Foreign Multinationals in India: Adapting to India's Work Culture and Management Practices

Dayanand Arora

Foreign Multinationals in India: Adapting to India's Work Culture and Management Practices

1. Introduction

For successful entry and continuous growth in a foreign market, effective communication with the unfamiliar partner and adaptation to his culture is important. Globalization requires cross-cultural literacy[1] and successful management of diversity. Though not much empirical evidence is available on the impact of cross-cultural literacy on the cost of doing business in foreign markets, it is fair to assume that cross-cultural literacy reduces the total costs of operating in foreign markets. Multinational companies (henceforth MNCs) with world-wide subsidiaries need to recognize the impact of socio-cultural values on local organizational behavior to be able to successfully transfer the know-how to various local units.

Since early-1990s, a growing number of MNCs have been attracted to India and many more are planning to enter India. This research work seeks to analyze the experience of multinational companies in India, with a particular emphasis on the socio-cultural aspects of human resource management. The main purpose is to help expatriates in understanding the complex socio-cultural aspects of Indian work culture and management practices and improving their effectiveness.

This paper, to begin with, analyzes the increasing presence of MNCs in India with the help of data on foreign direct investment (FDI). This is supplemented by some more facts on sectoral and country of origin characteristics of FDI inflows to India. The second part of the research is devoted to analyzing the experience of expatriates from MNCs in India; this is to find out whether socio-cultural aspects of their integration in the Indian business world were a real hurdle in the adaptation process. In the third part, an attempt is made to delineate the main cultural values, norms and traditions that impact upon the business practices in India. This is coupled with a detailed presentation of certain peculiarities in Indian organizational behavior and management practices, which need to be understood carefully and may have a bearing on business success. The paper is summed up with major findings.

It might be useful to delimit the scope of this paper. This paper is surely not a travel guide for anybody interested in India. It is also not a socio-cultural audit of the Indian business world. It is aimed at surveying the expatriates' experience in India to understand their needs and to highlight the main peculiarities in Indian organizational behavior and management practices. The information provided might help expatriates in developing culturally-sensitive management practices during their assignment in India and to increase their chances of success.

2.   Increasing Presence of Multinational Companies in India

How important is it for the foreign managers to understand the business and management culture in India depends upon India's attractiveness (see Table 1 for major macroeconomic facts about India) for FDI. The increasing inflow of FDI into India should be seen as important indicator of the increasing presence of foreign multinationals companies in India and, as a consequence, of increasing need for understanding the cross-national differences between their home and the host country business practices. Furthermore, the increased flow of investment is likely to be accompanied by an increase in the population of expatriate managers sent by these MNCs to India. The need for a systematic study of the Indian culture will be reinforced depending upon whether these expatriates view Indian business environment as complex and difficult to cope with.

Table 1: Indian Economy at a glance

|	
Land Area	3.29 million m²
Population	1,065 million (Estimates 2004)
Population Growth Rate	1.9 (1991-2001)
Gross Domestic Product at current prices	US$ 422 billion (2001-02)
Average real GDP growth	6.0% (average since 1990)
GDP per capita at current prices	US$440 (2001-02)
Inflation (Consumer Price Index)	5.1% (2001-02)
Foreign Exchange Reserves	US$ 68 billion (Dec. 2002)
Exchange rate of Indian Rupee	Depreciating against US$ @5% per annum
Exports	Textiles, leader goods, gems/jewellery, processed food products chemicals, engineering goods, software
Imports:	Crude oil, machinery, chemicals and Fertilizer

Source: Government of India (2002), Ministry of External Affairs (2002), etc.

The flow of FDI to India has increased substantially since 1991 (See Figure 1),[2] when entry of foreign companies was allowed in the Indian economy under the pressures of a

major balance of payment crisis. The sweeping macroeconomic and structural changes made it easier for MNCs to invest in India.

