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# INSTITUTIONALISM AND CULTURE IN STRATEGIES OF MULTINATIONAL FIRMS: THE CASE OF JOHNSON CONTROLS INC.

JOSÉ G. VARGAS-HERNÁNDEZ\*

## RESUMEN

*El objetivo de este trabajo es analizar los aspectos internos y externos que puedan representar un riesgo para las operaciones de las filiales de la multinacional Johnson Controls Inc. en los EE.UU. y México desde el punto de vista institucional. Los principales retos son el impacto en el logro de los objetivos tanto de los trabajadores y de la misma organización y la influencia que las instituciones tienen en el entorno de la organización, para el desmantelamiento de algunas subsidiarias/ sucursales.*

**Palabras clave:** Investigación Intercultural, Teoría Institucional, Rendimiento de subsidiarias

## ABSTRACT

*The aim of this paper is to analyze both the internal and external aspects that may pose a risk to the operations of the subsidiaries of the multinational Johnson Controls Inc. in the U.S. and Mexico from an institutional point of view. The main challenges are the impact in the achievement of goals both of workers and of the same organization and the influence institutions have on the organizational environment, for the decommissioning of some branch/ subsidiary.*

**Key words:** Cross-Cultural Research, Institutional Theory, Affiliate performance

## RESUMO

*O objetivo deste trabalho é analisar os aspectos internos e externos que podem representar um risco para as operações das subsidiárias da multinacional Johnson Controls Inc. nos os EUA e no México a partir do ponto de vista institucional. Os principais desafios são o impacto sobre a realização dos objectivos dos trabalhadores e da mesma organização ea influência que as instituições têm sobre o ambiente da organização, para o desmantelamento de algumas subsidiárias / filiais.*

**Palavras-chave:** Pesquisa Intercultural, Teoria Institucional, desempenho das subsidiárias

**JEL:** F23, B52, M16.

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## INTRODUCTION

The aim of this paper is to analyze the internal and external issues that pose a risk to the operations of the multinational Johnson Controls Inc., its subsidiaries in the United States and Mexico from the point of view based on institutions. Also to analyze whether this point of view has any impact at the height of the aims of both workers and the same organization as the company presents organizational communication problems because of the diversity of cultures they have in their human resources. Thus, subcultures are identified as parts of the multinational firms, each one with congruent systems of assumptions and values, although with opposite cultural patterns.

Note that these problems are not present at all branches, and we seek to determine which factor is the one having the most influence on this event. This kind of issue is amplified in multinationals because the larger the company the greater the communication and organizational conflicts.

## BACKGROUND

It is thought that a multinational firm must be both effective and efficient in every way, as it does face competition in the economic globalization processes in which we live today. Therefore, it is believed that a company as big as Johnson Controls Inc. should work perfectly in either the organization or in the production area, but a question not usually asked is why these companies come to close their plants, what is it that really failed or is there a social factor that may influence the decision to close. To answer these questions, we must first focus on the kind of human resources the company has to understand the type of organizational culture diversity that Johnson Controls has and whether it influences the communication barriers faced by the company.

Multinational companies (Encyclopedia of Economics, 2009) were born after World War II when

private direct investment in third countries began to be associated with the expansion of big business and the creation of subsidiaries; this was aimed for spatial diversification and establishment of an extension of the diversifying strategy sector, only to reduce risks and uncertainties that enterprises always carry.

The multinational firm developed rapidly in the United States during the 1950s and 1960s while agreements or inter-enterprise collaboration were developed and the processes of horizontal and vertical integration multiplied. These companies are of type H with highly decentralized structures that invest heavily in direct investment. Although the term is relatively recent, multinationals are economic organizations that have been the basis of the capitalist system from its origins as they have always been in constant change and growth, adapting to historical variations of both the economy and the market. The term multinational (Encyclopedia of Economics, 2009) or transnational refers to that firm which has companies with operations in several countries.

