based view and the Resource-based view were the first developed perspectives. The Industry-based view emerged in the 1980s and explained how environmental conditions determine the firm’s competitive position. This perspective is underpinned by the “Five Forces Framework” by Michael E. Porter (1980), explaining how a firm’s performance depends on the competition between the five forces. However, the Industry-based view has two assumptions: the organizations within the industry are identical in terms of strategic resources and capabilities ownership and they cannot be heterogeneous for a long period because of their mobility (Barney, 1991). Thus, to cover these limitations, the Resource-based view of strategic management was developed in the 1990s, arguing that the differences in firms’ performance are defined by variations in resources and capabilities. The core contribution to the development of this perspective was given by Jay B. Barney (1991), who introduced the “VRIO Framework”. The Framework assessed the firm’s resources and capabilities according to four criteria, explaining the internal “forces” in comparison with external ones in the Industry-based view. The third constituent of the “Strategy Tripod” is called the Institution-based view, which emerged at the end of the 20<sup>th</sup> century, and received its dawn at the beginning of the 21<sup>st</sup> century (Garrido et al., 2014). It assumes, that the difference between firms in terms of competitive advantages can be also explained by the influence of institutions which are “rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction” (North, 1990, p. 3), that is, “political, economic, and social interaction” (North, 1991, p. 97), which in turn characterize the implementation of firms’ strategies. The main function of institutions is to reduce uncertainty (North, 1990). According to Douglass C. North (1990), the Institution-based view offers a two-component analysis of the institutional system: formal and informal institutions, which mainly differ according to the fact that the former ones are written rules while the latter are not (Dau, Chacar, Lyles, & Li, 2022). However, there are other views on institutional constituents. For instance, W. Richard Scott (1995) offered a three-pillar supportive model, which includes regulative, normative, and (cultural-) cognitive supportive pillars for formal and informal dimensions. Based on the previous two approaches, the recent contribution was made by Mike W. Peng (2009), who united the two theories, and additionally included business ethics in informal institutions, in connection with the increased importance of such a constituent of a firm’s strategy. The explanation of the mentioned Institution-based view components is presented in chapters 2.1.2-2.1.4. At the beginning of its evolution, the institutional paradigm started from being perceived exclusively as background

(Ingram & Silverman, 2000). This is due to the prevailing focus of strategic management on economic variables in the past. In other words, the market-based institutional framework was considered as a matter of course (Peng, Sun, Pinkham, & Chen, 2009). This is mainly because in developed economies the supportive function of institutions becomes “almost invisible”, which influenced the lack of research about the institutional framework. With the switch to emerging economies, the deficiency of the lack of information and knowledge about the institutions rose and forced the corresponding investigations. Furthermore, the Institution-based view covers missed parts of the two first perspectives. It adds context to the “Five Forces Framework”, by introducing formal and informal rules, which influence analyzed in the model competitive decisions, that can become unethical or illegal depending on the institutional variation, according to Dobbin and Dowd (1997), as cited in Peng (2009). As for the “VRIO Framework”, the criticism, according to Brouthers, K., Brouthers, L., and Werner (2008), as cited in Peng (2009), was based on the fact that context has a direct impact on the outcomes of the resources assessment, because there is the risk of exceptional qualities loss due to the institutional influence. These two critical opinions are considered internal forces of the institutional theory maturing. The external forces were supported by the development of Rational choice institutionalism from the economic field and Organizational institutionalism from sociology, which propositions are discussed in the next chapter. However, the institutional paradigm is also criticized. Aguilera and Grøgaard (2019) argue, that there are different strands of institutional theory, each of which defines institutions and their constituents differently, which can be risky by referring to different concepts using the same language. Thus, they consider, that researchers cannot refer simultaneously to, for instance, Scott, North, and Peng, because “their respective institutions emanate from different ontological sources” (Aguilera & Grøgaard, 2019, p. 25), that is sociology, institutional economics, and strategy respectively. The theoretical foundations of such diversity are explained by different schools, which are widely discussed in the next chapter. In addition, the authors say that institutions cannot be simplified by unidimensional variables of institutional influence, which requires a complex and exclusive approach to each case. The final concern is dedicated to the need for methodological change from those which used unidimensional variables. The authors suggest that examining interrelationships of institutions, qualitative comparative analysis, historical studies, and case-study with longitudinal perspectives could achieve the aim. Thus, research on the institutional paradigm presents a variety of approaches. In this Master Thesis, because of the absence of an agreed universal approach, different perspectives are utilized. Nevertheless, after the justification of institutional importance, the necessity for further research on exactly how institutions matter became more relevant. Considering the analysis above, the advent of the Institution-based view made it possible to consider strategic management studies more comprehensively and apply the theoretical perspectives to more complicated research fields such as international business.

### **2.1.1 Institutional Theory**

In this part, a deeper examination of the institutional framework and its components will be carried out. In order to give a brief introduction to the wide institutional paradigm and define the core terms, the “Institutions, Institutional Change, and Economic Performance” study



written by North (1990) is taken as a base, since nowadays this research is still accepted as the primary source of information about institutions. Further, the explanation and comparison of different views on institutional perspective is carried out by the introduction of three major schools of institutional tradition, with the exemplification by key authors and approaches.

First of all, the explanation of the definition of institutions given in chapter 2.1 should be provided. According to its author North (1990), institutions are “constraints”, because they represent a “framework within which human interaction takes place” (p. 4), thus they prohibit certain actions and create conditions under which other actions are permitted – the “game” (interaction) boundaries. They are also “rules” in the sense that, according to the very meaning of the concept, their violation leads to the corresponding punishment because implies the disruption of the uncertainty reduction structure (or framework). In the recent research “Informal institutions and international business: Toward an integrative research agenda” by Dau et al. (2022), which is based on the review of the relevant articles on the topic, the authors support wider perceptions of the rules violation. They argue that breaking them actors can also introduce institutional innovations as positive institutional changes. Deeper research on the North’s definition led authors to the conclusion that institutions are “humanly devised” because they are created by people and cannot exist in a vacuum, especially referring to the fact that they “shape human interaction”, and thus need to be implemented in practice. In addition, the terms “society” and “social” explain the characteristic of shared constraints. Hence, institutions are created on a social group level, which distinguishes them from individually devised ones (Dau et al., 2022). Second of all following the two-component typology of institutions by North (1990), introduced in chapter 2.1., they are divided into “formal written rules” (p. 4) and informal “unwritten codes of conduct” (p. 4). The written or codified characteristics of formal institutions can be portrayed by the examples of such constraints. For instance, national laws and business contracts are represented by the specified format of written rules of behavior of the actors involved, that is Civil Code for the citizens of a country or a contract document for the organizations involved in specified types of interactions such as, for instance, co-marketing. Following the written and unwritten features, the visible and invisible aspects of institutions exist (Dau et al., 2022). While formal institutions can be recognized by looking at their manifestations, mentioned above, informal rules, such as a shared rule of politeness, are invisible, however, they also shape the individuals' behavior, which in turn is a visible set of actions. However, there are alternative views, which indicate the limitations of formal and informal institutional study in literature. Formal institutions investigations are mostly subject to unidimensional variables, which was mentioned in chapter 2.1. Hence, the issue of generalization of findings limits the wide scope of formal institutional manifestation and influence depending on the context of the investigation (Aguilera & Grøgaard, 2019). As for informal institutions, because of their uncoded nature, there is a complexity of the impact assessment. Another concern is dedicated to the fact, that especially in the international business research field, informal institutions are equated to cultural dimensions (Dau et al., 2022). For instance, Golesorkhi et al. (2019) in their work “The Performance Impact of Informal and Formal Institutional Differences in Cross-Border Alliances” use cultural dimensions by Geert Hofstede (2010) as variables for the informal institutional distance assessment between 405 micro finance institutions and their partners in strategic partnerships. This approach is driven

by the first mentioned limitation as an attempt to operationalize informal institutions, however, culture represents distinct concepts on the institutional paradigm and should be investigated separately. This issue is deeply discussed in chapter 2.1.3. Third of all, for a deeper understanding of the institutional perspective, the distinctions between “institutions” and “organizations” should be provided. According to North (1990), organizations are “groups of individuals bound by some common purpose to achieve objectives” (p. 5), that represent “players”, while institutions are “rules”. The evolution of organizations is influenced by the institutional framework however, they also influence how this framework evolves (Dau et al., 2022). Here, the bi-directional influence of actors and institutions arises. This statement can be supported by the mentioned above feature of “humanly devised” institutions. Since institutions are created by individuals, institutions can then also be changed by the same actors.

The next part of the chapter is dedicated to the historical formation of the institutional paradigm. Throughout its development, institutional tradition has been based on three leading theoretical approaches: Rational choice institutionalism, Organizational institutionalism, and Historical institutionalism (Campbell, 2004). These paradigms, besides having some commonalities and referring to the same object of investigation are “based on different assumptions, boundary conditions, and mechanisms or logics that are incommensurable or at odds with each other” (Hay & Wincott, 1998, as cited in Dau et al., 2022, p. 990). The comparison is based on the first school description.

Rational choice institutionalism or New institutional economics was formed in the 1970s from Old institutional economics and Neoclassical economics. The essential contributions to the development, besides all, were made by already mentioned North (1990, 1991). This theoretical approach is considered the most widely used in the scientific sphere, especially in investigating international business (Dau et al., 2022). According to the North’s typology, Rational choice institutionalism involves research on both formal and informal institutions, widely embracing different aspects of their manifestation. As for criticism, the school was accused of a lack of social context (Dau et al., 2022). Nowadays, in the field of international business, the Rational choice institutionalism approach is enlarged by empirical investigations of various aspects of institutional influence. For instance, based on the North’s typology, Gaur, Pattnaik, Singh, and Lee (2022) in their work “Societal trust, formal institutions, and foreign subsidiary staffing” investigated the hypothesis of societal trust and formal institutions influence on the reduction of frequency of hiring expats in 435 Korean MNE’s foreign subsidiaries. The second school, named Organizational institutionalism or Neo-Institutional Theory, was mainly constructed on such fields as sociology and organizational theory and now is also used in international relations (Dau et al., 2022). This paradigm is older than the previously described one since it emerged in the early 20<sup>th</sup> century. German sociologist, Maximilian K. E. Weber, was one of the founders of Organizational institutionalism, which explains the nature of the school roots. The theory got its development mostly because of the forces of organizational theory scientific representative Scott (1995), who made one of the most powerful contributions to the whole field regarding the three-pillar framework, which was already mentioned in chapter 2.1. The difference between the two scholars is dedicated to the definition of institutions and their typology. While North was arguing that institutions are mainly the rules, Scott (2013) suggested that institutions “provide stimulus, guidelines, and resources for acting as well as prohibitions and constraints

on action . . . social structures, made up of symbolic elements, social activities, and material resources” (pp. 57–58). Despite the similarities in using the words “constraints” and “structure”, Scott introduced the new term “guidelines”, which can be perceived as recommendations, rather than requirements, softening the strict North’s framework of permissions. Nevertheless, both terms highlight the function of institutions to enable the actions of actors, which can be perceived as similarity as well (Dau et al., 2022). The introduced three-pillar paradigm gives different classifications of institutions. Scott (1995) states, that the regulative pillar refers to formal and informal rules, normative pillar stands for shared norms and normative expectations of the behavior, as well as values, or “social obligations”. The (cultural-) cognitive pillar represents beliefs and cognitive structures, or “taken-for-granted basis”. As for criticism, in comparison with the previous approach, this school is accused of too much focus on social context (Dau et al., 2022). As an example of present contributions, Berrone et al. (2022) in their work “Impact of informal institutions on the prevalence, strategy, and performance of family firms: A meta-analysis” examined through informal institutions the level of appreciation of family businesses in different countries, thus embracing organizations by their governance type and investigating legitimacy, which was introduced by Scott as a cognitive or normative endorsement. The third school, Historical institutionalism, was a part of such subjects as political science, political economy, and economic sociology (Dau et al., 2022). At the very beginning of the 20<sup>th</sup> century, the perspective gained its roots from the same sources as Organizational institutionalism, referring to Karl Marx. Through its development, the focus was changed to an analysis of historical implications, and trends, looking for longer periods. Then, the contributions were made, for instance, by the sociologist Mark Granovetter (2017). The new definition outlines that institutions are “sets of persistent patterns” (Granovetter, 2017, p. 136) that structure how “social actions are and should be carried out” (Granovetter, 2017, p. 136). Defining the institutions as “patterns”, created over a long period, instead of more bounded “rules”, “structures”, and “guidelines” can be assumed as a wider, but not specified view of the issue, however, is perceived as balanced in terms of social context overview (Dau et al., 2022). The school also maintains a clear separation of institutional typology between formal and informal. Despite the less use in the international business sphere, Zhang (2022) in his work “Formal and informal institutional legacies and inward foreign direct investment into firms: evidence from China” attributed to the approach by examining the influence of social and economic disruptions of Chinese Cultural Revolution on the formal institutional transformation till this day.

Nowadays, in the strategic management field, the biggest contribution towards the further development of institutional paradigm was introduced by Peng (2009). His approach was expressed in the mentioned in chapter 2.1 Industry-based view, as it is presented in the Figure 1 “Institution-Based View Constituents”, and is defined as integrative, since the author unites Rational choice institutionalism, operating by North’s institutions’ typology, and Organizational institutionalism, supporting the previous classification by Scott’s pillars.

<i>Degree of Formality (North, 1990)</i>	<i>Examples</i>	<i>Supportive Pillars (Scott, 1995)</i>
Formal institutions	● Laws	● Regulative (coercive)
	● Regulations	
	● Rules	
Informal institutions	● Norms	● Normative
	● Cultures	● Cognitive
	● Ethics	

Figure 1. Institution-Based View Constituents.

Source: Peng et al., 2009

Both definitions are used. However, there are some adjustments made by the author. First of all, the regulative pillar supports only formal institutions. Second of all, normative and cognitive pillars support norms and cultures, respectively, and ethics is included into the informal dimension. Because of the integrative approach and the present relevance, this classification is also chosen as a base for the Master Thesis and will be discussed in chapters 2.1.2 and 2.1.3.

To sum up, the portrayed above analysis explained the criticisms of the institutional paradigm by providing a broad look at institutional theory development. Moreover, it introduced antecedents of the present theoretical base in strategic management, which is used in this study. As it was mentioned, in the absence of a generalized perspective, the wider review and integrative approach are considered the most justified selection.