Figure 1: Foreign Direct Investment in India (Annual Flows)
Source: Reserve Bank of India
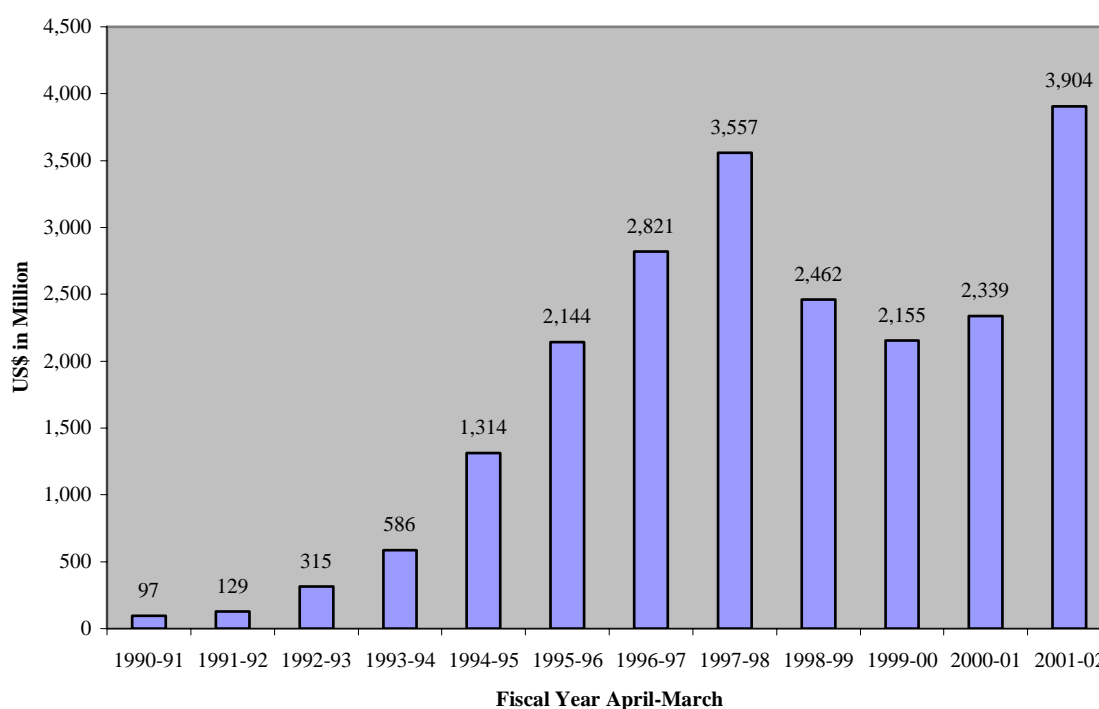
As shown in Figure 1, the global response to Indian reforms has been positive. The annual inflow of FDI has increased from US$ 0.1 billion in 1991-92 to US$ 3.9 billion in 2001-2002.[3] During the same period, India's FDI stock increased from US$ 1.9 billion (0.6% of its GDP) to US$ 41.53 billion (8.3% of its GDP), signifying a major increase in the total presence of MNCs in India. Within the group of developing countries, India got about 2% of the total annual FDI inflow to developing countries in 1997, with China topping the list at 24%[4], followed by Brazil at 14% and Argentina at 5%. It is relevant to note that the attractiveness of Indian economy within developing countries was not shaken during the Asian Crisis. With a brief spell of slow FDI inflow, since 2000, the FDI inflow to India has started increasing again; in the fiscal year 2001-2002, the total FDI flow reached a peak of US$ 3.9 billion, reflecting upon the resilience of the Indian economy. Whereas the overall volume of FDI to China is much higher than to India,[5] the investment made by MNCs (and only they are of interest here, as only they send expatriates) differ much less, with the volume being approximately 4 times higher in China than in India.[6]

It might be useful to analyze the direction of FDI into India by looking at its sector-wise distribution. The manufacturing sector always attracted maximum FDI and its share in India's total FDI stock increased to 85% in the mid-1990s. Within manufacturing, the capital goods sector was the predominant recipient of FDI, with engineering and heavy chemicals accounting for two-third of the all foreign direct investment.[7] However, the bulk of inflows in the 1990s have been directed to non-manufacturing infra-structural sectors, such as energy (29%) and telecommunication services (20%). This is primarily attributed to the policy liberalization because these sectors were not open to FDI earlier.[8] Furthermore, services (12% in 2000) and computers (16% in 2000) have seen an increasing trend in the latter half of the 1990s.[9]

Looking at the distribution of FDI by the country of origin, it becomes evident that firms from European countries (which include the UK, Germany, Switzerland, Sweden and the Netherlands in the order of significance) had been the major source of FDI inflows to India until 1990 accounting for 66% of the FDI stock in 1990.[10] With US share of 19% and Japan's share of 5%, the triad countries had a total of 90% in the FDI stock.[11] However, a ranking of the cumulative investment approved during the period 1991 to May 2002 reveals that the US has emerged as the largest investor in India, accounting for 33% of FDI approvals during the period, with declining share of European FDI at 28% and that of Japan at 6%, the total for the triad is now about 66 percent.[12] It is interesting to notice that MNCS from the US, Germany and Japan have gravitated to technology-intensive manufacturing.

Most of the MNCs entering India either started with greenfield projects or opted for joint-ventures with local firms. In a survey of data collected from 144 MNCs affiliates in India, Bhandari et al (2002) found out that 67 of these MNCS opted for greenfield investment and 53 took the joint-venture route.[13] Both these entry modes together accounted for 83 % of entries captured in the sample.[14] Whereas MNCs investing in the basic consumer goods sector and pharmaceutical sector preferred greenfield to joint-ventures, those investing in the machines and equipment sectors preferred joint-ventures to greenfield.[15] The choice of entry mode puts different demands on MNCs in their integration into the Indian business environment. If MNCs choose joint-venture mode of entering India, they have to deal with the Indian owner-manager even before starting business, which is not the case in greenfield investments. This demands greater sensitization to Indian business and

management practices right from the very beginning. Knowing that a sizable majority of the MNCs investing in India are small by global standards (with less than 10,000 employees world wide) and their affiliates in India have less than 250 employees, it can be argued that they would need more systematic support in understanding the socio-cultural environment than large MNCs, which may have more experience in diversity management or have in-house capabilities to support their foreign units.