Each multinational firm has its own power of decision and control but is regularly monitored by the headquarters at the home country. The headquarters may be registered in one country and be just part of foreign ownership. At the same time, the multinational firm has the ownership, management and control of productive assets in more than one country depending on what it needs. Multinational companies install their different manufacturing processes, marketing or provisioning, as well as having a functional capacity, decentralized management by objectives or divisional organization. Multinational firms are also the paradigmatic institutions of the capitalist system, its symbol since they are the main representatives of globalization. Globalization (Beck, 2008) is the continued expansion of the market; consequently, the multinational firm is an adaptation of a current business to that very global expansion.

The organizational structure of multinational firms, as sustained by Hymer (1972), is about the distribution of economic activity worldwide. This means that the activity of multinationals are divided into different processes like any company, just for the sake of transacting in a world market, and have the appropriate organization for success as desired. Therefore, in this theory Hymer (1972) reveals the inadequacy and imperfection of market transactions as the reason for the internal growth of the firm, or a combination of economy of scales and comparative advantages of the coordination of production through internal hierarchies vs. coordination of the entire market.

## INSTITUTIONALISM

Institutionalism and evolutionary economics approaches consider firms as dynamic economic agents of economic and social institutional networks. The theory based on institutions suggests that companies make their strategic choices based on the interaction between institutions and the organization, seeking institutional legitimacy regarding the normative, policy and regulatory systems of the country. This perspective has emerged in recent years as one of the most appropriate theoretical frameworks for analyzing strategic decisions of companies from developed economies (Peng, 2010). However, in certain destinations, multinational firms face institutional barriers higher than those faced by local companies.

The theory of the multinational firm has an approach based on the institutionalism of business strategies (Peng, 2010). It has been mentioned how companies, when facing strong international competition, have to implement different strategies as needed. As they have to be in every place where they are to become consolidated, they not only take into account the state and society, but all possible factors that may influence the success of them and implement appropriate strategies.

References to the theory of strategy are based on empirical research on a number of Asian countries (Scott, 1995, p. 146), and it considers four substantive areas: 1) strategies for providers, 2) business strategies, 3) diversification strategies, and 4) growth strategies. All this just to get an understanding of the theories with a view based on the institutions of the business strategy, in order to make sure that a company has the right strategies to make the right decisions, and then it should consider these substantive areas as described above.

Now, it could be asked: what are institutions? Institutions are simply the rules of the game, i.e. they are limitations designed to shape human interactions (Scott, 1995, p. 33). In addition there is a reference to the institutional framework of how to provide stability and meaning to social behavior. A representative figure of the theories of institutionalism is Douglass North, who has its antecedents in American institutionalism in the early decades of the last century (North, 1990). As such, it should be noted that neither between these two intellectual movements there is a clear evolutionary sequence of ideas, nor between them and neo institutional approaches today.

The transaction costs approach was developed by Coase (1937), transaction costs help rationalize why multinationals prefer to reduce their transaction or negotiation costs (Coase, 1937) at the expense of employing workers not as focused or experienced in the area needed to achieve the desired goals for the company. It is usually much easier to hire employees from different countries who do not require the salary corresponding to the level of preparation that they have, exploiting their need to work. Actually diminishing the value of their work.

An application of ideas based on the interpretation of the phenomenon of multi-nationalization of firms has been made by McManus (1972) and Rugman (1981). This theoretical framework is leading managers and scholars to think that the existence

of transaction costs is the key for multinational companies to stabilize the foreign subsidiaries. Multinational firms operate directly under central control (vertical integration) as opposed to operating through the market. This situation results in workers being discouraged through all the existing communication barriers and also by the devaluation of labor. The multinational firm based on its home country tries to minimize these costs as much as possible in their affiliates operating abroad in other host countries, but without considering the consequences that could have the company by not perfectly monitoring these contracts.

Nowadays, the view that the multinational firm operates primarily based on the ownership of knowledge and information dominates. Economies of scale encourage concentration of global production in a few locations and discourage multinational operations. Knowledge, however, is an asset easily transferable internationally and this favors the multinationalization.

