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**THINK GLOBALLY, ACT COOPERATIVELY: LOCAL MILIEU DYNAMICS, THE INV-MNE INTERFACE AND FIRM INTERNATIONALIZATION**

**ABSTRACT**

This paper is driven by the following two questions: (1) At the broader level of the milieu, what are the temporal and spatial dynamics underlying the transformation of a new venture’s local relationship with multinationals into one that is cross-border and multi-faceted? (2) At a more specific level of the actors involved, what is the role of multinational enterprises (MNEs) in the international new venture (INV) internationalization process? Based on three longitudinal cases in the Bangalore software industry, we identify three distinct internationalization pathways: passive, active and co-creation, which exhibit increasing levels of new ventures’ *technological* innovation and MNEs’ *partnering* innovation. The particular pathway adopted results from co-alignment between these two innovation levels, which reflect these actors’ respective strategies and the “effortful” nature of MNE-INV engagement. Such coalignment coevolves with the local milieu, which comprises both INVs and MNE subsidiaries among other actors and provides enabling conditions for these pathways.