### 2.1.2 Formal Institutions

Formal institutions can be defined in a very broad sense, and there is no common classification. Formal institutions represent one of the two constituents of the institutional framework. They are written and visible constraints, following chapter 2.1.1 of the theoretical introduction. According to North (1990), formal institutions are subdivided into “political (and judicial) rules, economic rules, and contracts” (p. 47). Juridical rules include constitutions, laws, etc., political rules are broadly defined polity agenda control and decision structure, economic rules are property rights, and contracts are particular agreements in exchange (North, 1990). Thus, all the constituents of the formal dimension come under legal and administrative jurisdiction on different levels. According to the view of Peng (2009), formal institutions include laws, regulations, and rules (see Figure 1). The three concepts represent the hierarchy of the legislative system, with the support of the regulative pillar from Scott’s three-pillar model, which is mainly the coercive power of government (Peng, 2021). It influences actors through the mentioned in chapter 2.1.1 penalty system in a case of broadly defined rules violation, using the feature of higher authority. Thus, both North and Peng limit the view mainly by the core concept of power in political, economic, and legal spheres, that is defining boundaries of rights and obligations, permissions and preventions, and broadly formal institutions can be defined as political, legal, and economic constraints (Fuentelsaz, González, Maícas, & Montero, 2015). Hence, the distribution of institutions according to three groups depends on the sphere, which this constraint guides. For instance, governmental monetary politics is an economic constraint, since it is using interest rates to increase or decrease the sum of money in the economy and shape the actors' behavior by satisfactory or unsatisfactory terms, using its power as a higher

authority. This statement explains the process of formal institutions enforcement, which can be only guided by legitimate actors, such as governments, ministries, and firms, depending on the level of influence (Dau et al., 2022). To justify the importance of formal institutions in international business, examples of the institutional theory application should be provided. For instance, studies show that the difference in institutional frameworks between host-country and country of origin of firms can influence the effectiveness of foreign direct investments (FDI). If host-country is an example of an emerging economy, there is a high risk of increasing transaction costs for Advanced Economy Multinational Enterprises (AMNEs) due to the fact, that in such states there is a lack of institutional development, which results in low-quality of market maintenance (Luo, Zhang, & Bu, 2019). The same situation can be applied to Emerging Economy Multinational Enterprises (EMNEs). Investing in advanced economies, EMNEs are obliged to handle different barriers, for example, compliance with more developed requirements for the quality of goods, passing more verifications, and compliance with the requirements of openness and transparency of operations (Aulakh, 2007). However, there are also other views on formal institutions expressions. According to the developed from Rational choice institutionalism National Business System (NBS) approach, countries differ because of the different paths of development through capitalism, which created corresponding institutions (Whitley, 1999). Its author Richard Whitley (1999) operates with firm-related orientations to connect national institutional regimes with the organization of economic activities. The NBS is defined as “distinctive configurations of hierarchical market relations which become institutionalized as relatively successful ways of organizing economic activities in different institutional environments” (Whitley, 1992, as cited in Sahasranamam & Ball, 2018, p. 25). The author defines 4 groups of institutional factors that influence organizations: financial system, educational system, political system, and cultural system (Whitley, 1999, as cited in Sahasranamam & Ball, 2018, p. 25). Besides the cultural system, the other 3 factors refer to formal institutions. For instance, the financial system includes the process of capital creation and price, while the educational system combines institutions that develop individual’s capabilities. Some authors suggest that this perspective is more empirically applicable (Sahasranamam & Ball, 2018). However, there is a limitation of such an approach. As it can be seen especially from the explanation of the educational system, the term “institutions” in NBS refers to “organizations”, representing the system of formal organizations, which provide specified influence on economic activities within the country, thus impacting firms. Nevertheless, this approach gained significant attention in the literature, examining foreign direct investment flows, entrepreneurship, and other business concepts (Dheer, 2017; Kapas, 2020; Tang & Buckley, 2022). As an example of NBS application in international business research, the study of Sahasranamam and Nandakumar (2020) “Individual capital and societal entrepreneurship: Role of formal institutions” can be provided. The authors presented research on the hypothesis of the impact of formal institutions, based on the NBS approach, on relationships between individual capital and social entrepreneurship entry. As a result of using National Expert Survey by Global Entrepreneurship Monitor for calculating an index for the financial system strength assessment through the availability of funding, the UN Human Development index for the assessment of the educational system through the comparison of years of education, and other variables across 53 countries, researchers found out, that strong

educational, financial, and political systems positively influence the investment of individual capital and social entrepreneurship in turn.

To sum up, formal institutions provide a big range of opportunities for investigation through codified nature and present important topic of research in the international business sphere.

### **2.1.3 Informal Institutions**

Informal institutions form the second dimension of the broad institutional paradigm and the Institution-based view in particular. Following the mentioned in chapter 2.1.1 characteristics, informal institutions are rules of behavior, which are, in comparison with formal ones, unwritten and invisible. Considering the Institution-based view, there are three constituents of informal institutions: norms, cultures, and ethics (see Figure 1). However, in some theories, the last two constituents are regarded as separate concepts (Dau et al., 2022). According to the limitations presented in chapter 1.2, and considering the mentioned earlier separation of concepts, the cultural aspect is deeply investigated in the following chapter 2.1.4. Referring to the three-pillar paradigm introduced by Scott and adapted by Peng, informal institutions are supported by normative and cognitive pillars (see Figure 1). The normative pillar defines the impact of values, beliefs, and actions of surrounding actors on the behavior of a firm or individual. Together they are called norms – the prevailing practice of a group (Peng, 2021). Herd instinct as a phenomenon among people in a society is one of the examples of the normative pillar effect. For instance, during Brexit in the UK, the “normal” behavior was to leave the country because of the fear of dramatic changes, which became widespread among firms and implied not taking into consideration personal beliefs against external ones (Peng, 2021). The second pillar, cognitive, stands for internal beliefs and values, which are taken-for-granted and are perceived as obvious for a firm or individual. To give particular examples of informal institutions, the definitions of opportunism, trust, and reputation should be provided. Opportunism is viewed as a practice of taking advantage in certain situations by self-interested motives and normally at the expense of others (Peng, 2021). To reduce uncertainty, which opportunism implies, trust – the belief in honesty, integrity, and reliability of other actors, as an informal institution, is devised and used. Another informal institution that can reduce opportunism is reputation – social assessment based on past behavior (Boddeyn & Peng, 2021). Reputation can establish and maintain trust, and thus can be perceived as its antecedent as well (Sartor & Beamish, 2014). One more important issue is connected with the enforcement of informal institutions. In comparison with formal institutions, introduced in chapter 2.1.2, the enforcement of informal ones is based on moral obligations and is in connection with the habit of certain behavior, as the tool of a cognitive pillar or so-called self-enforcement (Dau et al., 2022). Another tool is undermined by the expedience and appropriateness, to avoid social sanctions, which is supported by the normative pillar and named a social-enforcement (Dau et al., 2022).

Another view on informal institutions is provided by North (1990), who argued that informal institutions are defined through three aspects, being: “(1) extensions, elaborations, and modification of formal rules, (2) socially sanctioned norms of behavior, and (3) internally enforced standards of conduct” (p. 40). The second and third aspects stands for normative and cognitive pillars. The very first aspect was also mentioned by Peng (2009) in the form of the

second proposition of the Institution-based view. It represents the ability of formal institutions to serve different roles depending on the extent of interaction with formal institutions and their effectiveness. For instance, Helmke and Levitsky (2004) in their work “Informal Institutions and Comparative Politics” argue that informal rules can influence positively or negatively, reinforcing or limiting formal ones. The authors created a framework with the informal institutional typology considering their role in interaction with formal rules: complementary, accommodating, competing, and substitutive (Helmke & Levitsky, 2004). Complementary informal institutions support formal ones and fill in the gaps left by them. Accommodating informal institutions deal with conflicting goals by bypassing restricting formal institutions and providing a complementary solution, expanding choice. Substitutive informal institutions act as an alternative to ineffective formal ones to achieve the same goal. Competing informal rules are fighters against the system, undermining their effectiveness and seeking to take over the dominant role.

The study “Reciprocity and informal institutions in the international market entry” by Boddewyn and Peng (2021) can serve as an example of the Helmke and Levitsky (2004) model application. Boddewyn and Peng (2021) introduce a norm of reciprocity – “the vital principle of society” (p. 2), and in terms of organizational exchange as the relationship-development process, which starts with the “paying forward” move by foreign entrants and entails the obligation of locals to pay back – reciprocate. If another party does not comply with an obligation, the introduced social sanctions “in the form of poor reputation and even ostracism by the favor-giver and other organizations” (Boddewyn & Peng, 2021, p. 3) can be employed. Following the first proposition of the Institution-based view by Peng (2009), authors argue that foreign firms often seek to minimize transaction costs while entering new markets, and in some context three leading contractual entry modes “make, buy, and ally” initially can cause higher transactional costs and simply be unavailable. Therefore, reciprocity is assumed as an informal institution and, according to authors, a non-contractual entry mode, which plays a complementary role towards formal institutions - contracts, because fills the temporary market failures and can in the future evolve into some of the contractual modes. Taking into consideration other relevant studies, some of them define the influence of the mentioned earlier trust. In the work “Social trust and corporate innovation: An informal institution perspective” Lyu et al. (2023) concluded, that trust encourages innovative practices in organizations through motivation, cooperative culture promotion, and mitigation of financial constraints. The study was based on the A-share companies of the Shanghai and Shenzhen Stock Exchanges between 2003 and 2016, including 16,654 firm-year observations. As for variables, the trust was measured by the Chinese Enterprise Survey System and other high-qualified pools.

All in all, informal institutions take a significant part in the international business sphere research too. However, as can be seen from the analysis, there is no common typology of informal institutions. This limitation, on the one hand, prevents the clear comparison of results of research because of the different typology applications, but on the other hand, offers an integrative approach towards the variation of cases.

#### **2.1.4 Culture**

According to Hofstede, G., Hofstede, G. J., and Minkov, M. (2010), the concept of culture can be defined as “the unwritten rules of the social game, or more formally the collective programming of the mind that distinguishes the members of one group or category of people from another” (p. 516). Even though culture has different layers, from subnational to corporate, in this chapter the term refers to national and organizational aspects. Supporting this decision, the model of Cultural Dimensions by Hofstede should be provided first. This is a measurement of 6 core particularities through the position of one country relative to another and the assignment of corresponding scores between 0 and 100, which was a result of empirical research on 93 states around the world (Hofstede et al., 2010). The mentioned particularities are power distance, uncertainty avoidance, individualism-collectivism, masculinity-femininity, short versus long-term orientation, and indulgence versus restraint. For instance, uncertainty avoidance evaluates the level of cultural tolerance toward risk. In other words, it assesses how anxious people become because of changes. Risk-averse behavior is normal for societies with a prevalence of strict regulations and rules, while a high risk-taking attitude can be seen in those cultures in which industrial, personal, and overall behavior is more flexible. In corporate life it is manifested by, for example, codified procedures, the big importance of deadlines, and punishments for plan avoidance. The main criticism of this study is based on two aspects (Jha et al., 2019). Firstly, the study was primarily held in 1980, which indicates the risk of reduced relevancy of the results at present. Secondly, the limitation of not advanced statistical techniques may influence the accuracy of results. Another important investigation was held by Erin Meyer (2014a), a professor of management practice at the international business school INSEAD, who wrote “The Culture Map: Breaking Through the Invisible Boundaries of Global Business” study. The book is based on 30 different countries' collective data, interviews, and surveys of managers. The author created a framework of countries evaluation using 8 cultural particularities, which are presented as scales between two different extreme positions of each of the characteristics. Cultural particularities include communicating, evaluating, persuading, leading, deciding, trusting, disagreeing, and scheduling. For example, deciding dimension measures the degree to which society is consensus-oriented. In corporate life this is manifested by, for instance, decision-making at the group level with the corresponding group responsibility or supporting hierarchical structure, top-down from the higher managerial positions.

The second layer of culture, organizational culture, should be described as well, as it also has an impact on cross-national operations. Some of the researchers considered, that organizational culture differences may have an even more intense effect on the partners within strategic alliances (Pothukuchi, Damanpour, Choi, Chen, & Park, 2002). Organizational culture is manifested through “the climate and practices that organizations develop around their handling of people, or to the espoused values and credo of an organization” (Schein, 2004, p. 7). Hence, the main difference between organizational and national cultures is that the latter differs mostly on the level of values, while the former differs at the level of practices, and is easier to be changed since national culture influences individuals from a very young age (Hofstede, Neuijen, Ohayv, & Sanders, 1990). Considering the nationality of the selected alliance, the particularities of both French and Japanese organizational cultures should be described. According to the research of Li-Ping Tang, Kim, and O’Donald (2000), there are four



constituents of Japanese organizational culture: family orientation and loyalty; open communication; team approach; and manager knowledge. Family orientation and loyalty stand for a people-oriented approach in viewing employees with harmony as a main value of a “family”. Its commitment to a worker, loyalty, is expressed through staff retention and benefits. Open communication explains face-to-face group negotiations and consensus decision-making through a bottom-up system. The team approach exemplifies the intention to put responsibility on a group rather than on individuals and orientation toward group goals, not individual desires. Together with family orientation, those practices promoted a long-term approach. Manager knowledge stands for the wider understanding of the different functions’ operations because of the absence of the value of an individualistic career desire. The examination of European organizational culture particularities is mostly dedicated to managerial styles. France, being part of the North-West part of Europe, can be characterized by strategic planning, managerial control and focus on changes, long-term forecast, and leadership abilities (Mariana-Aida & Sergiu, 2010). According to other classifications, France refers to the traditional capitalist countries category, thus organization’s “value system is based on entrepreneurial spirit, ability innovation, freedom of action” (Mariana-Aida & Sergiu, 2010, p. 292). In addition, dynamics and conflicts facing are perceived as better conditions rather than harmony (Chung, 1991). As can be noticed, some of the factors have correlations with the identified dimensions by Hofstede and Meyer. For instance, team approach and family orientations stand for collectivism, introduced by Hofstede, valuable long-term orientations can also be impacted by the trusting dimension resented by Meyer, etc. Thus, it can be concluded, that national particularities strongly influence the internal philosophy of firms and should be investigated together for more precise outcomes of analysis.

To justify the separation of informal institutions and culture in this Master Thesis, the different points of view should be analyzed. First of all, terms of informal institutions and culture often overlap (Helmke & Levitsky, 2004). According to the Institution-based view, culture represents one of the constituents of informal institutions, together with norms and ethics (see Figure 1). It can be justified by Hofstede’s definition, according to which culture is “unwritten rules”, which reflects the feature of informal institutions and is consistent with the North’s definition of institutions, mentioned in chapter 2.1. Second of all, the separation of concepts also exists. Referring to Organizational institutionalism and Scott’s three-pillar model, culture is equated to the cognitive pillar, while informal institutions are represented by the regulative one. The main argument for the support of this view is based on the cultural effect on internalized beliefs – “internal interpretive processes are shaped by external cultural frameworks” (Scott, 2013, p. 67). Assuming the separation of concepts, the main difference between informal institutions and culture, according to some authors, consists in that the latter is a “deeper level of basic assumptions and beliefs” (Schein, 1985, as cited in Dau et al., 2022, p. 989), while informal institutions are constraints, even though supported by a cognitive pillar, according to Peng (2009). In other words, informal institutions, “may or may not be rooted in broader societal values” (Helmke & Levitsky, 2004, p. 728). The definition of culture through values is confirmed by Hofstede (2010), who states that they are “the deepest manifestations of culture” (p. 7). For instance, the Chinese relationship-building process “Guanxi” is rooted in the long-term orientation cultural dimension of Chinese society, introduced by Hofstede. However,

culture still “shapes human interaction”, following the mentioned in chapter 2.1. definition of institutions. Thus, it still should be appointed to the institutional paradigm and analyzed together with formal and informal institutions, however, following the above analysis and in terms of clear structuring of findings, separately.

The research of Kayalvizhi and Thenmozhi (2018) “Does quality of innovation, culture, and governance drive FDI? Evidence from emerging markets” can serve as an example of theory application. Based on 22 emerging economies observations and using Hofstede’s framework of 6 cultural dimensions, authors concluded, that high power distance and indulgence force the greater inward FDI flows “because of rapid execution of business policy and higher productivity in the international business environment” (Kayalvizhi & Thenmozhi, 2018, p. 190).

To sum up, cultural aspects are an important source of institutional impact and should be analyzed together with the other two dimensions for a clear and wider look at the issue.

## **2.2 Introduction to Strategic Alliances**

In this chapter, the overview of the next subject of the study, strategic alliances, is presented. Nowadays, strategic alliances still represent an important option for firms to pursue various benefits, starting with growth opportunities and ending with the risks hedging (Filiou & Golesorkhi, 2016). According to the PwC (2019) “22nd Annual Global CEO Survey”, which included 1,378 respondents in more than 90 territories explored, alliances are viewed as one of the most attractive strategic partnership decisions for revenue increases, that is 40% of answers. Another study “2022 CEO Outlook”, held by KPMG International (2022), included 1,325 global CEOs across 11 markets and found that 26% of chief executive officers consider that strategic alliances are “the most important strategies for achieving organizational growth objectives over the next 3 years” (p. 7), because they can foster growth with flexibility and toughness. There is a variety of investigations, dedicated to the understanding of the strategic alliance nature. The several most important features of this collaboration between firms are mentioned below. Strategic alliances can be broadly defined as “voluntary arrangements between firms involving exchange, sharing, or codevelopment of products, technologies, or services” (Gulati, 1998, p. 293). The “voluntary arrangements” means that alliances are “agreements between companies that remain independent and are often in competition” (Masrurul, 2012, p. 22) beyond the area of strategic cooperation. First of all, the primary goal of strategic alliance formation is “to create value by combining the capabilities of separate firms” (Masrurul, 2012, p. 23). Second of all, alliances also imply sharing the costs and risks with partners (Jakobsen, 2020), representing in some sense a more reliable way of combining forces for the competition in a market. Third of all, to pursue the mentioned goals, a strategic alliance requires a long-term cooperative effort and a common perspective (Faulkner, 1995). In other words, partners in an alliance should share a common vision of future development. Fourth of all, this type of partnership depends on “long-term, trust-based relations that entail highly relationship-specific investments” (Phan & Peridis, 2000, p. 201), pursuing synergy, which in turn enables knowledge transfer, especially tacit one (Qiu & Haugland, 2019). All in all, firms involved in such a partnership can (1) remain competitors beyond the project or niche of cooperation, however, (2) decide to combine efforts and resources in (3) specifically strategic

areas of performance (4) for a long period (5) to receive above-average return and (6) mutually combat other competitors (Masrurul, 2012).