### **ORGANIZATIONAL STRUCTURE**

In his research on the administration of large U.S. firms, Chandler (1961) identifies three levels of work, three levels of decision-making and three levels of policies. Level III, the minimum, refers to the administration of the daily operations of the company. Level II is responsible for the coordination of managers working in Level III. The I-level functions of top management and senior management are targeting and planning. This level sets down the framework within which low levels operate. Then the flow of communication always fluctuates in these three levels. Therefore, one must be very careful about any barriers arising, as it provides inadequate communication.

Making an adequate emphasis on strategies and firm performance are determined by the same organizations and covering institutions, cultures and ethics as they are supported by the 3 pillars: Regulatory, educational and cognitive (Peng, 2010)

All this emphasis on institutions is just to reduce the uncertainty given by the markets that are generated to the company or made them by the firm. North (2005) argues that institutions are socially embedded. Institutions generate different scenarios where they face uncertainty in every way.

North (2005, p. 36) tries to explain what the mechanism for achieving a good institution is: Cultural heritage provides a structure of artifacts that not only plays a key role in shaping our decisions as social players, but also provides clues about the dynamic success or failure over time. In essence, the richer the structure of artifacts, the greater is the reduction of uncertainty for decision making. In time, while the richer the context in terms of providing creative experimentation and competition is, the more likely the survival of a society is (North, 2005, p. 36).

Then to the conclusion that Arellano (2009) comes about regarding what is needed for a good institution, is that a country's cultural heritage and how it provides a set of beliefs, tools and institutions define our role as players on the social scene. The richer this is, the lower the uncertainty, which generates a kind of experimentation and creative competition (Arellano, 2009), which creates some chance for survival in society.

Institutions become good because they generate fair and loyal competition and experimentation, enabling long-term deal with the uncertainties that come to emerge. Therefore, we evaluate the potential of institutions in developed countries such as Johnson Controls to create some context and cultural factors as they do to develop the competence and adequate experimentation and testing for each country, making the consolidation and adaption according to their interests.

It is questionable to wonder if institutions can really be designed or are effects of interactions. As mentioned by North (2005), the institutions are difficult to control rationally, making difficult to

know in advance how society can react, as these are organized by a group of people in a particular generation. The institutions are related to a direct form of power, which is competition. Thus, when a multinational corporation at the time of wanting to build and consolidate its position in a specific market, generates strong competition. There are evidences that some competitors will be better prepared and better able to adapt to a local environment and dominate that market as the weight that gives the experience gives the multinational firms a certain comparative advantages.

Competition leads to the inequality of capabilities, opportunities, skills, intelligence, all to achieve differentiation. One of the disadvantages that may result being a multinational firm is the diversity of all these factors of local differentiation. At the time of adding diversification which is counted in human resources can become abysmal and of concern, or may have the opposite effect, depending directly from the company. This outcome depends either from the characteristics of people in the place where such branch is located or simply the ethical challenges available to each person to carry out the objectives of the multinational firm (table 1).

**Table 1.** Branches and plants of Johnson Controls

Region/Country	Plants
United States and Canada	Headquarters in Milwaukee. Technology Centers in Plymouth and Milwaukee. Seven integrated plants Four distribution centers
South America	Technology Center in Sorocaba 2 Plants 3 Centers of distribution in Brazil, Argentina and Venezuela
México	Headquarters in Monterrey Technology Center in Monterrey 5 plants in
Europe	Headquarters in Hanover Technology Center in Hanover 8 Plants
Asia	3 plants in South Korea (Kumi) China (Shanghai) India (Amara Raja) Sales offices in Japan

Source: (Johnson-Controls, 2010).

So the institution is not only a result of any set of interactions, but also a product of competition for power among the factors that are necessary for decision making over time, allowing them to go on with an advantage over others. But given time, the atmosphere is so flawed that it cannot really do that the workers become loyal to the company. Therefore, this atmosphere affects the acceptance of responsibility of employees (Peng, 2010) and conformed to social capital. Putnam (1993) conducted an empirical study that refers to the degree of trust in any given society, and it also influences the process of making decisions.