To conclude, in an era of stiff competition among developing countries to attract FDI, India's performance has been satisfactory but sub-optimal. It clearly has been less significant a destination than many Asian countries. In a recent report by the Planning Commission (2002), the Government of India highlighted some of the weaknesses and constraints in achieving higher FDI flows into India. The report was partly based on the investor perception surveys carried out by major consultancy firms such as Boston Consulting Group (BCG) and AT Kearney. When the representative from BCG was invited to present his views, he summed up India's performance under the label "image-and-attitude". Based on his survey, he found out that there is a lingering perception abroad that foreign investor are still looked with suspicion in India. There is also a view that some unhappy episodes (*for example Enron*) in the past have-(*had*) a multiplier effect. Talking about the impact of socio-cultural diversity in India, the BCG representative also added that:

> "India is, moreover, a multi-cultural society and most of the MNCs do not understand the diversity and the multi-plural nature of the society and the different stakeholders in this country".[16]

It has been pointed out in different contexts that procedural, bureaucratic, infra-structural and policy constraints have hampered the growth of FDI to India in the past. However, for the first time, this quote underscored the fact that doing business in the Indian environment is complicated by the cross-cultural differences. It also drew our attention toward a systematic need to bridge the cultural gap between the home and host country of the investors. Knowing that volume of FDI to India is expected to rise,[17] the need to prepare the expatriates from MNCs in Indian business culture cannot be over-emphasized. A structured knowledge about host country's business and management practices, thus, should be seen as a pre-requisite for a successful foreign investment.

3.   Experience of Expatriates in India: A survey of Existing Literature

This part of the research work seeks to provide some general characteristics of expatriates[18] living in India and a survey of existing literature on their experience. This should provide a framework for developing a systematic idea about their needs and for offering a structured knowledge on the business and management culture in India.

3.1   Characteristic Features of Expatriates in India

There is virtually no published data about the total population of expatriates in India. Much less is known about the total duration of their stay, their country of origin, the kind of assignments they have in India, and what positions they occupy. However, based on FDI characteristics (see Section 2) and other *prima-facie* evidence, certain observations can be made about expatriates living in India:

(i)   Other than the staff of foreign embassies and international organization based in India, most of the expatriates come from the countries, whose MNCs have invested in India. Thus, based on the country of origin of FDI in India (see section 2), one should expect that expatriates from US, UK, Japan, South Korea, Germany, Switzerland, France, the Netherlands, and Italy constitute the majority of expatriates working for their parent MNCs in India.

(ii)   Apart from the above, there is a new breed of expatriates, who do not work for any foreign MNC. They are instead hired by Indian companies. A recent report pointed out that over 20,000 expatriates were hired by large Indian companies, most of these in industries such as telecom, media, pharmaceuticals, hotels, retail trading and biotechnology. Even traditional industries, mostly in the production process controls, are hiring expatriates.[19]

(iii)   If both India and China were to have same volume of FDI inflow and similar MNCs, the population of expatriates in India would be lower than in China. This observation is based on the fact that the availability of experienced local managers in India is often considered as a cheaper and better alternative to sending expatriates. Thus, by comparison with China, the number of expatriates coming to India will be lower in the near future.[20] However, it is expected that FDI inflow to India will increase in

the years to come and hence the absolute number of expatriates is likely to increase further.[21]

(iv) Most of the expatriates are based in major cities of India. This observation is supported by the location of the Indian affiliates of MNCs. Most of the FDI until 1980 was in Bombay (henceforth Mumbai) or Delhi (and its suburb of Faridabad) and accordingly, most of the expatriates were based in these two cities. The population of expatriates was slightly larger in Mumbai than in Delhi. However, Delhi had a higher share of expatriates in the service sector. The FDI surge in the 1990s has not displaced Mumbai and Delhi; their position has been strengthened. However, several new locations such as Banglore, Chennai (former Madras) and Gurgaon (a very popular industrial city near Delhi) have emerged as attractive locations.

Based on this observation, it could be surmised that most of the expatriates interact primarily with the urban Indian population, living in the metropolitan cities of India. The urban section of the Indian society represents a special sub-group and is often termed as the "Indian middle-class". The values and work culture of this sub-group will be focused separately in Section 4.1 and 4.2.1 respectively.

(v) Expatriates can be on a short-term project work (less than 12 months), on medium-term assignments (between 13 months and 36 months) or on long-term positions (over 36 months). Given the complexities of selecting and training expatriates for assignments in a country like India, it could be assumed that most of the expatriates come to India for medium- to long-term assignments. On the contrary, some experts believe that, because of the availability of talented, well-educated and experienced Indian managers, MNCs send expatriates primarily for short-term projects, such as introducing a new product, a new technology, or to service a major multinational client from the home market.[22]There is yet another kind of expatriates, who do not live physically in India; they have responsibility for the Indian unit at the headquarters and frequent between the two locations.

(vi) A majority of expatriates are sent on assignments, which entail management responsibilities. Thus, expatriates are usually senior level general managers or

experts in a particular functional area and *work as superiors for their Indian employees*. Given the fact that India has a large number of well-educated and experienced managers, it is not unlikely that MNCs hire local managers for top management positions. It is, however, true that there are fewer expatriates working under Indian superiors than the other way round.