However, despite the positive features of strategic alliances, there are some drawbacks involved in such cooperation. For instance, there is a risk of unintended leakage of valuable technology and knowledge, which is viewed as a negative outcome of collaborative learning (Qiu & Haugland, 2019). This threat is driven by opportunistic behavior, the possibility of which rises with the extent of complexity and interdependency of activities in an alliance, such as in cross-border ones (Oxley & Sampson, 2004). That is why researchers have agreed upon the necessity and significant importance of trust-building in strategic partnerships, as well as because uncertainty can increase the expenses of monitoring the partner’s behavior (Heffernan, 2004; Jha et al., 2019; Lyu et al., 2023). Following the mentioned importance of goals alignment, another risk implies contradiction of targets, absence of mutual strategic vision, and difficulties in management between partners (Masoud, Buzovich, & Vladimirova, 2020). To exemplify, one of the reasons for the Daimler-Chrysler alliance failure was a lack of cooperation in the technological field, mutual strategy, and trust between partners (Watkins, 2007).

The next important issue is dedicated to the specification of the alliances' position among other interactions between organizations. Porter (2011) considered strategic alliances as “long-term agreements between firms that go beyond normal market transactions but fall short of merger” (p. 65). Following this classification, Mike W. Peng (2021) in his book “Global Strategy” has identified 9 types of strategic alliances on a scale of degree of equity involvement in such an agreement, as it is presented in the Figure 2 “Variety of Strategic Alliances”. Starting from the co-marketing, which is an agreement between various businesses to sell their goods and services together and represents the most evident example of a nonequity-based type of alliance, ending with a joint venture as an equity-based type – a new entity of two or more firms, which receives resources, especially equity, from them and is mutually guided by these companies (Peng, 2021).

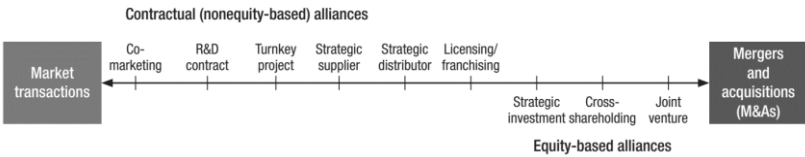


Figure 2. Variety of Strategic Alliances.

Source: Peng, 2021, p. 170

In addition, considering the structure of alliances, there are two types identified (Zhuo, Wang, & Niu, 2021). Horizontal alliances are strategic partnerships formed by competitors. Vertical alliances are subdivided into upstream and downstream forms. The upstream vertical alliance consists of a brand-owner firm and its suppliers, while the downstream vertical alliance includes a brand-owner firm and its buyers and distributors. While the purpose of horizontal alliances is to unite resources and forces for competition with other players, according to the Five Forces Framework, the reason for vertical upstream and downstream partnerships is to reduce the bargaining power of suppliers and buyers or distributors accordingly (Peng, 2021).

Over the last two decades, the investigation of strategic alliances by scholars was performed using three main aspects: antecedents, capabilities, and outcomes of a strategic alliance. In addition, two main perspectives toward alliances in literature were applied: level of analysis and alliance stage of development. According to the level of analysis, there are three views in the literature toward an issue: individual-alliance level, alliance-portfolio perspective, as the network of partnerships, and dyad-specific view, as investigation of two firms involved in an alliance (Wang & Rajagopalan, 2015). As for the stages of alliance performance, the broadest perspective defines the preformation and postformation stages (Wang & Rajagopalan, 2015). During the preformation stage firm searches for a partner and decides to enter an alliance, while the postformation stage includes governance of the established alliance and its performance (Donbesuur, Zahoor, & Adomako, 2021). In the work “Alliance Capabilities: Review and Research Agenda”, based on the analysis of over 1,000 articles published in top management journals from 1990 to 2014, Wang and Rajagopalan (2015) summarized the results of the research on the alliance antecedents, capabilities and outcomes, depending on the level of analysis and stage. Since this Master Thesis investigates dyadic alliance, the presented below analytical results are based on this consideration. For instance, authors include in antecedents the partner-specific experience, which can be defined as a number of past interactions with the second company. Describing capabilities, they mention dyadic-level combined relational capability – “aggregation of two partnering firms’ abilities to interact with and manage interfirm relations” (Wang & Zajac, 2007, as cited in Wang & Rajagopalan, 2015, p. 240). In addition, researchers indicated, that after the internal creation of relational capability, conflict management as achieving a win-win situation, interfirm learning, knowledge sharing among boundaries, and other strategic capabilities become possible. To exemplify, in the study “How relational capability can influence the success of business partnerships” Giraldi, Coacci, and Cedrola (2023) using the case-study method examined the importance of relational capability for partnership success. The sample of a study included the cooperation between a start-up, named Emoji, and SME called Flowing, which was formed for a new combined project in the technological field. Comparing survey answers at the beginning and end of the research, authors concluded, that relational-capabilities, developed through social bonding based on trust among partners, can lead to higher levels of synergy, bi-directional knowledge sharing, and increased performance rates. Thus, this study also highlights the importance of trust and relationship-building between strategic alliance partners. The final constituent, outcomes, is described as the results of the successful usage of antecedents and creation of capabilities and includes the increased likelihood of further acquisition, increased performance rates, profitability, mutual learning, innovation, etc.

Overall, strategic alliances are a broad research topic that can be considered from various angles. In chapters 2.2.1 special attention will be paid to international alliances.

### **2.2.1 Cross-Border Strategic Alliances**

The growth of global markets and technologies has influenced the frequency of the creation of cross-border strategic alliances (Pothukuchi et al., 2002). Following the definition, presented in the previous chapter, cross-border alliances are “collaborative agreements involving multiple business organizations located in different countries” (Lojacono, Misani, & Tallman, 2017, p.

435). They are perceived as one of the most rapid ways to enter a foreign market, which can be beneficial with economies of scale (Li & Ferreira, 2008). There are other benefits from participating in cross-border alliances, such as access to new technologies and complementary skills for productivity growth (Jha et al., 2019), offshoring (Lojacono et al., 2017), access to foreign resources for better competition (Tower, Hewett, & Saboo, 2021), a share of tacit knowledge (Zhang, Lyles, & Wu, 2020), etc. Indeed, according to transaction costs scholars, alliances are combined mechanisms of hierarchy and markets, which can be more effective for resources and capabilities transmission than ordinary markets (Parkhe, 1993). Moreover, arrangements between firms of different origins allow them to share business activities, such as assembly, distribution, etc., according to better circumstances of countries (Nakos, Dimitratos, & Elbanna, 2019).

Many studies are focused on examining the impact of different contexts and features on cross-border alliances, in which firms from developed and emerging economies are involved (Juasrikul, Sahaym, Yim, & Liu, 2018; Wang, Wei, Noorderhaven, & Liu, 2023). Besides the value, that EMNEs can get from participating in alliances with AMNEs, such as access to developed markets, knowledge, and technology, risks mitigation, and higher returns (Juasrikul et al., 2018), there are some possible drawbacks or obstacles on a way of business development. For instance, differences in economic growth rates imply an entrepreneurial risk for EMNEs in product and geographical diversification (Singh & Ramamurti, 2009). In addition, one of the most observed issues is dedicated to cultural distance - “the difference between two cultures along some identifiable dimensions” (Peng, 2021, p. 103), which may hinder the communication and cooperation processes (Pothukuchi et al., 2002). When cultural practices in, for instance, a given joint venture differ and are not acknowledged, it can lead to misunderstanding, conflicts between managers, and interaction problems (Robson, Katsikeas, Schlegelmilch, & Pramböck, 2019). To give an example of the negative influence of cultural distance, the case of the Daimler-Chrysler-Mitsubishi alliance failure can be presented. First established in 2000, it lasted only 69 months due to a range of internal problems. One of them was a big cultural distance between American-European and Japanese automakers, which was poorly mitigated. For instance, due to a lack of cultural awareness about the Japanese side, the German and American managers who were in the team to bring companies together and resolve the financial issues of Mitsubishi perceived a “yes” response as agreement, although in Japanese culture this response means “I hear,” but does not imply appropriate action. As a result of not reviewing cultural differences, there was no work between the two teams, including a lack of trust and autocratic implementation of changes, as well as synergy, strategy, and other necessary conditions for success (Gill, 2012).

All in all, international alliances do not differ much in their advantages and disadvantages from conventional alliances, however, can offer some specific benefits and risks, such as an acquisition of foreign resources and a necessity for cultural alignment through acknowledgment and preparation.

### **2.2.2 Renault-Nissan Strategic Alliance: Historical Overview**

In this chapter, a brief overview of Renault-Nissan Alliance development will be presented to better understand the institutional influence through the key events.

In the second part of the 20<sup>th</sup> century global automotive industry went through big changes, according to the studies of Donnelly, T., Morris, D., and Donnelly, T. (2005) and Grădinaru and Toma (2017). First of all, in the 60s there were technological changes, such as the introduction of Toyota's lean system as opposed to Ford's vertical chain production. Second of all, geographical expansions in the 70s moved production centers from the Triad countries of the US, Western Europe, and Japan to developing regions. Third of all, in the 90s, because of the rise in incomes, consumers' preferences changed from basic vehicles to wider varieties of cars of different classes. Markets became fragmented and producers started seeking for presence in as many geographical markets as possible, either through internal development or acquisition. Fourth of all, the automotive industry was oligopolistic, which also increased the use of mergers and acquisitions to compete on multiple fronts, changing the competition from between firms to between strategic networks.

Renault Group and Nissan Motor Corporation were founded in 1898 and 1934 correspondingly (Nissan Motor Corporation, 2023a; Renault Group, 2023b). Taking into consideration mentioned above industrial changes, the antecedents of the alliance formation from both sides were the following. Firstly, by signing the Bretton Woods agreement in 1944, creating the "Japanese Miracle", and facing the 1973 Oil Crisis, Japan built widespread relations with other countries, including US, and switched from heavy production to the development of high-tech industries, which created a positive image about the local automotive industry (Curtis, 2002a). Secondly, Keiretsu groups, conglomerates of companies from different sectors with common interests around a manufacturer and financing banks, were popular in Japan, especially in the automotive industry (Curtis, 2002d). The power of such groups was decentralized and involved sharing resources and information within the system as part of the competitive advantage creation and relationship-building process (Curtis, 2002c). Considering mentioned in chapter 2.1 features of alliances, Keiretsu gave domestic businessmen important experience in how to manage big organizations with spread and complicated ties, although with significant drawbacks. Because of the developed bureaucracy, Nissan ended up suffering from poor cross-functional relations and internal communications, resulting in isolation, a lack of urgency, and a common vision of a strategic future (Donnelly et al., 2005). Thirdly, despite the previously good quality of business, because of the Lost Decades period influence, Nissan reported a huge, accumulated debt in 1999, which was equal to US\$ 36.5 billion (Andrews, 1999b). Later it was found that Nissan's purchasing expenses were 15% to 25% higher than Renault's (Ghosn, 2002). In addition, Nissan had an undeveloped vision of the vehicle's design, some of which were considered Toyota's clones (Donnelly et al., 2005). To save the business and compete with domestic Toyota, Nissan was searching for a partner. Fourthly, despite high-qualified engineering experience, Daimler-Chrysler closed a deal with Nissan after the former did not see the benefit of bailing the latter out (Andrews, 1999a). Fifthly, Renault was trying to become a global player in the industry and change its dependency on the Northern European market through its presence in Mercosur and new potential partnerships in North America and Asia Pacific (Donnelly et al., 2005). Thus, while Nissan could offer relations with the US and a presence in the Asia Pacific with engineering technologies, Renault could help with progressive Western marketing strategies, concept design, and expansion to Europe and Mercosur

(Donnelly et al., 2005). It was the first time when the French car manufacturer became interested in doing business with Japanese colleagues.

The strategic alliance was created in 1999, on March 27, by signing a corresponding agreement. It defined a 36.8% equity stake and corresponding voting rights for Renault in Nissan in exchange for debt coverage equal to \$5.4 billion (Ghosn, 2002; Renault Group, 2023b). It was a deal of developing a global strategic partnership with sustainable growth for both firms. Later, in 2001, Nissan bought 15% non-voting shares in Renault, and the latter increased its up to 43% (Guillaume & Carey, 2023). However, such an amount of ownership by Renault was perceived as an act to acquire partly Nissan, since, according to Japanese law, a minimum 33.4% stake gives the owner a “veto over decisions that require a super-majority (two-third)-shareholder vote” (European Commission, 1999, p. 2), thus Renault had a string control over Nissan’s capital. After that, firstly introduced in 1999, the “Nissan Revival Plan” was created to help the Japanese automaker return its profit through numerous internal changes (Ghosn, 2002), which are deeper discussed in chapter 4. The three main goals were the following: “to return Nissan to profitability by 2000, to increase the operating margin to more than 4.5% by 2002, and to reduce debt to below \$5.8 billion by 2002” (Ghosn, 2002, p. 44). Carlos Ghosn, who was previously named “Cost Killer” for his contribution to Renault's and Michelin’s development and took part in the Alliance preformation negotiation team, was put in charge of its implementation (Ghosn, 2002; Tajitsu, Crimmins, & Clarke, 2020). The plan was considered successful already after one year because Nissan accounted for \$2.6 billion net profit at the end of 2000 (Nissan Motor Corporation, 2002). In the same year, together with Renault, the “Alliance had a global market share of over 8.9% — 4.2% for Renault . . . and 4.7% for Nissan — and was ranked among the top six automakers worldwide” (Renault Group, 2000, p. 3). Then, in the fiscal year 2001, Nissan’s profit increased by 12.4%, resulting in the largest yearly net income in the history of the business—\$2.98 billion (Nissan Motor Corporation, 2001). By the end of 2000, the operating margin grew up to 4.75%, and by the end of 2001 reached its highest historical point - 7.9%. By 2001, the debt fell by approximately 20%, reaching \$3.45 billion. In 2002, “at constant accounting standards, the debt is gone” (Renault Group, 2002, p. 3). As a result, the “Nissan Revival Plan” was accomplished one year before the schedule (Nissan Motor Corporation, 2001, 2002). Over time, especially because of the successful implementation of the plan, Ghosn was appointed chairman and CEO of Renault and Nissan (Tajitsu et al., 2020). In 2002, firms established a joint venture, called Renault-Nissan BV (RNBV) of equal ownership (Renault Group, 2022b). To follow the shared mission of profitability and growth, RNA designed several projects, some of which are mentioned below. In 2013, companies together created the “Common Module Family” (CMF) plan intending to achieve low-cost improvements in manufacturing, producing different vehicles using the same systems and mutually developing key technical components (Nissan Motor Corporation, 2013). In addition, both firms are still focused on joint development of capital-intensive R&D projects such as Renault Nissan Technology & Business Centre India (RNTBCI), which was established in 2007 and is concentrated on advanced engineering and emerging manufacturing technologies globally, divided between Nissan and Renault into 49 and 51% shares correspondingly (Nissan Motor Corporation, 2023b; Renault Nissan Technology & Business Center India, 2023a). As for the cooperation in procurement, firms created specified Alliance Purchasing Organization

(APO) for oversees procurement management to employ better volumes and costs with the “one voice to suppliers” principle (Renault Group, 2002). In 2004, the RNPO accounted for 70% of the combined annual purchases of Renault and Nissan, in 2008 the number was equal to 92% (Renault Group, 2004, 2008). However, the Alliance was not always dyadic. In 2016 Nissan took Mitsubishi Group into the alliance with 34% of ownership (Shiraki & Tajitsu, 2016). Additionally, the RNA also faced some challenges. In 2018 Carlos Ghosn was promoting the idea of a merger between two partnering companies, and after his arrest on suspicion of financial misconduct, the same offer was announced once again with the French Government's pressure on Nissan through its increased voting rights (Lewis, Inagaki, Campbell, & Mallet, 2019; Sharman & Lewis, 2015). To promote equality, in 2023, Renault and Nissan agreed on restructuring their partnership. The ownership structure was changed to equal stakes of 15% with voting rights for each. The rest 28.4% of Renault's shares are transferred into a French trust (Renault-Nissan-Mitsubishi Alliance, 2023c). In addition, Nissan agreed on investing in Renault's new electric vehicles (EVs) division Ampere (Guillaume & Carey, 2023). Nevertheless, the alliance can be named as successful. Both manufacturers are listed in global rankings and are represented in the list of the 20 biggest world automakers (Confino, 2022). Moreover, taking into consideration the combination of resources, the enriched with new member Renault-Nissan-Mitsubishi alliance took 4th place according to sales volumes in 2020-2021 (Carlier, 2023). The Alliance continues to develop. It holds top-3 zero-emission car models with more than 1 million EVs sold, has 420 thousand employees worldwide, and invests in new technologies such as Autonomous Mobility, All-Solid-State Battery technology, electrification, etc. (Renault-Nissan-Mitsubishi Alliance, 2023a). In its new “Road Map 2030” strategic plan, the Alliance indicated a focus on Latin America, Europe, and India, as well as defined key projects at the 2023 meeting (Renault-Nissan-Mitsubishi Alliance, 2023c). In 2020, under the same initiative, they also revealed the “leader-follower” plan – a scheme according to which the strongest company in a certain sphere or geographic area has a right to lead joint research and purchasing (Nissan Motor Corporation, 2022). To sum up, the Alliance represents an example of a long-lasting collaboration with an eventful history of development. Because of this, it can be considered a good case for analyzing the institutional influence on the formation and activity of the partnership.