Thus, it is important to know what kind of employees are integrated into the company and focused on the mission, vision and objectives of the multinational firm, but a really decisive factor is the drama of development of the people due to lack of trust. Much of trust enhancement depends on social work to local societies conducted by business. Strategic planning and building trust are needed to make the proper observance of the multinational firm Johnson Controls Inc. and get to know the reasons for which the company has successes or failures.

## IMPLICATIONS OF CULTURE IN STRATEGY OF MULTINATIONAL FIRMS

Culture is defined from the point of view of different perspectives (Jenks, 1993; Stohl, 2001; Ting-Toomey, 1999). Culture is a set of values shared by a group of people frequently used to distinguish one group from another (Gibson & Gibbs, p.284). Culture is the set of deep level values associated with societal effectiveness, shared by an identifiable group of people (Gibson & Gibbs, p. 474). Culture is a history of experiences and concomitant expectations that shape their encounters (Gibson & Gibbs, p. 37). Culture is broadly defined as characteristic ways of thinking, feeling, and behaving shared among members of an identifiable group (Gibson & Gibbs, 2006, p. 460). Culture is defined as a



patterned ways of thinking, feeling, and reacting, which Both national and professional cultures come into play (Gibson & Gibbs, p.114).

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

Culture may be looked at as the degree of heterogeneity and diversity among team member members. Cultural diversity and cultural heterogeneity may strengthen teams if the team members are capable to respect other languages and cultures. Cultural diversity is represented by differences in backgrounds, life, philosophies, norms, social identity, language, etc. Culture creates differences in group behaviors and communication. Diversity of team members involves the composition of different cultural backgrounds, unit affiliations, skills, etc.

Culture encompasses broad national differences to include ethnic, genetic, racial, gender, religion, associations and collectivities, and other demographic characteristics. Cultural differences among individuals from different nationalities assessed by the cultural dimension (Hofstede, 1980) may affect team effectiveness processes and outcomes. The cultural dimensions depicted by Hofstede (1980) can explain cultural differences and subtleties of culture among individuals from various nation-states, so nationality is an indicator of culture. Rao (2009b) analyze national cultural dimensions

adopting normative equivalences strategies to identify relationship-building with survey-response strategies and their significance.

The GLOBE cultural project as a theoretical framework on culture identifies the national cultural dimensions of power distance, in-group collectivism, uncertainty-avoidance, and performance-orientation and gender egalitarianism. Cultural differences are conceived as ideologies and attitudes influence trust of multinational multicultural differenced teams (Cogburn & Levinson, 2003). Baba et al. (2004) uses this framework based on cultural differences to sustain the ethno history of global virtual teams.

National culture has been depicted as the software of the mind by Hofstede (1980) to explain the different behaviors and logics of people. National culture is related to communication, trust and context as it was found on Hofstede's dimensions. National cultures influence organizational culture related to teams (Lee & Barnett, 1997; Lindsley, 1999). Rigid classification based on the nature of national cultures does not explain movements and relocations of populations.

Multinational firms identify global knowledge relevant to management across national borders despite the values embedded in national cultures that push for knowledge and expertise operationalized with local adaptation (Sparrow et al., 2004: 110). Contrary to traditional multinational firms from developed economies, new multinational firms originated from emerging economies are more dynamic and away from path dependence without deeply ingrained organizational culture, values and structure. The new multinational firms from emerging economies follow some patterns of development and expansion consist with the staged theories of internationalization and product life cycle theory besides the tendency to expand in foreign markets that have similar culture.