This observation suggests that an expatriate coming to India not only has the responsibility of adapting himself in the Indian environment but he also has to lead his Indian employees. His understanding of the Indian work-culture, organizational behavior and management practices has a two-fold purpose of surviving and leading.

3.2   Survey of Literature

This survey of literature seeks to answers the following question:
(i)   how difficult is India as an assignment location;
(ii)   which aspects of expatriates' life in India are the most challenging; and
(iii)   what should an expatriate expect before embarking on his Indian mission?

Most of the available literature on expatriates is focused on the US or European managers working in ***developed*** countries. Therefore, not surprisingly, the available literature on the experience of expatriates in India is limited. Sperling (1965) is the earliest known publication on expatriates in India and it dealt with the cultural aspects of Germans working in India. His work is based on Rourkela steel plant, which was constructed and initially operated by a large group of German expatriates. It offers some significant insights; however, the findings are too old to be useful. Furthermore, with such a high number of German expatriates in one location, it can be assumed that cultural integration was not sought and did not exist. The second work on the subject is by Gabeler (1996). In an unpublished study conducted for the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), he analyzed the intercultural cooperation between Germans and Indians. The work is focused on the non-profit organizations and the state owned enterprises in India and provides some general solutions based on Hofstede's model.

Based on her research on the Automobile industry in India, Yeong-Hyun Kim (2003)[23] examined the processes in which foreign managers (expatriates) have adapted to local

conditions in India. Her research investigates the Korean managers in India through a case study of Hyundai Motors India. In her work, particular attention is paid to Korean managers' preparations for working in India, and clashes between global, Korean and Indian practices in the management of dealers, suppliers and consumers.

Braasch's (1999) work[24] on "Expatriates in India: Culture-Specific Leadership and Its Potentials" is the most systematic research on the subject. Since his research work provides many useful insights, a brief discussion of his major findings is warranted here. Braasch's main goal was to search the most appropriate culture-specific leadership style for expatriates working as superiors for Indian employees. Based on his study of the Indian management literature, he develops a theoretical question: *How expatriates should lead Indian employees?* His proposed answer lies in the approach of "*Adaptation and Leadership*". The author formulates his general hypothesis as follows:

> "Expatriates are more successful in India if they apply a culture-specific leadership style. Such a leadership style combines **Adaptation** (authoritativeness, emotionality and empathy) and **Leadership** (result-orientation). Both components have some potential alone, but basically form an inseparable unit, which only in its entirety generates the best possible results. This entirety can also be called a **deliberate, demanding, differentiated Paternalism (dddP.)**"[25]

The author further explains his concept of **dddP** by pointing out that, expatriates have to adopt an approach of **paternalism** (which involves strong authoritative elements, fatherly empathy and true leadership) in India, and combine their **deliberate** effort of adaptation in the Indian context, with a **demanding** leadership and both (adaptation and leadership) have to be pursued in a **differentiated** (individualized for each employee) manner.[26]

In order to provide empirical test for his hypothesis, he first conducted interviews with 73 expatriates (29 of US origin and 44 of German origin) based in Mumbai (57.5%) and Delhi (42.5%), who worked in service (66%) and manufacturing (34%) sectors. Secondly, he collected data through a field survey of 102 US and German expatriates and 255 of their Indian employees – the questionnaire consisting of close-ended questions about a variety of aspects describing the mutual cross-cultural work relationship. The assessment of whether the hypothesis is confirmed was based on a "subjective" judgment of success of expatriates and employees, in which both perceive success through the quality of work relationships between the two parties. Thus, an expatriate is perceived as successful, if he

himself, as well as his Indian employees, assesses their mutual relationships/interactions as positive.

The empirical results of the research confirmed the hypothesis. A major finding of the research is that **Adaptation and Leadership approach** indeed generated the best results amongst the Indian employees.[27] An implicit conclusion of this finding is that Indian employees prefer an authoritative paternalistic manager-leader, who at the same time is able to adapt and empathize with them (a rationale for this behavior will be provided in the Section 4.1). This also implies that the Indian employee is ready to work in all kinds of efficiency- and result-oriented environments, if his "cultural-needs" (for example, the desire to belong together "like in a big family") are catered to. It needs to be stressed that expatriates own feedback, on the Adaptation and Leadership approach, in the survey was far less positive when it came to the actual interaction between themselves and the Indian employees.[28] This result logically makes sense because a high degree of expatriates' adaptation makes the employees happy but stresses the expatriates.

On the importance of emotional aspects of work relationships, the empirical evidence from the employees was mixed and emotional factors appeared to play a much less important role than was assumed by the author. On the question of whether superiors' interest in developing their employees and in improving their skills is important for Indian employees, the response was high.[29] This reflects upon the ambitious character of urban Indian employees, though it is not culture-specific and the response would have been similarly high in other culture as well. Another finding was that Indian employees' identification with the company was found to be higher if expatriates are **leaders** than if they are **non-leaders**. Again, if expatriates were more adaptive, the employees' identification was higher.