### **2.3 Classification of Institutions – Influence on Strategic Alliances**

In this part of the Master Thesis, the investigation of literature regarding correlations between institutional framework and strategic alliances is presented. The set of articles was limited by their relevance according to the Scopus and Web of Science databases and dates of publications. The outcomes are also in correlation with the previous literature review of the analyzed concepts. The information about the articles, including limitations and scope of the research, is presented in the Table 1 “Sources of the Institutional Paradigm Impact Analysis” (see Annex 1) with the corresponding division of the articles into three categories according to the topics: formal institutions (Category 1), informal institutions (Category 2), and culture (Category 3). After that, the critical comparison of the results is discussed. Unfortunately, the scope is limited by the paid access of some articles, however results are still of high importance for the research.



### **2.3.1 Category 1: Formal Institutions**

In this part, the different opinions about the formal institutional impact on strategic alliances are discussed. In the first study by Jha et al. (2019), authors measured the formal institutional distance impact on the likelihood of a cross-border alliance formation through the number of international partnerships created each year between country pairs. The Kaufman Worldwide Governance Indicators were used as formal institutions representations. They included political stability and absence of violence, voice and accountability, government effectiveness, regulatory quality, control of corruption, and rule of law. The method was based on the elaboration of indexes, mathematical modeling, and comparison of the number of cross-border alliances formed under the influence. The results showed that formal institutional distance does not influence the strategic alliance formation possibility, in comparison with others mentioned in the literature review studies. The explanation is based on institutional arbitrage – the idea that firms may find an advantage in collaborating with foreign partners through the acquisition of foreign, unique resources, as it was mentioned in chapter 2.2. In addition, the authors consider that the international experience of firms mitigates the negative formal institutional and cultural distances impact on the alliance performance. As the authors mentioned, the unique approach of the study is based on the avoidance of country replication for different pairs.

The investigation presented by Golesorkhi et al. (2019) examines alliances between developed and developing countries, which importance was mentioned in chapter 2.2.1. The scope was limited by micro finance institutions, the selection of which was mainly justified by the homogeneous feature of the industry specifications across countries. Besides other goals, mentioned in the following chapters, the study was focused on the investigation of formal institutional distance influence on the alliances' performance. The data used was from leading rating agencies, such as MicroRate, Microfinanza, etc., and the World Bank database. To assess the performance rates, the ROA and the ratio of operational expenses were utilized. The economic freedom index by the Heritage Foundation was used as formal institutions variable. The authors applied mathematical formulas, factor analysis, and other quantitative methods to value differences in ties between index and ratio, as well as modeling for visualization. In comparison with the previous study, authors argue, that formal institutional distance has a detrimental effect on firms' performance rates, explained by the corresponding costs of allying with the partner embedded in different formal institutional sphere, since products, technologies, etc. should be in line with cross-border partner's national legal requirements, especially in developed countries.

The third study assessed the influence of institutional distance on innovation activities. It was performed 3 years earlier and was written by one of the previous authors, Golesorkhi together with Filiou (2016), however the study showed different results – inverted U-shape impact. The growth of innovation efficiency at the early stages is explained either by the prevalence of similarity, or the ease of detection of formal differences due to their explicit nature. However, with the increase of these differences, the effectiveness of innovative activity begins to fall, reaching the same outcome as in the former investigation. The reason for the biopharmaceutical sphere choice was dedicated to the fact that the industry was considered alliance intensive with the high-technological focus. To capture innovation performance, the patent count was used. The same index, statistics, and visualization were applied.

All in all, all three articles did not show a positive effect of formal institutions on strategic alliance activity.

### **2.3.2 Category 2: Informal Institutions**

The next chapter is dedicated to the informal institutional influence on strategic alliances. In the earlier introduced study by Jha et al. (2019), the authors came to the following conclusions regarding influence of the inter-organizational trust. First of all, higher trust, together with lower cultural differences, increase the possibility of cross-border alliance formation. Second of all, higher trust can better reveal cultural distances because of the higher degree of corresponding transparency. However, explicit cultural differences harm strategic alliance formation. Third of all, higher trust cannot mitigate the effect of cultural and formal institutional distance, however, can positively influence in case of found sufficient geographical distance. To measure the average trust between the country pairs, the authors used the World Value Survey and empirically calculated the percentage of positive answers regarding trust issues for each country. Researchers assume that if both countries in a pair can be characterized with a high level of trust, then the mutual level of trust is higher.

The next investigation, written by Fenik, Noble, and Lehnert (2020), is dedicated to the comparison of two variables' interrelations – trust and opportunism in strategic alliances, using a multi-method approach within the business simulation and a cross-sectional sample of alliance executives. While the previous study suggests that trust reduces the risk of opportunism, this research argues that opportunistic behavior cannot be simply moderated by a high level of trust between alliance partners. Firstly identifying the negative influence of opportunistic behavior (both rogue from the firm and deviant individual employees) on alliance performance levels, authors came to the conclusion, that there is a U-shaped relationship between trust and opportunism. In addition, they suggest that monitoring and relative alliance identity can change this relationship, and with a high level of trust, the risk of opportunistic behavior expires.

The third study, presented by Hoelz and Bataglia (2022), was dedicated to the empirical test of the trust role as an intermediary between reputation and its effect on alliance performance rates. The focus was on the Brazilian pharmaceutical sector. The approach was based primarily on statistical methods. The outcomes showed that the reputation of one partner and its justification can mitigate relational risk and increase the trust of one partner in another, which also includes a higher belief in non-opportunistic behavior. In comparison with the previous study, this investigation also supports linear interrelations between trust and opportunism.

To sum up, two out of three articles suggest that trust can have a positive effect on opportunism and is useful as a tool for the corresponding risk decrease.

### **2.3.3 Category 3: Culture**

The third part of the analysis is dedicated to the investigation of the literature on ties between culture and strategic alliances. The first article, written by already introduced Jha et al. (2019), investigated the cultural distance influence on number of the cross-border alliances, thus assessing the likelihood of formation. For the cultural distance calculation, the authors used Kogut and Singh's (1988) formula of the index of Hofstede's dimensions, introduced in chapter

2.1.4, to elaborate a composite index for each country. After the comparison of empirical results, the authors concluded that a larger cultural distance could decrease the likelihood of alliance formation. Additionally, as was mentioned in chapter 2.3.2, only high levels of trust the lower cultural distance can increase the possibility of formation, that is more formed cross-border alliances identified as a result of analysis. Moreover, the GLOBE framework, introduced by House, Hanges, Javidan, Dorfman, and Gupta (2004), was selected to test the primary results, using the same techniques. It was found that cultural similarity cannot mitigate the high geographical distance between companies, in comparison with mutual high trust. Thus, higher trust has more positive power on the likelihood of alliance formation, rather than cultural distance, which is not an obstacle only in case of its low coefficient and trust's high one.

The second study was prepared by Filiou and Golesorkhi (2016) and investigated the cultural influence on firms' innovation. The cultural distance examination was based on the same Kogut and Singh's index of Hofstede's dimensions. The results show that there is approximately a sigmoid-shaped (S-shaped) impact of cultural distance, however with the decreasing last stage. At low levels of differences, the tacit nature prevents companies to grasp the innovation benefits of working with different cultures. With the growth of distance, it becomes easier to understand the source of the differences, and firms become able to invest in the effective management of an alliance, which increases the success of practices in innovations. However, the investigated performance grows at a reduced rate and reaches a plateau, after which cultural differences harm innovations.

The third mentioned study was also presented by Golesorkhi et al. (2019), but later, and investigated the influence on performance. The cultural distance variable was calculated through the indexes elaboration, based the Kogut and Singh's formula and the GLOBE study, as in the former research of this chapter, and the World Values Survey, to capture absolute levels of values and enrich the database. In comparison with the 2016 study, authors concluded that cultural difference influence is completely sigmoid-shaped. It is explained in the following way. When the cultural distance is low, because of the tacit nature of this dimension, managers are more willing to capture these subtle differences. When distance is growing, conflicts between partners may occur. On the higher levels of the distance, companies become more interested in investments in the management of cross-national differences, also because of the fact, that differences can offer an opportunity to get valuable resources and knowledge from a partner from a different cultural environment. Thus, the authors not only added a stage, which explains the first unwillingness to deal with cultural dissimilarities but also changed the initial stage and did not limit the possible increase with sufficient investment in cross-cultural training. Thereby, all three selected studies agreed that cultural distance, without proper investments in understanding and operation with its dimensions, may harm strategic alliance activities in different fields.

To sum up chapter 2, it is important to mention that according to the structure of this work, the previous parts have created an important theoretical base through a scientific literature review. Further practical part, dedicated to the investigation of the institutional influence on the Renault-Nissan alliance, in addition to the specific data collection stage, relies on the research conducted.

### **3. METHODOLOGY**

According to the research question and objective, this Master Thesis aims to find correlations between institutions, which impacted the Renault-Nissan strategic alliance, managerial decisions as responses to such influence, and corresponding outcomes for the selected alliance development. The process forms three blocks of investigation, which are represented in the form of the elaborated causal relationships framework in the Figure 3 “Institutional Influence on the Renault-Nissan Alliance Development – Framework”, at the end of chapter 4.4.

Based on the previously introduced literature review, the case-study method after the corresponding data collection is applied. To do so, specified literature dedicated to the investigation of the alliance activity have to be collected. The results are shown in the corresponding Table 2 “Sources of the Data Collection: Web of Science and Scopus Databases”. To support statements, the data from the internal documents of both companies and information agencies is used. Later in this work, there is a presentation of the main findings.

#### **3.1 Qualitative Research Methods**

In this section, the justification for a chosen data collection and analysis approaches is provided. Because of the complexity of this study, the triangulation method is applied –“the use of multiple methods or data sources in qualitative research to develop a comprehensive understanding of phenomena” (Patton, 1999, as cited in Carter, Bryant-Lukosius, DiCenso, Blythe, & Neville, 2014, p. 545). It is used to create a dataset as a result of a data collection process which is then utilized to analyze and define the relationship between the two research topics: the chosen strategic alliance and institutions. Data collection and analysis processes are based on already introduced theoretical background because they can favorably influence the quality of search and explanation of patterns and interrelations identified. As a result of the work done, a framework of causal relationships is presented in Figure 3 (see chapter 4.4).

In this Master Thesis, the qualitative research method is applied. This research type relies on “all non-numeric data or data that have not been quantified” (Saunders, Lewis, & Thornhill, 2007, p. 470), which is so-called qualitative data, “based on meanings expressed through words” (Saunders et al., 2007, p. 472). To be more precise, further investigation is based on the two qualitative methods. The first one is applied for data collection - the qualitative content data analysis method. It is “a systematic coding and categorizing approach used for exploring large amounts of textual information unobtrusively to determine trends and patterns of words used, their frequency, their relationships, and the structures and discourses of communication” (Grbich, 2007; Mayring, 2000; Pope, Ziebland, & Mays, 2006, as cited in Vaismoradi, Turunen, & Bondas, 2013, p. 400). The main sources of information for qualitative content analysis are different types of textual data expressions (Mayring, 2015). In this Master Thesis, research articles, corporate internal documents, and news sources are used, that is primary, secondary, and tertiary sources of information. The qualitative content data analysis method gives the possibility to qualitatively analyze the data and quantify it simultaneously (Grbich, 2007). The quantification process means determining how frequently various categories and themes appear in the data set. In this study, it is manifested by the usage of keywords to find a set of articles in databases or corresponding sections in companies’ internal documents, reports, and news sources, thereby making it a priority to cut off information that is inappropriate for the topic

and purpose of the study. The primary data is collected through databases namely Scopus and Web of Science. The results of the primary data collection are presented in the Table 2. The process is detailed in chapter 3.2. The analysis of all selected sources is presented in chapters 4-4.3. To do so, the second qualitative research method is used – the qualitative case-study method, since the purpose of this Master Thesis is to investigate the influence of the institutional system on the specific strategic alliance – Renault-Nissan strategic partnership. This approach allows “in-depth, multi-faceted explorations of complex issues in their real-life settings” (Crowe et al., 2011, p. 1). According to Yin (2009), the case study is applicable in several situations, including if the focus of the study is to answer the “how” question and there is a belief that contextual factors are important to the phenomenon being investigated. The need for context in this research can be explained by the fact that institutional manifestation differs depending on the country of location of the object under influence, the historical period, etc. For instance, based on the theory presented in chapter 2.1.4, it can be argued that cultural characteristics vary depending on the country of study. Another example is that the formal dimension, expressed in regulations, differs depending on law systems. In connection with the importance of avoidance of the diffusion of results, the case-study method of qualitative research was chosen.

### **3.2 Data Collection**

In this chapter, using the mentioned qualitative content data analysis method, the detailed description of the primary data collection process is presented. It contains keywords search, selection of which is based on the conducted literature review, application of filters for clarification of findings, and elimination of unsuitable articles through abstract reading in databases portals. The results are presented in the Table 2, at the end of the chapter. Besides general information about the source, the keyword used is presented as well.

First of all, following the mentioned in chapter 3.1 list of sources, the Web of Science database (Core Collection) is used. The search is manifested through topics, which include title, abstract, and author keywords. For each queue, the two keywords remained unchanged – “Renault” and “Nissan”. The timeframe filter was not applied since whole period of the alliance activity is important for the research.

Firstly, the basic keywords regarding institutional paradigm were applied interchangeably, including “institution?”, “institutional”, “formal institution?”, “informal institution?”, “constraints”, and “rules”. Because some articles may use a singular form of a keyword, the question mark is included. However, after abstract reading, no relevant articles were found to be selected. Secondly, more specific keywords were utilized. The keywords “culture”/“cultural”, “Japan”/“Japanese”, and “France”/“French” were used to find research on cultural aspects’ influence on the alliance. 6 articles were found. After applying a language filter, which is further used for other keywords as well, and reading abstracts, 2 articles were selected. Thirdly, considering the mentioned in the articles of previous search interrelations between culture, management, and leadership as strategic capabilities in response to the former, the words “leadership”, “management”, and “managerial” were also used and 4 articles were chosen. Fourthly, three new keywords were applied alternately, connected with the pillars of informal dimension – “value?”, “belief?”, “norm?”/“normative”, “cognitive”. As a result, 1

article was selected. Fifthly, according to chapter 2.3.2, it was justified that trust and reputation have an impact on strategic alliance performance. Thus, the next queue included the new keywords “trust” and “reputation”. After eliminating the repeated articles out of 6 initially found, reading abstracts, and in some cases performing in-depth reading, 1 article was selected. Sixthly, the keywords regarding formal institutions and regulative pillar were applied, that is “legal”, “law”, “regulation?”/”regulative”, “rule?”, “policy?”/”policies?”/”political”, and “economic?”/”economy”. 1 article, however as a repetition, was found, thus not included in the table. All in all, out of 40 articles, which could be found only with the application of the keywords “Renault” and “Nissan”, only 8 were considered useful for further research.

Second of all, the collection of databases namely Scopus was investigated. The same steps, keywords, and filters were used. The keyword “culture” helped to find 1 article. The keywords “trust” and “reputation” led to 1 new article selection. The sixth step required more advanced filters. Subject areas of “Business, Management, and Accounting”, “Social Sciences”, “Economics, Econometrics, and Finance”, and “Decision Sciences” limited the results from 40 documents to 34. Then, articles, book chapters, and conference papers were chosen as document types, which gave 28 results. Unfortunately, no suitable results were found. Other keywords mentioned during the process of search in Web of Science also did not give useful outcomes. To sum up, in the Scopus database, out of 155 sources in English, only 2 new documents were added in Table 2.