In the global and transnational context, transnational learning structures are relevant for the global learning outcomes related to the assignment of tasks and collaborative generation of organizational knowledge among formed committees, project groups, development and diffusion of global and national policies and capabilities, capture and sharing of global organizational culture and best practices. Culture affects the way information and knowledge is conveyed and learned (p. 17). Transnational learning structures are more significantly to diffuse developing know-how, best practices and core competencies, development of a global organizational culture and in a lesser extent in development and adaptation of global policy (Tregaskis, Edwards, Edwards, Ferner & Marginson, 2010).

Transnational learning structures through global policy, global culture and best practices, may contribute to global integration using mechanisms based on person to person (Sparrow et al., 2004). One form of tacit embedded organizational knowledge is cultured knowledge based on the assumptions, beliefs and norms of organizational practices and determined by the globalization priorities. Variations in cultured knowledge in multinational firms are high across the borders in different national settings. As a mechanism, socialization of cultured knowledge facilitates shared communication and understandings through the surfacing of norms and assumptions (Senge, 1990).

The role of distribution and culture of individuals have influence on team processes and outcomes. Individuals work in multinational and multicultural diverse and distributed teams have diverse national and cultural backgrounds. Multinational multicultural diverse distributed teams have become the norm prevalence in organizational settings of business and governments (Rasters, Vissers & Dankbear, 2002, Wright and Drewery, 2006). Multinational multicultural distributed teams focus on the geographic facet to frame national cultural differences to equate nationality and culture. This approach neglects the dynamic multiplicity of cul-

ture. Goodwin and Halpin (2006) found resistance in multinational and multicultural distributed teams to the development of one culture where there are several pre-existing cultures.

Multinational multicultural distributed teams may have different purposes: to conduct future research (Maruping & Agarwal, 2004), to advice practical recommendations (Harvey et al., 2005).

Cultural distance presents two boundaries, distance and culture that presents critical discontinuities to manage for effectiveness of global organizational contexts (Cogburn & Levinson, 2003, Watson-Manheim, Chudoba & Crowston, 2002), and constraints to be overcome (Yuan & Gay, 2006). Under the assumption that the economy gains from labor division, differentiation and collective efficiency on firms of one sector cluster between each other developing specialized knowledge reinforced through a common organizational culture (Young, 1928). Organizational learning as a dynamic process of the individual knowledge moves through learning structures knowledge from the individual, group and organizational levels captured within the organizational processes, competences and culture (Huber, 1991).

The enactment of the North American Free Trade Agreement (NAFTA) and the lack of policies focusing to support and encourage entrepreneurship were two important causes that triggered the development of a new entrepreneurial culture. This new entrepreneurial culture led to the emergence of business more oriented to international markets. Davila, Pérez y Habermann (2005) use organizational culture theory to analyze the basic assumptions, shared values and behaviors of organizational members employed in Mexican multinational corporation's subsidiaries.

One relevant case is the Mexican multinational firm CEMEX. Perez Chavarria (2001) analyzes the creation of common meanings-culture-through formal communication in a Multinational Mexican



company (CEMEX). Perez Chavarria (2001) has study the way organizational culture is formally communicated in a Multinational Mexican company (CEMEX assuming that the organizational culture is composed essentially of cultural substance and forms (Harrison and Beyer, 1993; Bantz, 1993) to reach the inference of meanings that can be taken as the basis or support of its culture. The findings reflect a possible interpretation of the culture that sustains that symbolic reality of the organization.

Multinational corporations have to foster a culture of corporate social responsibility strategy involving all stakeholders to improve the effectiveness of strategic alliances (Weyzig, 2006). Advancement of CSR in Mexican multinationals requires a commitment on a strong regulatory culture capacity building instead of taking a voluntary approach, more involvement with civil society actors and more public pressure to address specific barriers. Stakeholders of Mexican multinational firms lack engagement in a strategy of CSR due to a no ideal chaotic environment framed by historical confrontational attitudes and the lack of alliance culture, although sometimes firms may be inclined to make some philanthropic actions.

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

Rao (2009a) examines the dimensions of national culture influencing the staffing practices in México.