In the final part of the research, both expatriates and employees were asked about the most positive and the most negative characteristics of the respective other side. The response of both parties is summed up as follows[30]:

(i)   *Positive Characteristics of the Indian Employees, as seen by Expatriates:*
        Firstly, Indian employees are seen as hard working, as loyal to the company, and
        as highly motivated to do new things. Secondly, they are seen as intelligent, as

well-educated and willing to develop themselves. Thirdly, they are seen as friendly, positive and open towards foreigners.

(ii) *Negative Characteristics of the Indian Employees, as seen by Expatriates:*

Indian employees are seen as not committed to results, as unreliable, as bad team-players and as job-hoppers.

(iii) *Positive Characteristics of Expatriates, as seen by Indian Employees:*

The employees appreciate the expatriates' professionalism and ambition (organized way of thinking/working), leadership style (delegation, open communication, fairness, approachability), skills (job knowledge, international experience) friendliness (empathy, generosity and courteousness), and willingness to understand India and Indians.

(iv) *Negative Characteristics of Expatriates, as seen by Indian Employees:*

The employees state that firstly, the expatriates' do not adapt enough, and secondly, they remain aloof, look down upon Indian employees, and do not trust them.

If we group the positive and negative attributes into skills and intentions, it is interesting to note that expatriates value the employees' intentions much more than their skills and employees, on the contrary, value the expatriates' skills more than their intentions. Thus, on the management front, one would ask for improving each others' mutual perception, where one has to change the expatriates' intentions and Indian employees' skills.

In a recent study, Sinha (2004) analyzed the challenges faced by MNCs in India, and focused primarily on the interface of global culture with the deep-seated and widely varying cultural practices prevalent in India. In order to understand the cultural interface, he selected five large MNCs representing three different cultural zones: one British-American, two Scandinavian, and two Far Eastern. Based on his in-depth qualitative assessment of how these MNCs functioned and interviews with a sample of managers (both expatriates and locals), he reveals that, though these MNCs brought to India their unique organizational culture, they rapidly understood the *need to adapt* their management practices to Indian settings. Thus, with their focus on cultivating an atmosphere of high performance, they quickly absorbed aspects of the work culture in India, typically characterized by hierarchy, in-group orientation, personalized relationships and professional loyalty. Based on his collected data (through questionnaire

and informal interviews), Sinha (2004) collated the pieces of information to draw profiles of Indian managers and expatriates working in India. Describing the profile of Indian managers, Sinha (2004) concludes that:

> "Indian managers were believed to have the advantage of being proficient in English. They were considered to be as competent as the expatriates of any of the five multinationals, but they lacked, according to one MD (*Managing Director*), a strong positive attitude to work. They needed close supervision, tight control, and directive leadership. They were emotional in making appeals to superiors for help and favors and were themselves amenable to such appeals. They went out of the way to help those whom they liked. They were not in the habit of saying "no" to a boss even for something they were not in a position to do. India managers were generally status conscious. Most of them did not feel comfortable walking over to their subordinates' desk not did they like their subordinates to disagree with them openly. If they delegated responsibility to a subordinate, they followed up daily to monitor the progress and gave advice and directions as if they did not trust the competence of the person. Indians were perceived to be defensive. As a result, they kept the crucial information a closely guarded secret and blamed others for their own lapses".[31]

There is another interesting revelation in Sinha's findings which should be mentioned here. He suggests that Indians, being context oriented, tended to suppress their cultural preferences and habits in order to mobilize themselves to meet the expectations of whoever they considered to be their superiors (in the case of multinationals, these superiors were the expatriates).[32] This finding should be related with the ability of Indians to keep the fixed core of their culture to the private sphere and use the more flexible surface part at the work place (see Braasch 1999). Sinha also found out that, while Indian managers carried a positive image of (technically competent, quality conscious, punctual, honest, hard working and dedicated) expatriates, they had negative self-image (reflected in their perception of compatriots). They denigrated themselves and depreciated their qualities.[33] In this connection, Roland (1988) pointed out that Indians, because of their long colonial experience, had difficulties in owning their Indianness.[34]

To conclude, the literature on the subject of expatriates in India and their experience is still scanty. Each of the authors cited above had a very different focus and arguments. The survey, therefore, fails to provide empirical answers to the questions posed. For example, it does not provide any conclusive evidence on expatriates' perception of how difficult is India as an assignment location and what the most challenging aspects of their assignment are. It is likely that the growing FDI inflows to India since early 1990s will provide more

material for empirical studies in the future; the recent studies (Braasch 1999, Kim 2003, Sinha 2004) show the increasing attention being paid to the subject.

Pooling the major findings of Braasch (1999) and Sinha (2004), I present here five statements or hypotheses, which seek to answer the questions posed but need empirical testing:

(i)   If we hypothesize that expatriates from developed countries, accepting assignments in other developed countries (e.g., an expatriate from a US MNC sent to another country in Western Europe), find it relatively easy to adapt in the new location, India should be a relatively difficult location for them. Dowling (1999) points out that "generally speaking most westerners perceive India to be culturally distant."[35] However, by comparison with expatriates in China, the adaptation process in India should be assumed as easier and quicker. The benefit of communicating in the English language may be mentioned here as an important bridge in the adaptation process.