Third of all, to support statements from the primary sources, the secondary and tertiary sources - the two companies' internal documents, the news referring Renault-Nissan alliance from Thomson Reuters, Times, Nikkei Asia, and Euronews agencies, as well as the official websites of the companies and the Alliance were investigated. The internal documents included: Renault Universal Registration Document, Renault Annual Reports, Nissan Annual Reports, and the latter's Sustainability Report. Universal Registration Document defines business prospects, organizational governance, etc. Annual report is a comprehensive documents on all the organization’s activity over the past year. The Nissan Sustainability Report contains a separate category dedicated to strategic alliance performance. To identify related information sections in the documents, the following keywords were used: “Renault-Nissan”, “Renault-Nissan-Mitsubishi”, and “alliance”. Hereby, 14 documentary sources were selected, including 10 scientific articles. The analysis of the sources selected is presented in chapters 4 – 4.3.

Table 2. Sources of the Data Collection: Web of Science and Scopus Databases.

<b>№</b>	<b>Database</b>	<b>Keyword</b>	<b>Title</b>	<b>Author(s), Year</b>	<b>Journal/Source</b>
1	Web of Science	Culture	Integration Management of Western Acquisition in Japan	Froese & Goeritz, (2007)	Asian Business & Management, 6(1): 95-114.
2	Web of Science	Culture	Saving the Business Without Losing the Company	Ghosn, (2002)	Harvard Business Review, 80(1): 37-45.

3	Web of Science	Leadership	The role of leadership in successful international mergers and acquisitions: Why Renault Nissan succeeded, and DaimlerChrysler-Mitsubishi failed	Gill, (2012)	Human Resource Management, 51(3): 433–456.
4	Web of Science	Managerial	Partnering to explore: The Renault-Nissan Alliance as a forerunner of new cooperative patterns	Segrestin, (2005)	Research Policy, 34(5): 657–672.
5	Web of Science	Management	Secrets of a Happy Marriage	Muller, (2006)	Forbes Magazine.
6	Web of Science	Leadership	The Effect Of Leadership On Turnaround And Performance Improvement: A Comparative Analysis	Slamti, (2019)	Economic and Social Development, 495–504.
7	Web of Science	Norms	Creating the asset of foreignness: Schrodinger's cat and lessons from the Nissan revival	Ikegami, Maznevski, & Ota, (2017)	Cross Cultural and Strategic Management, 24(1), 55–77.
8	Web of Science	Trust	Opportunism and trust in cross-national lateral collaboration: the Renault-Nissan Alliance and a theory of equity-trust	Mikami, Ikegami, & Bird, (2022)	Journal of World Business, 57(3): 1–13.
9	Scopus	Culture	The model alliance of Renault and Nissan: How to work successfully with overseas partners	Pooley, (2005)	Human Resource Management International Digest, 13(2): 29–32.
10	Scopus	Trust	The evolution of trust in Japan: The case of vertical keiretsu groups	Daidj, (2014)	Strategic Marketing in Fragile Economic Conditions: 22–42.

Source: own elaboration

## **4. RESULTS**

In this part, the introduced in chapter 3.1 data analysis method, qualitative case-study, is applied, with the detailed investigation of the mentioned in chapter 3.2 14 sources of information and use of the tertiary supportive sources. For convenience, the analysis is divided into 3 categories, according to the provided theoretical base: informal institutions, culture, and formal institutions, that is chapters 4.1, 4.2, and 4.3 correspondingly. The chapters inside are also logically divided into parts according to the identified institutions. Chapter 4.4 is dedicated to the explanation and structurization of findings, with the presentation of the elaborated framework at the end (see Figure 3).

### **4.1 Category 1: Informal Institutions**

This chapter is dedicated to the identification of the informal institutional line of influence with corresponding managerial responses and outcomes for the alliance.

#### **4.1.1 Merger Syndrome**

The first informal institution which influenced the Renault-Nissan strategic alliance was the so-called merger syndrome. Even though Ghosn's "Nissan Revival Plan", introduced in chapter 2.2.2, helped Nissan to return profit and pay the debt off, Ghosn "was initially met with skepticism by the company's managers and employees" (Ghosn, 2002, p. 38). Indeed, such an attitude can be explained by a "merger syndrome" – mistrust, friction, and antagonism between staff members and upper management (Froese & Goeritz, 2007). This opposition acts as an attempt to closure to protect against uncertainty from the "conqueror", which defines it as an institution. Moreover, stimulated by the foreignness of the acquirer, Renault's participation in Nissan's business was perceived as foreign domination, since back then Japan experienced a lack of FDI attention. Thus, the M&A market, including strategic alliances, was a new and undeveloped sphere for its economy (Froese & Goeritz, 2007).

In response to the threat of rejection, Renault and Ghosn made several managerial decisions. In the work "Integration Management of Western Acquisition in Japan" by Froese and Goeritz (2007), researchers have considered that the human integration process can mitigate the negative effect of merger syndrome (Birkinshaw, Bresman, & Håkanson, 2000; Larsson & Finkelstein, 1999, as cited in Froese & Goeritz, 2007). Human integration is the process of creation of shared identity, which is necessary to achieve the task integration goal, that is operational synergy creation through knowledge transfer (Birkinshaw et al., 2000; Froese & Goeritz, 2007). However, since the human integration process, following the goal to mitigate merger syndrome, is associated with M&A, the target of shared identity cannot be synchronized with the alliance nature. The important limitation of the RNA is the fact that, despite being called this way and built on cross-sharing, the absence of Nissan's ownership before 2001 and Renault's bigger stake before 2023 influenced the belief in sufficient control by the French automaker, thereby resulting in a mistrust of Japanese employees in arrived foreign managers. Thus, the application of the mentioned syndrome and mitigation practices is acceptable, but with a different desired outcome – the creation of a shared vision and goals for the synergy and knowledge transfer within the alliance but with the preservation of separate identities. Indeed, as it was mentioned in Nissan's (2005) Sustainability Report, supporting the uniqueness of both



firms, the alliance represents the partnership between French and Japanese companies, “each with its own distinct corporate culture and brand identity” (p. 11). The human integration process consists of participation, leadership, and communication (Froese & Goeritz, 2007). In RNA, according to Ghosn (2002), the participation process started with the creation of a joint committee of CEOs and Vice Presidents (VPs) to develop a mutual strategy, supported by the mutual need of both companies for each other’s capabilities, as was mentioned in chapter 2.2.2. To protect Nissan’s identity and dignity as a company, as part of the revival plan, cross-functional teams (CFTs) were introduced (Ghosn, 2002). These groups involved specialists from different Nissan departments together with Ghosn’s team from Renault to negotiate and work on internal problems. Thanks to a transparent approach, employees became the center of the restructuring process and worked for the benefit of their own company as a community. Despite the clear success of the business recovery plan, it is important to note that its effective implementation is also based on the second part of the human integration process - leadership. By participating in the restructuring process, attending meetings with CFTs and employees (Gill, 2012), and leading the preformation negotiation team, Ghosn earned a reputation as a consistent, purposeful, but respectful leader. According to the Froese and Goreitz study (2007), a Nissan manager, who took participation in the interview, said that Ghosn was “the undisputed leader and we look up to him” (p. 103). Thus, it can be said, that the French manager inspired employees to achieve the “Nissan Revival Plan” and received respect in response, uniting employees around his authority. To exemplify, there was another alliance formed between Japanese Mitsubishi and American-German Daimler-Chrysler in 2000. The latter manager, R. Eckrodt, who was responsible for turnaround, was “criticized for lacking clear and well-defined goals” (Froese & Goeritz, 2007, p. 103), especially in the issue of what role Mitsubishi was going to play in the future of an alliance. Moreover, according to another interview held by researchers, Japanese managers did not like the delicate approach of Eckrodt, who lacked ambitions and avoided sometimes necessary dramatic changes such as cost-cutting initiatives. Simultaneously, Ghosn did not force managers to follow defined in advance procedures and let them decide how to achieve goals through debates and analysis (Muller, 2006). For his outstanding results, Ghosn has won different awards, for instance, Lifetime Achievement Award from the Strategic Management Society (Nissan Motor Corporation, 2012). Before the “Nissan Revival Plan” implementation, the communication in Nissan “was unidirectional, from top management to line staff and in many cases it stopped in the middle of corporate hierarchy” (Ikegami et al., 2017, p. 65). Renault helped the Japanese colleague establish clear communication. For instance, as mentioned by Froese and Goeritz (2007), Ghosn “demanded accountability on a day-to-day basis from all managers” (p. 105), encouraging information flows through “email, bulletins, the company magazine and videos” (p. 103). After the introduction of CFTs, communication became interactive and bidirectional, enabling employees to participate, thereby deciding their company's fate. Moreover, both companies decided to combine informal exchanges with formal discussions for better convergence with preserved structure, avoiding chaos. This system once prevented duplication of efforts and ideas (Muller, 2006). To cope with language barriers, two decisions were made. First of all, English was chosen as the second business language (Donnelly et al., 2005). Second of all, Ghosn introduced the numerical approach to the discussion process, since both sides could relate to

“numbers” (Ikegami et al., 2017). This common “language” not only helped to achieve understanding and encouraged easier communication but was also used as a baseline for all the set targets, thus achieving a clearer understanding of the movement. Thus, both sides were able to negotiate with each other efficiently.

Thereby, the integration process helped Ghosn to overcome merger syndrome through the creation of a shared vision and sense of a community (Ikegami et al., 2017) by encouraging employee participation, clear communication, and the usage of an appropriate leadership style. Hence, both partners made the first steps towards synergy for better alliance performance, the important goal mentioned in chapter 2.1.1., and initiated information exchange and knowledge transfer. According to Ghosn’s official statements some years after the “Nissan Revival Plan”, the Alliance became a benchmark of independent companies in a work for mutual win (Renault Group, 2004; Segrestin, 2005). Today, companies together enjoy one of the synergy benefits – economies of scale, through cooperation in manufacturing, purchasing, supply chain, human resource management, and technology (Nissan Motor Corporation, 2014), where “each group reaps the benefits of the other partner’s expertise as part of a complementary fit” (Renault Group, 2012, p. 22). The convergence of several of those functions also helps companies to reduce duplication of efforts and ideas (Nissan Motor Corporation, 2014). The already introduced in chapter 2.2.2 APO and Common Module Family can serve as examples.

#### **4.1.2 Liability of Foreignness**

The next informal institution identified is in strong connection with the previous one. As was already said earlier, Ghosn and Renault were met with precaution. Considering the closed Japanese FDI market, Ghosn attempted to intervene in the business structure of another country without being Nissan’s worker or a representative of Japanese society. Thus, besides merger syndrome, this perception can be explained by the liability of foreignness as well. Researchers have agreed on the existence of such a belief, which can be described as an “inherent disadvantage foreign firms experience in host countries because of their nonnative status” (Peng, 2021, p. 143). The source of liability is defined as a focus on the home market as a way to secure oneself from uncertainty of abroad supply due to unfamiliarity, which defines it as an institution. Foreignness is manifested by the lack of structural embeddedness, and weaker ties with counterparts, institutions, networks, and cultures of the local environment (Ikegami et al., 2017). However, in the RNA case, this mistrust was supported internally as well since Renault intervened in the internal affairs of the company.

Ikegami et al. (2017) in their work “Creating the asset of foreignness: Schrödinger’s cat and lessons from the Nissan revival” argued, that liability can go to the state of an asset of foreignness, hence becoming a valuable resource of competitive advantage especially because of the foreign feature. According to the researcher’s work, leadership can manage the tension of liability of foreignness to receive a net asset. To begin with, referring to one of the interviews, scientists wrote that from the very beginning of the convergence process, Ghosn had stated to his team that their foreignness should be assumed only as an advantage, thus inspiring colleagues. The process of asset creation was the following. First of all, the foreignness was considered an advantage because there was no connection between Nissan’s failure and the newly arrived foreign team. Second of all, through the core idea of the “Nissan Revival Plan”,

Ghosn put the Japanese manufacturer's internal welfare first and made a public personal commitment to the results, stating that in the case of the plan failure, "he and the whole top management would resign" (Gill, 2012, p. 450). Moreover, the same attitude was shown by Ghosn's team as well. He took into consideration respect for Nissan as a base for choosing people who went to Japan with him as his team, assessing their capability and willingness to work for Nissan's welfare (Ikegami et al., 2017). As Dominique Thormann, Deputy General manager of investor relations and financial strategy during Nissan's revival stage, said, they were not Renault's employees anymore, fully dedicating their time and professionalism to Nissan's problems, not talking about the previous company and moving their families to Japan, thus showing commitment and personal responsibility (Ikegami et al., 2017). Making an impression of the Japanese firm exclusivity by prioritizing Nissan over Renault, Ghosn gained permission to be different and introduce changes, since they were made not for personal gain. As a result, the trust-building process was initiated (Ikegami et al., 2017). Third of all, Carlos avoided the French or Renault's management styles similarities. For example, in France, management is quite patriarchal, and the opinion of the "boss" ("patron") is rarely disputed (Perlitz & Seger, 2004). It can be understood that in "France there is little communication or sharing of understanding across hierarchical levels" (Perlitz & Seger, 2004, p. 17), but implemented CFTs talk about the opposite. Because the previous negative negotiation with Daimler, according to Junichi Endo, Head of a cross-functional team for business development, left the impression that "western companies did not respect Nissan's management or communication style" (Ikegami et al., 2017, p. 64), universal Ghosn's approach was a novel with more opportunities for success, avoiding being labeled as "foreign dominance" and rather showing a commitment to Nissan, as Toshiyuki Shiga, Head of Strategic Planning pointed out (Ikegami et al., 2017). Indeed, as it was already mentioned above, the alliance consists of partners "each with its own distinct corporate culture and brand identity" (Nissan Motor Corporation, 2005, p. 11). Fourth of all, the state of foreign participants also gave Ghosn the chance to break norms, which Nissan's managers were not able to do. For instance, 60% of Nissan's costs of goods sold were the purchasing costs (Ikegami et al., 2017). Almost all the purchases came from Keiretsu suppliers, and cutting the costs through drastic restructuring was necessary. However, because in the Keiretsu system old workers were normally sent to continue employment at lower levels of structure, as manufacturer's suppliers, Nissan's heads found it difficult even to start negotiations on price reductions, since most of their elders were their counterparts in Keiretsu (Daidj, 2014). Thus, Ghosn was allowed to restructure the business system since he was a foreigner, the process of which is introduced in chapter 4.2.

Thus, thinking unusually and taking different steps with the proper preparation helped the leader to overcome the liability of foreignness and make an asset from it, which led to the gained permission for changes introduction and initiation of the trust-building process.