Rao (2009a) identifies the cultural dimensions in the Mexican culture as predictors for predominant staffing practices associated with, and proposes a model for staffing practices related to cultural dimensions. An initiative focused on Mexican culture, the Business Culture in Latin America (BUCLA) provides a solution through e-learning.

Culture may be constructed as barriers that divide individuals. Business community suffers from lacking business culture skills and understanding others cultures.

Human beings must be aware of our capabilities to assimilate, contribute, share an experience the new opportunities offered by the exchange of cultures. Cultural intelligence is the capability that a person has to adapt to new cultures and be effective to bridge activities and issues between two or more cultures. Full development of human potentialities requires participating actively in experiencing other cultures and ideologies of economic, political and social systems to become more cosmopolitan citizen of the world.

## **AN INSTITUTIONAL ANALYSIS OF THE MULTINATIONAL STRUCTURE**

### **A. CASE STUDY: JOHNSON CONTROLS INC.**

All the questions and issues rose above can be applied it to the company Johnson Controls Inc. (JCI) to identify what are their problems and to know the causes and result. The company Johnson Controls (Johnson-Controls, 2010) is a diversified global technology industry leader serving customers in over 150 countries.

Its 162,000 employees provide quality products, services and solutions to optimize energy and operational efficiency of buildings and lead-acid batteries for cars, advanced batteries for hybrid and electric vehicles, and interior systems for cars. The firm has the commitment to sustainability, and going back to basics and origins in 1885, with

the invention of the first electric environmental thermostat. Through its strategies for growth and increased market shares, the firm is committed to providing values to shareholders and the success of its customers.

JCI's values support a set of strategic objectives to manage its businesses and achieve long-term success. They expect to remain the company's values at all times at Johnson Controls. The commitment that JCO has with its employees is: "As we grow, so will do our people. We foster a culture that promotes excellent performance, teamwork, non-discrimination, leadership and growth. Our diversity of employees and leaders reflect our markets and global population" (Johnson Controls, 2010).

The company Johnson Controls Inc. continues to quantifying and managing the active participation of employees in the Global Survey for employees, along with subsequent action plans of the company, creating a cycle of continuous improvement in all strategies for staff (Tables 2 and 3).

**Table 2.** Levels of employee participation

Year	Blue sky involve projects	Em- ployee partici- pation	Hours of work volun- teer	Level of employee participa- tion in the survey	Level of active employee participa- tion
2010	930	14, 500	115,600	91%	71%
2009	650	12, 500	105,00	90%	67%
2008	530	11,00	97,000	86%	61%
2007				82%	56%

Source: (Johnson-Controls, 2010).

**Table 3.** Health and safety

Year	Index of labor accidents registered	Index of labor accidents with firing
2010	0.79	0.32
2009	0.92	0.35
2008	1.09	0.42
2007	1.36	0.49
2006	1.46	0.56

Accidents registered by Occupational Safety and Health Administration (OSHA) U.S. American X 200,000 worked hours.

Source: (Johnson-Controls, 2010).

**Leadership awards.** Although all data obtained by the company and the awards, always have problems in any of the plants, because you cannot have ultimate control of each and every one of them working properly (Figure 1).

## LEADERSHIP AWARDS

- Inclusion on the list of 2010 of Global Outsourcing 100 (The best suppliers of externalization services).
- Award to the industrial excellence CoreNet Global Industry Excellence Award (2009).
- Award to the manager of the European real state of year 2008.
- Award to the automation of Central Europe of the Society of Plastic Engineers Association of specialized engineers in plastics (SPE).
- Finalist in the North American sample of automobiles "Best Concept Car" 2009.
- Inclusion on the list "100 Best Corporate Citizens of the Business Ethics review.
- The leader business of the category "Auto parts suppliers" within the list "America Most Admired Companies of Fortune review.
- One of the "100 best-Managed Companies of Industry Week.
- One of the "50 Best Manufacturing Companies" of Industry Week review.
- One of the most adequate for stockholders of North America of Institutional Investors.