(ii)   If Indians have a positive image of expatriates and appreciate their skills and work culture, the "adoration-advantage" available to expatriates should make their Indian assignment less arduous. The intense desire of the Indian employees to imbibe expatriates' work culture should be hypothesized as conflict-reducing and adaptation-fostering.

(iii)   If Indians' work culture is rooted deeply in their societal culture, the most important challenge for an expatriate lies in resolving the conflict between *imposing* his/her work culture (result-orientation) or *tolerating* the Indian work culture (relationship-orientation). It could be argued that the act of balancing the demands of two cultures is part of expatriates' effort at diversity management and not India- specific. What is India-specific is probably the fact that expatriates have to learn to manage in a pluralistic system, with all its variants. The hypothesis is that survival in the Indian business world demands "Management by Differentiation".

(iv)   What should the expatriate expect before embarking on his Indian assignment? The success obviously is less influenced by the kind of environment he going to but more by how good are parent company's efforts in providing cross-cultural training. In practice, most expatriates come to India with only rudimentary, ad hoc preparations.[36] The cultural sensitization for India demands a better understanding of Indian mindset, which is overly idealistic and overly pragmatic at the same time. A juxtaposing of the two extremes is often misleading.[37]

(v)   When analyzing the problems faced by expatriates in India, one has to categorically distinguish between problems relating to the work culture/management practices and problems relating to infra-structural deficiencies,[38] policy confusions, bureaucratic delays, and corruption, etc. Whether culture-specific problems carry more weight than all other problems needs to be empirically tested.

4.   Major Aspects of Indian Organizational Behavior and Management Practices

In this section, to begin with, a brief description of the Indian mindset is provided. The discussion is based on the assumption that there is a significant and far-reaching inter-dependence between national and work/management cultures. The ideas presented in this part provide the background, which explains various aspects of work culture, organizational behavior and management practices in India.

4.1   A Brief Note on Indian National Culture

Any discussion about Indian national culture has to begin with a word of caution. Given the cultural and regional diversities in India, it is very hard to talk about "*one*" national culture; any attempt at providing major characteristics of India's national culture will at best in the form of broad generalization. Considering the fact that India has two major ethnic groups, (Indo-Aryans, 72% and Dravidians, 25%) (Rest being Mongoloid and others), is home to four major religions (80% of the population is Hindu, 12% Muslim, 2.3% Christian, and 2% Sikhs) it should be considered as a pluralistic society. Though Hindi is the national tongue and is spoken by 30% of the population. English is the most important language for national, political, and business communications.[39]

If socialization is the passing of culture from generation to generation at the micro level, then family is the most influential of all agencies of socialization in India, closely followed by caste, religion and school. The *collectivist mind-set* in India has a clear family orientation; though individual members have a great flexibility in adapting to the collective norms, often they are passive in proposing new ideas. The way of living together and the importance of family in India lead to a high degree of *emotionality at work*. This also creates a distinct "*dependency proneness,*" where the desire to get emotional security predominates.

However, despite the important role of the family, the values and behavior pattern are not family-specific but caste-specific or sub-caste-specific. The value of *hierarchy orientation* is rooted in the caste-based thinking, making it the second most important agency of socialization. Despite the indications that the influence of caste/sub-caste is declining very fast in urban India, it still does play a role in traditional private sphere of the individuals.

Religion is the third most important agency of socialization process. Hinduism being the religion of over 80% of the population, the cultural legacy of Hinduism is deeply ingrained throughout the country. Any analysis of Indian world view, therefore, stems from the structure of Hinduism. The basic tenets are briefly touched upon here. In Hinduism, it is claimed that the human soul exist forever and that after death it undergoes *reincarnation* (rebirth). This leads to a belief in the "*law of karma*", which implies that one has to experience the fruits of all action (good or bad) in the course of many lives. Liberation (*Moksha*) from the unending cycle of birth and death comes from a supreme experiential wisdom, from which point the soul ceases to possess the ability to be reborn.[40] These three elements of Hinduism are said to impact on the behavior of individuals by making them fatalistic, less interested in material achievements and less deterministic.

Braasch (1999) provides an interesting distinction between core (values, beliefs and assumptions)[41] and surface (style, fads, food, symbols, etc.) culture in India. Thus, whereas the core part of Indian culture is characterized as particularly fixed, the surface part is quite flexible. Whether the Indians choose to exhibit a behavior based on core or surface part of culture depends on the context of the situation, which in turn may be

influenced by place (*desh*), time (*kal*) and person (*patra*). With the area of work life belonging more to the surface culture, Indians show a higher flexibility *to accept* (but not necessarily to *initiate*) change at work.[42] This distinction between core and surface is also used to explain inconsistencies in Indian management behavior.

Middle class in India viewed as a cultural sub-group. Like in other parts of the world, the middle class as a social institution can be considered as the driving force for the development of the state and its society.[43] However, the Indian middle class can be regarded as the most polymorphous middle class in the world. It has played a leading role in the modernization of Indian society.[44] The rise of a new middle class in India is one of the most outstanding features of the economic, social and political developments in India in the 1990s. Viewed historically, it was only after the advent of British rule in India that the idea and institutions of a middle class social order was imported. The British attempted, as part of their education policy, to create a class comparable to their own, so that it may assist them in the administration of the country.[45] They aimed at creating a middle class, which was to be a class of imitators and not the originators of new values and methods.[46] Thus, from the circumstances of their origin and growth, the members of the educated class, such as government employees, teachers, lawyers, and doctors constituted the bulk of the Indian middle class.