#### **4.1.3 Trust and Opportunism**

The next informal institution, described in chapter 2.1.3, that influenced the RNA's development is trust. Its importance in interfirm relationships has been highlighted by the definition by Phan & Peridis (2000) given in chapter 2.2., according to which alliances are an example of trust-based relationships. Despite existing externally, it can also be nurtured inside

the firm as a regulator of opportunistic behavior, which was discussed in chapter 2.1.3. According to the study by Mikami et al. (2022) named “Opportunism and trust in cross-national lateral collaboration: the Renault-Nissan Alliance and a theory of equity-trust”, after the Renault-Nissan alliance was established the focus was replaced from financial equity to the equity of trust, “where day-to-day operational issues narrows the focus from returns on investments to gains via the management of lateral collaboration” (p. 2). The assumption of a study suggests that a high degree of synergy in operations with a high degree of the firms’ autonomy is achieved thanks to the built equity-trust, although the processes influence each other in a circle. The authors, basing the study on theory and the interviews with RNA managers, created a framework of organizational trust in the five key practices within the alliance. The first one is named “Neutral Firm” and refers to the described in chapter 2.2.2 RNBV. Besides the paramount target of an alliance representation, this joint venture is responsible for handling managerial issues and organizational challenges, being “a common management company with responsibility for overall strategy and the development of synergies . . . to ensure . . . necessary operating autonomy of each partner” (Renault Group, 2002, p. 2). The feature of neutrality is rooted in the foundation of this organization, equally distributed between partners and giving the partners equal rights in negotiations (Renault Group, 2022b). Simultaneously preserving identities, RNBV offered one single team working for both companies, with the equal Management Board seats distribution – five representatives of Renault, and five representatives of Nissan (Renault Group, 2022b). The next practice is called “Mirror organization” and explains the form of alliance agreement in which partners align contracts with third parties, manufacturing processes, management practices, etc. However, it also explains the practice of appointing representatives of both firms, that is mirroring, to the managerial positions of mutual functions. According to interviewees, the integration became smoother after the establishment of the mirror organization approach. The third practice is the “Commitment to win-win solutions”, which suggests mutual gains from every project. Aligning employees with objectives and win-win culture is considered a key to successful collaboration and explicit intentions, which contributes to the trust. The fourth practice is “Transparency”. This construct, according to the researchers, was often used in interviews in the same sentences with the terms “trust” and “respect”, making the former an antecedent of the latter. The final practice, “Single Leader”, is connected to the earlier “Mirror organization”, and describes the action of putting one single leader in charge of every function. The purpose is to reach a final judgment, which is significantly important when two or more different organizations are involved, and discussions can take a long time. Moreover, previously mentioned transparency better reveals differences, and thus may provoke conflicts, which should be mitigated. Those practices leveraged initially an unequal division of financial equity in practice, showing that both counterparts are willing to work on a fair basis and cooperate, structuring organizational equality, as researchers argue. The example of trust-equity establishment mentioned in the paper is the Renault Nissan Technology and Business Center India (RNTBCI) – a mutually designed research center. “Senior executives agreed that the establishment of RNTBCI itself would not have been possible without the accumulated trust that came about through their prior alliance experience” (Mikami et al., 2022, p. 9). Indeed, according to mentioned in chapter 2.1.3 study of Lyu et al. (2023), trust is of high importance for innovation activities, especially

because of the fear of giant losses in a case of opportunism of the partner. The “Mirror Organization” practice in RNTBCI is manifested by the usage of mentioned in chapter 2.2.2 the Common Model Family platform and an equal number of the RNTBCI Board of Directors members from both sides (Renault Nissan Technology & Business Center India, 2023b). The “Single Leader” approach involves one single Chief Vehicle Engineer above manufacturing teams responsible for various parts of the cars projects, aligning innovation decisions and “taking direct charge of all platform activities” (Mikami et al., 2022, p. 9) for both companies. The “Commitment to win-win solutions”, besides being mentioned as one of the Alliance principles (Renault Group, 2020, p. 65), is manifested through the very idea of the Common Module Family – maximization of parts usage through a mutual platform, creating externally different car models for both firms, for instance, Datsun Go for Nissan and Kwid for Renault. The “Transparency” was created by a clear sharing of all the available information about the projects within RNBCI. Thus, by combining forces, that is synergy, partners acknowledge the mutual contribution to success and mutual responsibility, building trust, however preserving autonomy through equality and exclusive solutions for each firm. The example of RNTBCI creation also indicates that as a result, both parties became able to share knowledge.

Unfortunately, the history of the Renault-Nissan alliance was not always serene. In 2018, after being chairman of both Nissan and Mitsubishi, holding the position of chairman and CEO of Renault and the Alliance itself, Carlos Ghosn was arrested on suspicion of financial misconduct, thus acting opportunistically. According to Nissan’s (2018) official statement, Ghosn systematically underreported his salary to regulative authorities and used the company’s assets for personal purposes. Hence, the nurtured and carefully guarded trust was shaken. The reputation of the leader, not only within the alliance but also outside it, had the greatest effect, making the story a real scandal. In addition, both Carlos Ghosn and Renault before and after the scandal promoted the idea of a merger between the companies, which would turn the new legal entity into a holding company (Frost & Rose, 2018; Lewis et al., 2019). Renault’s main motive was based on that company received a significant part of its profits according to the stakes distribution from its Japanese partner, which was growing faster (Leggett & Palumbo, 2019). Nissan’s share in Renault’s income is presented in Table 3 “Nissan’s Share in Renault’s Net Income” (see Annex 2). However, Nissan, especially after the scandal, was wary of the increase in the influence of Renault, as well as ambiguities in the definition of the dominant role of platforms and technologies, which, if not chosen in favor of Nissan, would force the company to cut jobs and assets (Lewis et al., 2019). Concerns and grievances of the Japanese company were also heightened by the unequal ownership of shares in the system of cross-ownership, as was mentioned in chapter 2.2.2. Thus, despite the equality in the actual operating systems, ownership was not balanced, and the idea of a merger threatened Nissan’s autonomy. According to the study of Fenik et al. (2020), mentioned in chapter 2.3.2, trust and opportunism can have U-shaped relations, which can be used as an explanation for strained relationships. To mitigate the consequences of violated trust, the alliance decided to introduce structural changes. First of all, in March 2019, the new Alliance Operating Board was selected. It included two representatives of Renault, one representative of Nissan, and one of Mitsubishi (Nissan Motor Corporation, 2020). Second of all, as it was mentioned in chapter 2.2.2, in February 2023, companies agreed on restructuring their ownership system. Moreover, the “leader-follower”

scheme of Roadmap 2030 may also be a tool to renegotiate relations for trust enhancement purposes. Thus, the first initiative ensures and shows equality, and the second can be considered as the motive to point out that there is no permanent hierarchy between two companies, and leadership depends on the qualitative assessment of those assets that one of the two companies owns at a particular moment, in a particular market or a particular area. In addition, the board was changed once again and now consists of two representatives of Renault, two of Nissan, one of Mitsubishi, and the General Secretary (Renault-Nissan-Mitsubishi Alliance, 2023b). Moreover, according to the statement of the Chairman of the Board of Directors at Renault Group, Jean-Dominique Senard, the new form of an alliance is now building a “more horizontal approach in the next-generation company” (Renault Group, 2022a, p. 5).

**4.2 Category 2: Culture**

The second section of findings is dedicated to the introduced in chapter 2.1.4 cultural aspects of institutional influence, including the concepts of national and organizational culture. Although the two components of culture are separated in this part of the work, there is a tangible causal relationship between them, which is reflected in the form of the presentation of the analysis below. Since it was argued in chapter 2.1.3 that culture is a separate concept, it is not included in the informal institutional line of the framework (see chapter 4.4) and stands apart. However, some managerial decisions, used as responses to informal institutional influence, can also be considered useful for mitigating cultural impact. Thus, connections between the two chapters are introduced.

This part of the analysis is in its majority based on the article “Saving the Business Without Losing the Company”, written by Carlos Ghosn (2002), where he told the story of overcoming cultural obstacles to govern Nissan and launch his “Nissan Revival Plan”. In addition, according to the study by Carol Gill (2012) “The role of leadership in successful international mergers and acquisitions: Why Renault-Nissan succeeded, and DaimlerChrysler-Mitsubishi failed”, there were cultural drawbacks, that resulted in the poorly managed governance system of Nissan before entering alliance.

**4.2.1 National Culture and Concepts**

To analyze the Japanese and French cultural particularities, the results of Hofstede’s research on dimensions should be presented. The following analysis is based on the introduced in chapter 2.1.4 theory. The results are presented in the Table 4 “Cultural Dimensions Indexes of Japan and France”. For the pairs of dimensions one constituent is used, since the sum of numbers for both results in 100, the maximum number which each dimension can have. Meyer’s cultural dimensions are used for deeper investigation and support of Hofstede’s findings.

Table 4. Cultural Dimensions Indexes of Japan and France.

<b>Dimension</b>	<b>France</b>	<b>Japan</b>
Power distance	68	54
Individualism	71	46
Masculinity	43	95

Uncertainty avoidance	86	92
Long-term orientation	63	88
Indulgence	48	42

Source: Hofstede, 2013

Since the “Nissan Revival Plan” had to cope with internal and external business problems of the Japanese manufacturer, cultural traditions, which had already influenced the organizational culture of Nissan before the alliance creation, should be analyzed. However, not every cultural dimension had a direct impact on the worsening situation. Some of them were used for better convergence between partners, which is also described below.

To start with, Japan has a sufficient power distance score, which implies a hierarchical structure, according to the result of Meyer’s investigation, introduced in chapter 2.1.4, and visualized map (Meyer, 2014b). Subordination was encouraged against the individual initiative, which provoked diffusion of lower levels of responsibility, that in any case was transferred to the highest levels (Gill, 2012). Moreover, the importance of “face-saving” for the company and top management, following high power distance, prevented employees from criticizing their company’s products and avoiding questions and objections during the meetings, that is supporting the decrease of profitable business activity (Gill, 2012). This particularity is also conditioned by the fact, that according to Meyer’s theoretical framework, introduced in chapter 2.1.4, Japan is indirect culture, which uses neutral words that make sentences softer in the negative feedback, sometimes missing the real extent of the problem, thus avoiding criticism (Meyer, 2014a, 2014b). Second of all, a high score of uncertainty avoidance, supported by a sufficient level of power distance, restricted speaking out and taking drastic measures to improve the state of business and entailed blind adherence to rules and norms. In essence, as was already mentioned in chapter 2.1.3, traditional Japanese corporations tend to foster a sense of closed community and fight changes to the community's structure as well (Ikegami et al., 2017). For instance, although in general Japan is known for its high-quality approach, Nissan’s engineering department followed stricter quality rules even in comparison with domestic competitors, which “resulted in supplier costs that were 20% higher with no discernable performance difference” (Gill, 2012, p. 439). Third of all, Japan is considered a collectivistic society, which manifests itself by achieving group goals and valuing interdependence against personal desires and targets (Hofstede et al., 2010). This is also supported by Meyer’s research which defines Japan as consensus-minded culture considering the decision-making process (Meyer, 2014b). However, it has been agreed, that manifesting differently at the organizational level, collectivism can result in lower performance rates (Gill, 2012). It is explained by the fact that collectivism implies an avoidance not only of individual desires but also accountability, thus resulting in reliance on others. As a result of the consensus approach, decision-making was delayed in Nissan, which suffered from poor planning and too long deadlines, limiting business growth (Gill, 2012). The so-called “culture of blame”, as an additional example of a negative feature of collectivism, is reflected in the artificially made negotiations, when out of a range of opinions the most popular and suitable was accepted and aligned with the ultimate decision maker to secure the group from identifying those with “wrong” views, so there would be no

opportunity to find ones (Ghosn, 2002). Thus, it also resulted in diffused areas of personal responsibility. Fourth of all, the “culture of blame” is also supported by a highly masculine Japanese society with rewarding the “winners” and humiliating the “losers” (Meyer, 2014a). Fear of making mistakes has led to turning a blind eye to problem resolutions and following the majority.

All these disadvantages led to a lack of initiative, transparency, and innovative views, which harmfully impacted performance, increased costs, etc.

#### **4.2.2 Organizational Culture Practices**

Since it was concluded in chapter 2.1.4, that national particularities strongly influence the internal philosophy of firms, the presented above dimensions are used to support the following statements.

At the end of the 20<sup>th</sup> century in Japan Keiretsu corporate governance systems were widespread. This issue was introduced in chapter 2.2.2 and can be considered as organizational culture particularity of widespread relations since it was not a legal form of an organization enshrined in legislation, but a formal institutional part as well. As mentioned in chapter 2.2.2, banks played a significant role in financing group performance. Thus, following the NBS of institutions by Whitley (1999) introduced in chapter 2.1.1, Keiretsu can be also considered as a particularity of the financial system - the process of capital creation and price. The influence of such an institution is defined in chapter 4.3.1. Nissan was one of the examples of Keiretsu business groups, however with some significant drawbacks, which diminished its performance rates. According to Ghosn (2002), at the end of the 90s, Nissan blocked product development because of the saving issues to cover operational losses and growing debt. For instance, as was already mentioned in chapter 2.2.2, some of the designs were considered Toyota’s copies. However, the reason was not in a lack of capital but in its place – it was locked in Keiretsu partnerships, that is investing funds in partner companies to promote loyalty and cooperation (Daidj, 2014). Referring to the organizational culture values, introduced in chapter 2.1.3, it can be assumed, that the high importance of the relationship-building and value of loyal orientation towards “family” partly defined the emergence of such a corporate system. In addition, single investments were quite small to allow Nissan to manage the performance of these assets, however, the big range of such partnerships all together locked almost \$4 billion (Ghosn, 2002). There were other particularities as well. They both represented a system of staff retention, which was used during the dawn of the Keiretsu system and exemplified the same loyalty of a company to a “family member” - an employee, as gratitude for persistence. In Japanese business practices, there was the so-called *Nenko* system (*Nenkō joretsu*), which can be translated as the seniority-wage system and implied promotion and salary increases directly dependent on the years of seniority (Yamaguchi, 2016). Therefore, employee performance was not considered as the core criterion for promotion. Moreover, as a consequence of such a practice, the motivation and incentives procedures were not developed in Nissan, harmfully influencing performance (Ghosn, 2002). Such a Japanese management style instrument was supported by national cultural particularities, specifically power distance and hierarchical structure of society, thus contributing to unequal division of power and resources depending on the status, that is length of service. The root cause of the mentioned seniority-wage system was another Japanese



dimension of organizational culture – lifetime employment (Shūshin koyō). This practice also served as a job security instrument. It was not guaranteed in an employment contract but exemplified a “semi-permanent employment relationship, namely a “kintractship” . . . combining contract and kinship” (Yamaguchi, 2016, p. 2). This phenomenon of a guaranteed occupation despite measurements of performance can also be explained by Hofstede’s uncertainty avoidance, introduced earlier, which implies a rejection of changes and persistence. Another consequence of uncertainty avoidance and collectivism dimensions was called “Ringi”, which is the bottom-up decision-making process of management. Despite the initially good purpose of taking into consideration approvals from various related to a project teams and departments, it ended up being the debate avoidance tool, which substituted conversations with written descriptions of changes or innovations to make decisions through consensus. In addition, since debates can provoke conflicts, their avoidance was an attempt to preserve harmony among members, as the main value of a “family”.

#### **4.2.3 Preparation for Changes**

Besides the introduced asset of foreignness, there were other reasons, which helped Ghosn and Nissan not to be rejected despite their radical and urgent attitude towards Nissan's revival. They were rooted in the behavior - successful attempts of Renault's heads to show respect and seriousness towards Nissan, which was perceived as an equal ally (Donnelly et al., 2005). Thus, before Nissan’s internal restructuring, Ghosn and Renault prepared the credit base as the first stage, which in this Master Thesis will be called “Bridge-building”.

Japanese culture is characterized by a tendency for long-term orientation, which is justified by correspondingly high scores on the index (see Table 4). In the very beginning of the negotiation process between the two firms, although Nissan was rejected by Daimler-Chrysler and Renault was considered as the last chance for survival, the latter showed Japanese colleagues that they were “entering a long-term relationship” (Ghosn, 2002, p. 45), speaking on an equal footing and avoiding being perceived as temporary “guests”. Moreover, taking part in the early stages of communication between the two firms, Ghosn built ties with Asian partners also based on the frequency and duration of participation. According to Meyer’s framework, Japan is characterized by relationship-based trust, which explains the importance of Ghosn’s decision for Nissan (Ghosn, 2002). In addition, France is a feminine society. This means, that even in the business sphere, one of the biggest values is social relationships. Thus, the femininity of European society met highly valued interpersonal ties in Japan. To be precise and make conscious decisions, Ghosn took a long preparation before expressing his own opinion on the problem, collected the opinions of others from different Nissan sites, including offices, factories, and technical centers, and talked with more than 600 Nissan employees, including senior executives, senior managers and even junior managers (Ikegami et al., 2017; Slamti, 2019). Indeed, Japanese business culture values preparation as the most important part of any negotiation process, being supported by the highly manifested uncertainty avoidance behavior. The combination of the mentioned above actions was based on an integral attempt to show respect toward Japanese colleagues. Showing respect to hierarchical culture members with the importance of “face-saving” helps to gain trust and a reciprocal respectful attitude, as Ghosn

(2002) said: “We had the trust of employees for a simple reason: we had shown them respect” (p. 44).

Therefore, the credit-building stage resulted in a more trustful attitude from Nissan managers. And since higher trust can better reveal cultural differences, according to the work of Jha et al. (2019), presented in chapter 2.3, the outcomes of Ghosn's actions also contributed to more precise identification and preparation for response to cultural particularities in Nissan.

#### **4.2.4 Organizational Culture Changes**

As a result of the previous stage, including the creation of an asset of foreignness, by gaining trust and respect, Ghosn and Renault got permission to introduce internal changes, starting the second stage. In this part, the organizational culture changes are introduced as responses to cultural influence. Fighting normative isomorphism, which means resisting the pressure of necessity to adapt to the local norms, Ghosn took the initiative to set clear development strategies of what to do instead (Ikegami et al., 2017).