**Figure 1.** Awards to leadership

Source: Homor (2012). *johnsoncontrols*. Captured from (Johnsoncontrols, 2010).

## B. ANALYSIS OF THE CASE

Johnson Controls in Mexico is one of the largest independent manufactures of seating and interior systems for automobiles. It has three plants

in Puebla, Mexico and produces seats and seat parts, mainly for the Volkswagen assembly plant in Puebla and for Chrysler, Ford, Mercedes Benz and Nissan. The case study is the company Johnson Controls Inc., reference is made in Mexico by the fact that some branches have been flawed in the way of communication and the use to employees, to the extent that this entails has been had to make tough decisions as to close some of its plants as the case of Puebla.

In Mexico, working for the multinational company Johnson Controls means for workers to endure bullying, abuse and violations of labor rights, which also exert Mexican Regional Federation of Labor (CROM), head of the collective bargaining agreement (Jaimes, 2008). Therefore, the company decided to close the plant as it is being said that “the labor problem in Johnson Controls, began in August 2010 when the union in turn was reported by workers to protect the interests of the company also overlapping bullying and increased working hours without additional remuneration”.

So the social and ethical environment has great influence on the development of a company, whether as a multinational Johnson Controls is so, so bad dealings with its human capital was declining outcome yields and loyalty of employees in the company, which unfortunately happened that no company wants to happen, to close its facilities in spite of all investments already made.

Another case is happening in one of the plants in the United States, which has had many problems and has made that its complications affects organizational stability and growth, to the point that had to halt production. At the same time, this situation of the plant is affecting some other plants of suppliers for this error because lack of care in its handling and decision making that has not been the best. All this happens at the moment when problems are detected within the company and wholly disclaim liability to the extent that other plants and suppliers are always shifting their responsibility between each other. The

fact within the country that there is no well-structured and delimited the responsibility of each post.

It is not possible to give the name, the source or the plant because there are some confidential and ethical issues, cannot be given more data. This information is only obtained from trusted individuals who carry out their activities in the Johnson Controls Inc. company. The company makes very free the development of its workers, which is not bad, but the workers see it as an outlet to relax during working hours, as the company does not give much importance by the fact that while they meet the goals in terms of outcomes, nothing happens. The fact that a company of this size denotes this type of communication problems highlights the fact that it assumes that each worker is responsible for, and ultimately their good work and achieving the goals that the company needs to continue its operation.

The reason why the company left with so many liberties the employee is because it considers that the most important values are to act with “honesty, fairness, respect and security” (Johnson Controls, 2010) and thus fostering a culture of unquestioned integrity. This pose strengthens the relationships in all businesses and functions, although these values have not had the desired result that the company needs. So to give an example, when people leave at 4 pm some employees do not take advantage of all their hours, and as elsewhere are avoiding entirely their duties and obligations as there are always workers of all kinds of different personalities and taking ethical challenges applied to each personality.

A really important factor is that the company works with a variety of cultures and consequently resulting in the emergence of communication problems. Here is important to emphasize that while the company sets standards to meet for the benefit and comfort of workers, not always have the assurance that it meets fully the later, causing simply to discourage workers with conflictive work situations (Table 4).