In the post-independence period, "the power and constitution of the middle class was based not on the economic power it wielded, which was minimal, but on the ability of its members to be cultural entrepreneurs…the definition and power of the middle class came from its propagation of modern ways of life…from their claim to emulate an ideal-typical modernity, which was first appropriated by their counterparts in the West".[47] The rapidly growing population of the middle class in India since 1991[48] is often portrayed as a sizable market that should attract MNCs. It is also idealized as a group of urban, educated, English-speaking, and upwardly mobile people suitable for working as managers for MNCs coming to India. The bases of internal stratification in the middle class are occupation, education and income level and no more caste and gender as in the traditional hierarchy.[49] It is competitive rather than hierarchical. It stresses achievement and success and the need to push ahead. The middle class in India has come to dominate in the corporate world, the bureaucracy, the media and the professions; it has had a big influence in shaping government policies as well as the values and discourses of a range of

institutions from the press to the judiciary. It has also exerted a disproportionate influence on the policies finally chosen.[50] Thus, from MNCs' perspective, the socio-cultural values of Indian middle class, which are still in a process of formation and transformation, should be viewed as a major link in their understanding of modern Indian culture and society.[51]

4.2   Major Aspects of Organizational Behavior and Management Culture

In his seminal work, the Dutch researcher Geert Hofstede found that there are four dimensions of culture that help explain how and why people from various cultures behave as they do.[52] The four dimensions are based on four fundamental issues in human societies to which every society has to find its particular response. These dimensions are:

(i)   Power distance, is an indication of the extent to which the less powerful members of institutions and organizations accept that power is distributed unevenly.

(ii)   Uncertainty avoidance is the extent to which people feel threatened by ambiguous situations, and have created beliefs and institutions that try to avoid these.

(iii)   Individualism is the tendency of people to look after themselves and their immediate family only.

(iv)   Masculinity is a situation in which the dominant values in society are success, money and (*material*) things. Femininity, on the other hand, describes the situations in which the dominant values in a society are caring for others and the quality of life.[53]

On a scale between 0 and 100, Hofstede compiled his results for each of the dimensions for the countries surveyed.[54]The position of India on each of the four dimensions reveals interesting information:

(i)   On *power distance*, India scored 77 points (which was well above average of 50), implying a hierarchical order in which everybody has a place. This hierarchical order needs no further justification to most Indians as long as the power holders are perceived as "good fathers," who are not overtly emphasizing their power.[55] This is a very pronounced score[56] and leaves no doubt that hierarchical differences are important in Indian society and organizations alike.

(ii)   On *uncertainly avoidance*, India's score is 40, implying that people in India[57] maintain a relatively relaxed atmosphere. Indians are more willing to accept that risks are associated with the unknown, and that life must go on in spite of this.

(iii)   The score for India on *individualism* is 48. This is a slightly collectivist score and suggests that there are both collectivists and individualistic characteristics in India. It may be mentioned that individualism is a characteristic of rich and affluent societies and, measured on per capital GNP, these societies score high on this dimension. It is striking to notice that India score was relatively high, when compared to other countries with a similar per capital GNP (for example, Argentina, Turkey etc.).

(iv)   India scores 56 on the *masculinity* dimension. This means that in India there is a slight preference for achievement, heroism, assertiveness, and material success. The score may also imply that both masculine and feminine values are found next to each other in Indian societies and organizations. There are indications that northern India is, on average, more masculine than the southern part.[58]

In later work, Hofstede included another dimension of "long-term orientation" in his research and found that India scored 61 on this cultural value[59], signifying the importance of perseverance and thrift in Indian society. This score is also in conformity with the basic value in Hindu religion of reincarnation and many lives. This is often said to explain lethargy and "casual" (relaxed) attitude at work place.

That India not-so-clear positions on three of Hofstede's dimensions are partly because the Indian culture is highly complex and pluralistic, containing seemingly inconsistent and contradictory orientations. Indians, for example, are observed to be polite, non-assertive, emotional, tolerant and feminine in some of their orientations. These characteristics, however, are juxtaposed by a strong need for material influence, power and control, status in society, and other signs of masculinity.[60] Notwithstanding the existence of extreme values in Indian society, Hofstede's four cultural dimensions provide broad explanation for the Indian work culture.[61] The acceptance of organizational hierarchy, readiness to accept change (or acceptance of risk/unknown outcomes), participation and identification in group activity (or collectivism), and perseverance at work grossly describe the four major values in Indian business world and work culture. Though urban middle class and its organization behavior may sometimes project values contrary to this mind set, this

apparently anti-attitude may reflect a desire to adapt in the work-culture on the surface and not necessarily a refutation of the Indian stereotype.