Firstly, to uncover investments in new product lines, Ghosn insisted on Keiretsu system restructuring, by selling Nissan's stakes in partners and renegotiating agreements (Ghosn, 2002). The reduction of system members also took place, ending in being cut from 1400 to only 4 (Slamti, 2019). Even though selling stakes could result in the loss of built ties, the business group system occurred to be harmful not only to the central manufacturer, Nissan but also to other firms of the system, limiting their profit growth (Ghosn, 2002). Thereby, Keiretsu restructuring kept relationships, but in the form of customer-buyer, giving more independence to all the members of the group. It also released additional capital for development purposes and renegotiated deals offering better terms (Froese & Goeritz, 2007). Secondly, the lifetime employment and seniority-wage systems were substituted by the performance records, which became the base for the positions and wages changes, as well as compensation systems were introduced and improved (Ghosn, 2002). The annual salary could be risen by 25%, as well as bonuses for the revival plan accomplishments (Slamti, 2019). The radical side of the changes consisted of staff cutbacks by 14%, reducing the number of inefficient working forces (Gill, 2012). In addition, to make efforts for organizational culture adaptation, human resource management operations were changed to worldwide standards, mainly to American ones since they were widespread all around the world (Froese & Goeritz, 2007). Thirdly, taking into consideration the human integration process, introduced in chapter 4.1.1, Ghosn substituted inefficient “Ringi” with open negotiation through CFTs, which also helped employees to better collaborate. Simultaneously, Ghosn used the mentioned in chapter 4.1.2 sense of exclusivity as a mitigation for the dramatic changes. While he accepted, that for some Japanese firms, such as Toyota, Keiretsu could be beneficial, he argued that Nissan's needs were different (Ikegami et al., 2017). Thereby, he did not claim that some local practices are fundamentally wrong because they are Japanese.

#### **4.2.5 Mitigation of Cultural Dimensions**

The analysis below presents the decisions made to mitigate the negative features of some national culture particularities and find a fit for others.

To begin with, Ghosn's leadership helped to address some of the Japanese cultural dimensions. First of all, France is characterized as an individualistic society, as presented in Table 4. This feature could be an explanation of confident, purposeful, and breakthrough leadership that was needed to solve the Japanese company's problems as quickly as possible. Additionally, the French management style, according to the chapter 2.1.4 analysis, includes the following characteristics: leadership abilities, openness to changes, and entrepreneurial spirit. This provides a basic explanation for the success of Carlos Ghosn's governance. Second of all, according to Gill's research (2012), Ghosn acted as a good authentic leader. This type of leadership is characterized by building trust through transparency, openness to opinions, and connection between words and deeds (Gill, 2012). Those who follow authentic leaders are more likely to have a connection to them and their team and exhibit resilience in the face of challenges (Gill, 2012). Thus, authentic leadership gives the feeling of security, which is especially important for representatives of high uncertainty avoidance societies. Third of all, the study "The Effect of Leadership on Turnaround and Performance Improvement: A Comparative Analysis", held by F. Slamti (2019), considers that Ghosn was an example of transactional leadership. Personal commitment to results, negotiation of the goals with team members, the establishment of a sense of urgency and quick work, clear sanctions and reward systems, and close monitoring of progress are assumed to be characteristics of the mentioned leader type (Slamti, 2019). This strong and directive attitude towards performance is suitable for hierarchical society with sufficient power distance score, since it is important for seniors in a company to be guided (Froese & Goeritz, 2007), and is tolerated more readily in masculine national cultures, which explains why the radical changes of a transactional leader were not resisted (Gill, 2012). Thereby, Ghosn's leadership style was perfectly suited to this value system and received the necessary support from his Japanese colleagues.

Then, some tangible actions were introduced. CFTs, which previously substituted "Ringi", and well-defined spheres of operations through tasks descriptions, helped to improve responsibility acceptance and accountability, simultaneously promoting open negotiations, which included addressing questions and concerns, thus mitigating negative features of power distance, collectivism, and "culture of blame", however preserving positive feature of collectivistic society through cooperation within teams simultaneously (Ghosn, 2002; Gill, 2012). In addition, since 2000, in Renault there has been promoted a program for cross-cultural training, team-building, and consultancy under the guidance of Canning, the international management training, development, and communication organization (Pooley, 2005). It involved managers from different levels, and accounted for more than 1,500 employees, who attended over 140 courses, dedicated to Japanese business style, according to 2005 data. The same was offered to Nissan about French management, starting in 2002 and teaching more than 400 Japanese employees over 3 years (Pooley, 2005). Moreover, Nissan developed its own Nissan Learning Center Management Institute to reinforce "cross-cultural training course for division and section managers who work with the Alliance with Renault" (Nissan Motor Corporation, 2005, p. 27). According to the 2017 data from Tokyo's department of Canning Group (2017), Nissan has still been working with consultants for better integration in a cross-cultural context.

All in all, the introduced organizational changes, being part of the “Nissan Revival Plan” led to better performance rates, mentioned in chapter 2.2.2, more motivated staff, and better integration of a Japanese company with its European partner within the alliance.

### **4.3 Category 3: Formal Institutions**

In this part, formal institutional influence, expressed through its constituents, is discussed.

#### **4.3.1 Governmental Bailouts**

The first formal institution was manifested by Japanese Government bailouts (Gill, 2012). To start with, the Lost Decades was a period of economic stagnation in Japan as a consequence of the Asset Price Bubble’s collapse, which took place in 1991 (Curtis, 2002b). Banks were full of bad debt (Curtis, 2002b) and to support them, the Japanese government used capital infusions, as well as cheap credits and loans received from Central Bank. Thus, the recognition of the poor financial situation and losses were blurred by external capital support, turning financial institutions into “zombie banks”. Because of the big importance of banks in Keiretsu groups, which were responsible for covering financial needs and corporate governance (Curtis, 2002d), the “zombie banks” created “zombie firms” (Ahearne & Shinada, 2005). They were those companies, which did not succeed in coping with profitability and return decreases due to the crisis, however, were too big to collapse without damage to other stakeholders and the economy and were hence supported inside by financial injections, surviving only because of such bailouts. It resulted in “a lack of accountability, no profit focus, and no sense of urgency” (Gill, 2012, p. 439). The governmental financial support limited the clear vision of Nissan managers and did not give them the possibility to be aware of their business situation.

#### **4.3.2 Florange Law**

Another important influence of formal institutions is undermined by governmental power on both companies. The most evident issue refers to the “Florange law”, approved in 2015 to bolster shareholder control over French corporations (Sharman & Lewis, 2015). This law automatically increased long-term shareholders' voting power unless the firm, specifically 2/3 of shareholders, opted out. Renault put a proposal to opt out of the “Florange law” to a vote of its shareholders in April 2015. To defeat the opt-out, the French government temporarily purchased additional shares, increasing them up to 19.7% from the previous 15%, and thus receiving potential 32.8% voting rights, which was generally viewed as a corporate heist on the part of the French government (Sharman & Lewis, 2015). This incident called into question Nissan's trust in its partner's controlling ability, already initially dissatisfied with unequal voting shares. At the end of 2015, when relations between the partners became heated, France reduced the cap on its voting rights up to 18%, referring to non-strategic decisions (Frost & Rose, 2018). It was based on an agreement, signed on February 4, 2016, between Renault and the French State, “whose purpose was to cap the voting rights of the French State at 17.9% in certain circumstances, with this figure authorized to rise to up to 20% in the event of an unusually large quorum” (Renault Group, 2016, p. 393). Renault also promised not to vote against Nissan's board of directors at the shareholders' meeting (Frost & Rose, 2018). However, after the restructuring, the agreement between Renault and French State was terminated (Renault-

Nissan-Mitsubishi Alliance, 2023c), and today French Government, after selling the bought for “Florange Law” additional stakes in 2017, still owns 15%, as does Nissan (Lough & Melander, 2023; Renault Group, 2022b).

### **4.3.3 “Fit for 55” Package**

One more issue is dedicated to the European Union (EU) regulative change, another formal institution, the “Fit for 55” package, which received final approval in March 2023. According to it, starting from 2035, all new cars, sold in the EU, should be zero-emission vehicles (European Commission, 2022). It is part of the European Green Deal, a set of proposals for EU legislation update to reach the climate goal of emissions decrease by 55% by 2030 and neutrality in climate by 2050 (Council of the European Union, 2023). This regulative measure can restructure the whole industry since Europe is representing a big market for automakers. Some countries, including Germany, allied to promote the law mitigation measures. Germany is now in the process of negotiating with the European Commission on the sale of combustion engine vehicles that use e-fuels after 2035. However, France insists on passing the law without exceptions (Frost, 2023). Moreover, the condition of necessity for changes was supported by the Ukrainian-Russian conflict. Because of the sanctions and the inability to transfer income from the region, a lot of companies, including Renault, were forced to leave the market. Because the automaker was making nearly 20% of its operating profit in Russia, the costs of exiting were part of a \$1.48 billion loss in the first 6 months of 2022 (Yumae, 2023). Thus, since Renault’s 70% of all sales were situated in Europe, and taking into consideration new regulative challenges, the proper enhancement of the European position was seen as urgent (Yumae, 2023). One more reason is dedicated to intense market competition. Besides automakers, a big range of tech companies entered the industry because of the new electrification opportunities, requiring more forces from the Alliance to maintain the same positions (Take, 2023).

To answer industrial changes, both companies introduced several strategic decisions. For instance, Nissan has increased its plan for 2026 sales of hybrid e-Power models and electric vehicles in Europe up to 98% from the previous 75% (Nissan Motor Corporation, 2023c). In addition, one of the conditions for the alliance's restructuring was Nissan's investment in Renault’s EVs division Ampere, as mentioned in chapter 2.2.2. Moreover, to secure sales, the Alliance finally decided on its projects in Latin America and India (Renault-Nissan-Mitsubishi Alliance, 2023c).

To sum up, formal institutional influence, in comparison with informal one, impacted the Alliance externally but also led to significant changes.

## **4.4 Discussion and Implications**

In this chapter, the interpretation of causal ties between the influence of informal, cultural, and formal dimensions of institutional paradigm, managerial decisions, and outcomes are discussed. After the explanations, at the end of the chapter, the elaborated framework of relations is presented (see Figure 3).

For the purpose of accuracy, the introduced in chapter 2.2 two-stage approach of alliance development was adapted to the particular case of RNA. Thus, the postformation stage was divided into two additional stages. The primary convergence stage included the “Nissan Revival

Plan” initiatives and cultural and institutional influences on the very first phases of an alliance operation. During this stage, the Renault and Nissan management initiated structural, cultural and financial convergence for the future prosperity of the alliance. The second stage is named as management and performance stage, including actions to develop and maintain the effectiveness of the alliance after a successful start of the path towards convergence. The first identified category, informal institutions, includes several constituents which influenced the alliance. First, a merger syndrome. To answer this issue, the human integration process has been performed. The process consisted of three stages: participation, leadership, and communication. The participation process included the creation of joint committee and cross-functional teams with an aim to elaborate mutual strategy and collaborate with employees from both companies for plan implementation. The leadership included personal Ghosn’s capabilities, which helped to inspire workers, gain respect for Renault consequently and unite them around his authority. Clear communication was achieved through a bidirectional approach, daily accountability, usage of communication tools in the company, and the establishment of two languages for better understanding: English and “numeric”. This step led to efficient negotiations between partners. As a result, the first steps towards synergy for information exchange and knowledge transfer were made. Second, the liability of foreignness. To resolve this problem, the liability was restructured into an asset as a competitive advantage by the leadership abilities of Carlos Ghosn. It included several steps. First, the positioning of Renault and Ghosn as a third party, which was innocent of the company's internal crisis. Second, creation of Nissan’s exclusivity by putting its business welfare first. Third, avoidance of Renault or French managerial styles, showing commitment to Nissan and respecting its identity. Fourth, the foreign status helped Ghosn to overcome local norms, which was impossible for domestic managers, as the renegotiation of agreements within the Keiretsu system. As a result, Ghosn was permitted to introduce changes, and the trust-building process was initiated. Third institution - trust or equity of trust creation through five key practices. The first one, “Neutral Firm”, is the created RNBV responsible for the Alliance governance with equal participation of both partners. The second one, “Mirror organization”, helped to align both partners activities and collaborate in the management of functions, such as the creation of the Common Module Family within RNTBCI with corresponding equal governance. The third one, “Commitment to win-win solutions”, suggests the mutual gains from every mutual project. The fourth practice, “Transparency”, exemplifies the free share of information between all the members involved. The fifth, “Single Leader”, explains the practice of appointing one person to each function to organize and speed up the negotiations between representatives of both parties. As a result, practices preserved the autonomy of each partner by equality in management despite unequal cross-shareholding and exclusive solutions for both and created synergy of operations and governance, which contributed to the trust-building process. The example of RNTBCI creation also indicates that after the trust-equity formation both parties became able to share knowledge. However, opportunism also occurred, including the arrest of Carlos Ghosn and advancing the idea of a merger with a threat to Nissan’s autonomy, supported by unequal division of shares. This led to trust disbalance. To answer the issue, the parties decided to restructure the agreement, including new equal ownership and the new Alliance Operating Board, with the

preservation of the commitment to the “leader-follower” scheme of Roadmap 2030 to achieve more horizontal and equal partnership.

The second category includes cultural aspects of the business. They were united into four groups, including those which led to poor Nissan’s performance and those that influenced the success of Ghosn’s leadership. The first group includes Hofstede’s cultural dimensions of Japanese society: power distance with the corresponding hierarchical structure, collectivism, masculinity, and uncertainty avoidance. The second group presented Japanese cultural concepts: “culture of blame” and “face-saving”. The third group included the particularities of Nissan’s organizational culture: lifetime employment, seniority-wage system, “Keiretsu”, and “Ringi”. Since the Keiretsu influence was explained in chapter 4.3.1 and 4.2.2, the corresponding block is displayed in the formal institutional part of the framework as well. The fourth group included Hofstede’s cultural dimensions of French society: femininity and individualism. The analysis was divided into two stages. The first stage of managerial decisions, “Bridge-building”, consisted of the usage of cultural particularities as tools to gain trust and respect. They included the commitment to long-term orientation, relationship-building process, and careful and pedantic preparation for showing respect, which is important for society with the high value of “face-saving”. Additionally, the femininity of European society met highly valued interpersonal ties in Japan. As a result, Group gained the trust of Nissan, and mutual respect was built, which offered permission to act, representing an intermediate outcome. However, during the analysis, it was decided that the “bridge-building” process, initiated by Renault management and received a response from Nissan in the form of permission for internal changes, was an act of mutual exchange, reciprocity – another informal institution introduced in chapter 2.1.3. Despite the fact that in Boddewyn and Peng’s (2021) study it was viewed as a market-entry mode, the very essence allows in any circumstances to reduce uncertainty through an expectation of exchange. Within the studied alliance, Renault made the first step, and Nissan, seeing good intentions, reciprocated, that opened the entrance to business. Thus, the connections between the two constituents of the Institution-based view are presented in Figure 3. The decisions of the second stage were divided into corporate changes, leadership, and initiatives. Corporate changes included Keiretsu restructuring, the substitution of the seniority-wage system and lifetime employment with performance records and compensation system, layoffs, and global HRM standards, and instead of the silent “Ringi” the open negotiations in CFTs took place. As a result, without dependence on the Keiretsu, Nissan gained more autonomy, uncovered capital, and renegotiated deals with suppliers on better terms for cost decreases. Layoffs, new HRM policy standards, performance records, and compensation system led to more motivated staff and better performance rates. The CFTs contributed to the collaboration of efforts through open negotiations. As for leadership, French individualism partly shaped Ghosn’s purposeful and confident management approach, which was needed for Nissan back then. Authentic leadership, through the connection between words and deeds, made it possible to introduce the willingness of changes, getting out of uncertainty avoidance deep influence. The transactional leadership of Ghosn was suitable for the hierarchy in Japanese society, high power distance, and masculinity because it assumed self-sufficiency, responsibility, and directiveness. Initiatives included tasks descriptions and promotion of open negotiations through CFTs mitigating negative features of power distance and collectivism, that

is “culture of blame” and absence of responsibility acceptance. In addition, both companies attended cross-cultural meetings to mitigate convergence.

During the analysis, one question arose. Why did a previously unknown person gain so much trust from Japanese colleagues? The question is partly explained by an asset of foreignness and the mentioned “Bridge building” stage. However, one more answer was found. Referring to the historical overview and the research of Hoelz et al. (2022), it was considered that the previous reputation of Ghosn, thanks to his success in widely known Renault and Michelin, as one more informal institution, played a role. Hence, relying on the previous success of the French manager, Nissan was able to create a base for trust-building, reducing uncertainty from the foreign person and his novel approach. The corresponding block is included in the framework as well.