**Table 4.** Social impact of conflictive work situations on workers at Johnson Controls, Inc.

Year	Employees	Social impact: Country	Source
2009	-4000	Internal restructuring: Johnson Control closes 10 plants in the world.	Reuters
2009	-9300	Internal restructuring: Johnson Control plans to close 21 plants and cut 9300 jobs. In addition, it is freezing new hiring and salaries, eliminating annual bonuses for executives and considering four-day work week schedules, mostly in the automotive business	Reuters
2800	-280	Internal restructuring: Johnson Controls close its plants of batteries Grand-Quevilly, near of Rouen, due to diminishing the European market.	Les Echos
2007	140 000		
2006	-3900	Johnson Controls close 12 of its industries	Blooming
2006	-5000	The company will close 16 plants as part of its plan to help counter rising raw-materials costs. The cutbacks include 3,900 jobs in the auto-interiors unit and 1,080 others in the Milwaukee-based company's building. The cuts at the auto-interiors unit involve 2,200 jobs in North America, 1,450 in Europe and 250 in Asia. The building services unit is eliminating 200 jobs in North America, 600 in Europe and 280 elsewhere. Twenty jobs are being trimmed from the company's battery-making unit.	Blooming
2006	-331	Closure/bankruptcy	Les Echos
2005	-231	Internal restructuring	Reuters
2004	-224	Closure/bankruptcy	Les Echos
2003	118,000		
2002	111,000		
2001		Violation OIT 87, 98: Johnson Controls close its plant in Milwaukee, Wisconsin. Production is dislocated in México.	Documentary
1998		Violation OIT 111: pre-employment pregnancy test. México	Human Rights Watch
1998	89000		

Corporate Responsibility Magazine recognized Johnson Controls as number one among the “100 Best Corporate Citizens” in the United States, while the Ethisphere magazine said Johnson Controls among the “World’s Most Ethical Companies” for the fifth consecutive year. “We have received recognition from many of the social indicators most prestigious investors as the Dow Jones Sustainability Index World and North America” (Johnson Controls, 2010).

Obviously all this talking does not happen in every branch of Johnson Controls. For example one of the most important plants and recognized by the administration of Barack Obama in 2011, is Johnson Controls, Inc. in Holland, Michigan. Even though that the economy is going through one of the worst recessions in the U.S., this Johnson Controls, Inc. plant has shown otherwise, and it has done on the effort required to carry out all the

crises and problems as quickly and shortest possible time, all thanks to the efforts made by both the corporate and employees who have worked together to get ahead of this severe crisis.

In Mexico, Johnson Controls, Inc. has not had the great development expected, because when making a comparison of how many foreign companies account in Mexico and the United States the differences of these plants is enormous. In the United States, Johnson Controls, Inc. has 500 branches while in Mexico has only 5 plants (see Annex E). Yet despite all that happened during the past year, the firm has recorded a growth in global headcount of 25 000 to 162 000 employees worldwide, while most of this progress comes from organic growth.

Though significantly, Johnson Controls has generated annual revenue growth in 64 of the last 65 years. It has posted gains in 20 of the last 21

years and continues developing a long history of consecutive dividends since 1887. This is the reason why employees of the company have their own conclusions that the company only cares about the financial aspect regardless of the labor conditions of its employees.

## CONCLUSION AND RECOMMENDATIONS

Multinational economic organizations have been understood as the basis of the capitalist system because they have always been in constant change and growth, adapting to historical variations of both the economy and the market. It is well known that the 2008 crisis has been quite hard, as it has seriously affected the activities of all enterprises of all kinds, implementing prevention measures that implied closing many of its subsidiaries and branches.

Along all this pressure, corporations are concerned with other factors that involve personnel management in large multinational companies; communication flows become very complex. Such is the case of Johnson Controls (US-Mexico). Because of the mismanagement of the company, it had not been aware that certain external factors such as society are of vital importance to the achievement and success of their production in developing the company's facilities. Because if the company reaches success, it will be achieved working together with senior management of the company and its workers as a team. Therefore, the firm may well get the most benefit for both parties.

It also reinforces the idea that a firm from a developed country has certain competitive advantages, and as it fits its strategy to enter a developing economy, just to get lower transaction costs and promote further work in these emerging economies. It is important for the multinational firms to evaluate and analyze what kinds of ethical challenges will be faced in that society, what kind of values are

distinguished in the population and, something very important, the monitoring that applies to perfection each and every one of the benefits, regulations and safety standards for employees to have job satisfaction needed for the proper organizational environment and, consequently, the success of the plant efficacy and production efficiency.

One of the biggest mistakes the company could make is not having more precise control of enterprise development in the standards of workers and also the profiles of each position occupied by the persons most appropriate and qualified for the job as well as seamlessly check the schedules to perfection for each of them.

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