The third category includes formal institutional influence. The three constituents were identified. Firstly, Japanese governmental bailouts, including the role of banks in Keiretsu systems, blurred the perception of the internal crisis scope, which resulted in the lack of sense of urgency among Nissan’s management. In order to cope with it, the already mentioned Ghosn’s preparation before the introduction of the “Nissan Revival Plan” and quick attitude of transactional leadership were applied to return a sense of urgency and a clear vision of the problem. The second formal institution is “Florange law”. Being a part of the postformation stage, it threatened the autonomy of the alliance, especially Nissan’s, increasing the voting rights of the French State in Renault. Because of the heated relations between partners, Renault signed an agreement with French State, which cap its voting rights at 17.9%. Today, three shareholders have an equal percentage of stakes. The third formal institution, part of the EU Green Deal and European Union regulative change – is the “Fit for 55” package, which requires the sale of zero-emission vehicles from 2035. It was enhanced by the influence of the Ukrainian-Russian conflict, which forced Renault to leave the profitable market and concentrate on Europe, and by the increased industrial competition, as a result of newcomers in the EVs market. In order to comply with new changes in the industry, both companies increased investments in EVs and, under the restructuring agenda, defined key projects for expansion to other markets - Latin America and India. Unfortunately, at the moment, it is impossible to accurately name the results of these decisions for the alliance, but the expansion of market share on EVs market can serve as the predicted best outcome for the RNA since the knowledge transfer and mutual systems can help both companies to continue growing in this direction.

The following part summarizes the main outcomes of an analysis. First of all, according to the results achieved, the primary convergence stage of the alliance development has a significant impact considering the process of strategic capabilities enhancement and further efficient performance of an alliance. It can be seen that such important processes as human integration, cultural assimilation, and overcoming the liability of foreignness are considered to be the steps of the primary convergence stage, which, if successful, ends with the initiation of the trust-building process and symbiosis. Despite the preservation of autonomy and separated identities, cooperation still exists, and without the right preparation in the field, the following activities could be multidirectional, that is without the mutual strategy. Second of all, considering applied practices in response to influence, it also should be acknowledged that leadership, as a strategic capability of a firm, is one of the key aspects of the future alliance success. The leadership



occurred to be one of the constituents of the responses towards all three identified categories of institutional influence and led to positive results. Third of all, considering the positive outcomes of the trust influence and negative outcomes of the opportunistic behavior, the trust-building process can be assumed as one of the most important stages for the alliance effective construction and further governance. Being an informal institution and fostering partners to nurture it internally, this component is a key outcome of various stages of assimilation, however, can be easily destroyed, hence a lot of attention should be paid to its conservation. Thus, having studied the influence of institutions on the alliance, an answer was given to the research question of this work.

In summary, based on the investigation presented, the framework of causal relationships is elaborated and presented below. Hence, the objective of this Master Thesis was achieved. The model can further be used as a theoretical scheme of the important components indicated while investigating the institutional influence on cross-border strategic alliances. Moreover, this Master Thesis highlights the importance and complexity of the cultural aspect and can be used as a justification for its impact on international alliances development and the theoretical base for future deeper research on the topic.

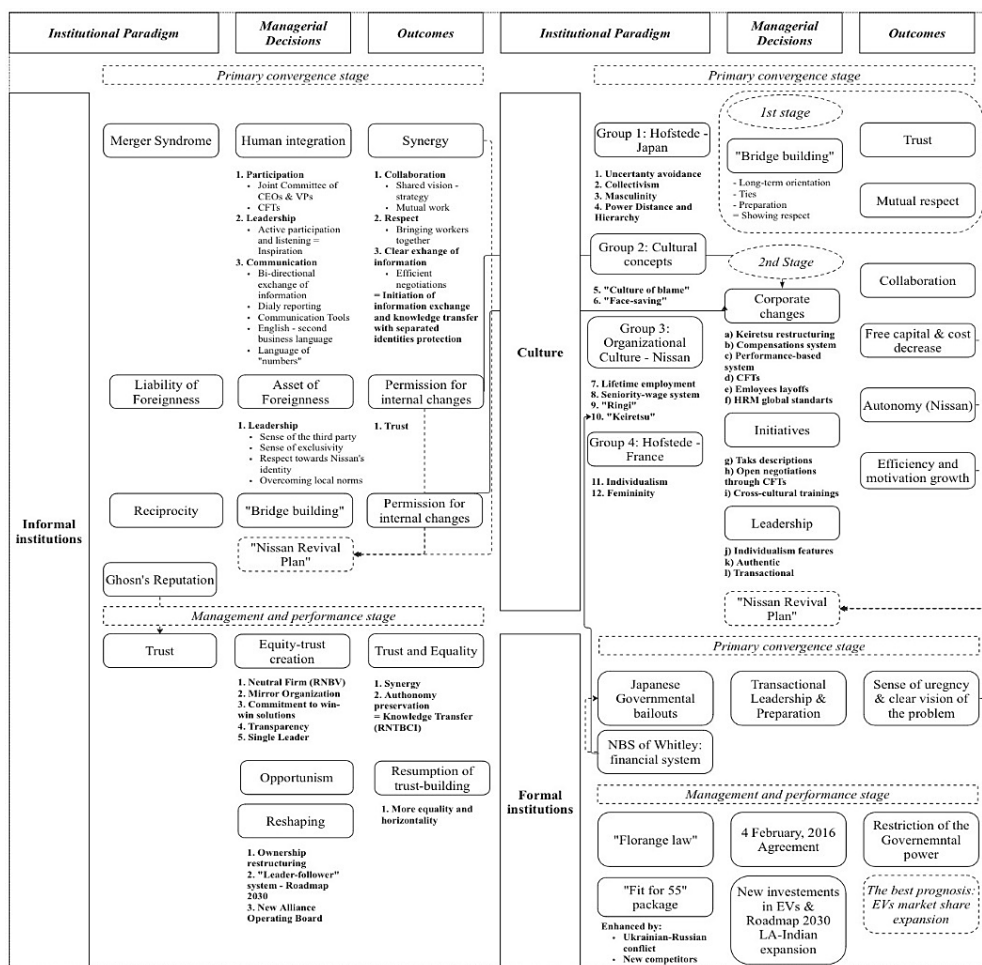


Figure 3. Institutional Influence on the Renault-Nissan Alliance Development – Framework.  
Source: own elaboration

## 5. CONCLUSIONS

In the modern world, strategic alliances represent an important option for firms to pursue business benefits and goals, such as growth and risk sharing (Filiou & Golesorkhi, 2016; KPMG International, 2022; PwC, 2019). Cross-border strategic alliances are of particular interest since they provide one of the fastest ways to enter a foreign market for various reasons, including foreign resources and economies of scale (Li & Ferreira, 2008). However, there is a wide set of forces that can impact the creation and further performance of strategic alliances. According to the theoretical basis of the strategic management field, these forces are combined in three main perspectives under the so-called “Strategy Tripod”: Institution-based view (Porter, 1980), Resource-based view (Barney, 1991), and Industry-based view (Peng et al., 2009). In the scientific research areas, they are used as lenses for better examination of the object of a study and, in particular, as tools for assessing the activities of strategic alliances. Institution-based view complements two other perspectives with essential context, which makes it a leading perspective in the strategic management literature (Peng et al., 2022). Taking the mentioned above into consideration, this Master Thesis investigated the influence of institutional paradigm on the development of cross-border strategic alliances. To avoid diffusion of the results but pursue the goal of giving a wider examination of institutional impact, the scope of the paper was narrowed down to the case-study methodological approach, selecting one of the most successful strategic alliances – Renault-Nissan Alliance (Carlier, 2023; Confino, 2022). Hence, the research question of this Master Thesis was the following: How does the institutional paradigm influence Renault-Nissan strategic alliance development? Considering this, the objective of the study was to elaborate a comprehensive framework of causal relationships, proving the importance of institutional conditions under which the alliance is shaped.

To answer the research question and achieve the objective the literature review of both concepts was conducted. The introduction to the Institutional paradigm explained its role in the strategic management, its position among the other two perspectives, and the antecedents of its development. Further, the different approaches toward its investigation, including works of Douglass North, Richard Scott, and Mike W. Peng were compared, as well as a critical overview of the Institutional framework, defining its limitations, was provided. The deeper analysis of the definition of institutions made it clear that they are socially devised constraints with the core idea to reduce uncertainty among actors. Then, the differences between two dimensions of institutions, formal and informal, were analysed, mainly focused on the feature of visibility and written-unwritten nature. The distinction of institutions from organizations gave the opportunity to clearly identify institutional influence within the international business sphere. The historical overview of institutional paradigm development defined three leading theoretical approaches: Rational choice institutionalism, Organizational institutionalism, and Historical institutionalism. Through the comparison of theories, the integrative approach was selected as the best option for further research conducting. In addition, formal and informal dimensions, as well as the cultural aspect of the institutional system, were investigated. Combining different approaches, the constituents of three aspects were identified and analysed from different angles. Thereby, formal institutions consist of political, legal, and economic constraints, that are laws, regulations, and rules (Fuentelsaz et al., 2015; Peng et al., 2009). Informal institutions, because of their invisible nature, unite more constituents and, according

to Mike W. Peng (2009), include norms, cultures, and ethics. The three-pillar paradigm of Scott (1995), recreated by Peng (2009), represented an additional aspect of the institutional study: the regulative pillar for formal institutions, and the cognitive with normative for informal ones. The description of the third aspect included an analysis of Meyer's (2014) and Hofstede's (2010) national cultural dimensions, organizational culture, as well as justification of the decision to separate culture from informal institutions, with its preservation in the institutional system. In the end, theoretical implications in the international business research field were provided, justifying the relevance of the framework chosen. The theoretical overview of strategic alliances was based on several aspects. In the beginning, the most important positive features and drawbacks of this type of agreement were presented. It was found that these long-term agreements are positioned between market transactions and M&A, including a variety of possible forms. In addition, the two basic theoretical approaches towards alliances study, level of a study and stages of development, were analysed. Since this Master Thesis examines Renault-Nissan Alliance, cross-border alliances were defined. It was concluded that one of the major advantages of such a partnership is a foreign market entrance for economies of scale. However, they are also at risk, especially regarding the cultural distance between partners. To highlight the importance of strategic alliances within the international business area, the results of their investigation were exemplified by the analysis of scientific articles. Following the previous part, the historical overview of the Renault-Nissan Alliance, with the investigation of reasons for collaboration, formation period, and the present development was conducted. To unite the theoretical overview of two concepts, the critical analysis of works dedicated to the influence of institutions on strategic alliances was presented. The main findings include an absence of the positive impact of formal institutional distance, the mitigation role of trust on opportunism, and the harmful influence of cultural distance on alliance activities, especially without governance.

Based on the theory, the practical part included several steps. Firstly, the justification of the chosen qualitative methodological approaches, content analysis for data collection and case-study for analysis, was provided. The outcomes of the data collection were presented in the form of table of contents. The description of institutional influence on the Renault-Nissan Alliance consisted of found sources exploration with the support of the theoretical overview. It was divided into three categories regarding the constituents of the institutional framework. Informal institutions included merger syndrome, the liability of foreignness, trust, reciprocity, and reputation. Cultural aspect components were investigated regarding introduced Hofstede and Meyer's cultural dimensions theories and organizational culture particularities. Formal ones included Japanese governmental bailouts, the "Fit for 55" package, and the "Florange law". For each institutional influence, managerial decisions in response, such as human integration and leadership, and outcomes, such as synergy and equality, were analysed. Then, the causal relations were explained, with the graphical presentation by the framework, and the key findings were discussed. First of all, the primary convergence stage of the alliance development made a significant impact on the alliance future development. Second of all, leadership, as a strategic capability which was used in response to influence, is considered as one of the key aspects of the future alliance success. Third of all, trust-building was assumed to be one of the most important stages for the alliance effective construction and further governance. However,

according to the investigation of opportunism among partners, it can be easily destroyed, hence a lot of attention should be paid to its conservation.

In summary, this Master Thesis answered its research question and achieved its objective by the study of causal relationships between institutional influence, managerial decisions, and outcomes for the alliance, the findings of which were presented in the form of a developed framework.

### **5.1 Future Lines of Research**

According to the limitations mentioned in chapter 1.2, the future investigation of the Institution-based view applied to the Renault-Nissan Alliance may be focused on the ethical concept of the informal institutional dimension, according to Mike W. Peng's research. Since the importance of the sustainability issue within the scope of global business grows, the analysis of the impact of the present ethical agenda on the RNA development and corresponding internalization of the practices to support the sustainability of the business, society, and environment can be performed. Lastly, future research on the topic is needed since this study is considered an orientation of how three institutional paradigm components impact the interfirm relations in the selected strategic partnership. Additional work may provide deeper investigation on separated concepts or supplementary constituents of informal, formal, and cultural dimensions. Hence, this Master Thesis should be perceived as the intention to raise attention to the subjects and promote further research regarding institutional influence on strategic alliances.

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## ANNEXES

### Annex 1 Sources of the Institutional Paradigm Impact Analysis

Table 1. Sources of the Institutional Paradigm Impact Analysis.

	Database	Title	Author (s), Year, Journal/ Publisher	Category	Scope	Results
1	Web of Science	Formation of cross-border corporate strategic alliances: The roles of trust and cultural, institutional, and geographical distances	Jha, Kim, & Gutierrez-Wirsching, (2019). Journal of Behavioral and Experimental Finance	Category 1, Category 2, Category 3	16, 169 strategic alliances formed in 26 countries with 315 country pairs over the period from 1996 to 2004.	Higher trust and lower cultural distance together increase the propensity to form a cross-border alliance; formal institutional distance does not significantly influence the likelihood of a formation; higher trust can better reveal cultural differences.
<b>Limitations</b>			Irrelevant timeframe: 1996 – 2004.			
2	Web of Science	The Performance Impact of Informal and Formal Institutional Differences in Cross-Border Alliances	Golesorkhi, Mersland, Randøy, & Shenkar, (2019). International Business Review	Category 1, Category 3	Strategic alliances formed between 405 microfinance institutions in 74 developing countries and firms from developed countries between 1998 and 2010.	Cultural institutional distance has sigmoid-shaped influence on cross-border alliances performance, while formal one is considered linear negative.
<b>Limitations</b>			Irrelevant timeframe: 1998-2010. Concentration on developing countries. Culture is part of informal institutions dimensions.			

3	Web of Science	Influence of Institutional Differences on Firm Innovation from International Alliances	Filiou, & Golesorkhi, (2016). Long Range Planning	Category 1, Category 3	Strategic alliances formed by 110 UK biopharmaceutical firms.	Cultural institutional distance has S-shaped influence on cross-border alliances innovation performance, while formal one is considered bell-shaped.
<b>Limitations</b>			Irrelevant timeframe: 1991-2001. There is a possibility of influence of particular time on the quantity of utilized patents for the innovation activity assessment. Culture is part of informal institutions dimensions.			
4	Scopus	Corporate Reputation and Strategic Alliance Performance	Hoelz & Bataglia, (2022). Corporate Reputation Review	Category 2	145 strategic alliances in the Brazilian pharmaceutical sector.	Corporate reputation influence on alliance performance is partly determined indirectly by its effect on the interorganizational trust.
<b>Limitations</b>			One-country focus.			
5	Scopus	Rogues and Deviants: a game-theoretic perspective on opportunism in strategic alliances	Fenik, Noble, & Lehnert, (2020). Journal of Marketing Management	Category 2	Business-simulation and cross-sectional sample of alliance executives from SDC Platinum database in 2014 fiscal year.	Trust and opportunism have U-shaped relation. Monitoring can prevent increase of opportunistic behavior with growth of the trust. Relative alliance identity prevents opportunism.
<b>Limitations</b>			Limited timeframe of the research, use of surveys			

Source: own elaboration

## Annex 2 Nissan's Share in Renault's Net Income

Table 3. Nissan's Share in Renault's Net Income.

Renault Financial Statements (IFRS)	2022	2020	2018	2016	2014	2012	2010	2008
Renault Operating income (EUR million)	2,216	-1,999	2,987	3,283	1,105	122	635	-117
Nissan's share of net income (EUR million)	526	-4,970	1,509	1,741	1,559	1,234	1,084	345
Nissan's share (%)	24%	65%	36%	38%	73%	54%	31%	45%
Renault Pre-tax income (EUR million)	2,153	-7,626	4,174	4,598	2,134	2,284	3,548	761
Renault Net income (EUR million)	-700	-8,046	3,451	3,543	1,998	1,735	3,490	599

Source: own elaboration based on Renault Group, 2023a