Any generalization about the Indian work and management culture has to acknowledge the differences in size, ownership and branch characteristics of the business in question. Thus, software companies in South India operate primarily on western egalitarian pattern, and may not fit into the Indian mode. On the contrary, small scale businesses (for example in retail trade) are organized very much like a family, where the eldest member of the family runs and leads the business within a system of authority and all members have set roles and conforming to rules is beneficial to all. The situation in medium-sized (or semi-professional) organizations is a hybrid mix of traditional stereotype and a bid to catch up with the new ways of doing things (e.g. hiring of MBA graduates). The work culture at large Indian companies may be considered as professional and, in many ways, more western than Indian. Here too, Indians working for large companies display more flexibility on the surface level than at the core, which is ardently maintained in private life. Whether this separation of work and private spheres generates conflicts at work is difficult to judge. Nevertheless, it can be seen that the direction of professionalization in India is more or less similar to the direction in other countries. Thus, professionalization in India indeed seems to reduce the gap between its own and the management culture of other countries and thus, does represent a process of convergence.[62]

4.2.1   Managerial Values and Leadership Styles

Differences in managers' work values have been found to reflect culture and Industrialization. In a research work conducted by Whitely and England (1980), 2000 managers in five countries [Australia (n=281), India (n=485), Japan (n=301), South Korea (n=161) and the United States (n=281)] were asked about their values (personal goals, business goals, etc.). Whereas US managers placed high value on the tactful acquisition of influence and Japanese managers placed high value on the deference to superior, the Indian manager put high value on the non-aggressive pursuit of his goals.[63] Researches have also found out that managers from different countries have *similar* personal values that relate to success. England and Lee examined the managerial values of a diverse sample of US (n=878), Japanese (n=312), Australian (n=301) and Indian (n=500) managers. They found out that value patterns predict managerial success and could be used in selection and placement decisions. Thus, successful Indian managers, in their

findings, had high moral orientation, were highly individualistic and had a strong focus on organization compliance and competence.[64]The finding of these two researches may be old but they have not been influenced by the recent changes in management practices. The second research also endorses the "convergence-hypothesis" in managerial values.

Management and Leadership Style: In India, a good superior is expected to behave like a good father towards subordinates: paternalism is the norm in India.[65] The Indian pattern, involving deference, obedience, and submission to authority, tends to be autocratic and, at least superficially, formal. Yet beneath this seemingly impersonal veneer, considerable emphasis is placed on the quality of the relationship formed between the boss and his subordinate. Rooted again in the traditional idea of benevolent paternalism, the boss has the right to order but he also has the duty to protect and to assist.[66]

Given the fact that a good manager has to respond to his employees needs (by building a relationship of trust and goodwill) and to get the work done (by improving efficiency), leadership in all culture would involve a dual responsibility of people-orientation and task-orientation. The success, however, depends upon the sequential focus of the manager on these goals. In the Indian context, an initial focus on people-orientation (developing a good relationship or adapting in the case of an expatriate) will create a good ground for the ultimate goal of task orientation. It has been pointed out that this ideal dual leadership style (often termed as "nurturance-task leadership style")[67] has greater chances of success in India because Indians have a prominent relational need; a superior's personal interest in his subordinates' life may have a magnetic touch and it galvanizes them into action…they go to any extent to meet their superior's expectations, feel secure, trusted, and have a sense of belonging to the organization.[68] Again, because of the heterogeneous character of the Indian management culture, the expatriate-leader has to follow a strategy of differentiation, depending upon in which part of India he is working, what is the background of his employees etc. Even when he is dealing with the educated, urban middle class professional, it is relevant to note the core part of Indian national culture still demands a paternalistic style and the flexible surface part is ready to accept the converging western management style.

As an example of the pronounced dual focus in leadership style is the way formal meetings are conducted in India. Thus, functions of the formal meetings are to stamp the

decisions taken, to boost the morale and to make an inventory of the open issues. An open exchange of issues, where decisions are questioned or arrived at is less common in formal meetings. Consulting a subordinate on certain decision would be more on an informal level, where a relationship of mutual respect and trust has already been created. To be able to develop a relationship of mutual trust, a superior is expected not only to take interest in job-related problems but also in the personal and family life of his subordinates.

4.2.2   Motivation Strategies

Motivation is considered as closely related to the performance of human resources in modern organizations. In management literature, there are numerous theories about what motivates people; however, it is often neglected that what motivates people is culturally determined. Incentives and de-motivators used in human resource management policies are highly cultural specific.

It is often assumed that the best motivator in developing countries is money. In India this can be a strong motivator as well, but not necessarily the most important. Indian, working for foreign MNCs, value the status acquired by working in a "foreign" company very highly, and like being trained in new technology or new ways of organizing business. All this contribute to their work motivation, because it enhances their "market value". But beside these motivators, feelings of loyalty to the organization are established and enhanced when staff members are treated with respect and are being taken care of.

Indians are especially motivated by an emphasis on the role of the boss, in the sense that a "good" boss is a strong motivator. In a survey of Indian employees working for foreign companies, Gabeler (1966) found out that most respondents felt that a boss should be strict and must maintain discipline by monitoring and reviewing the work activities of the subordinates. It is the boss who decides and looks for solutions. He is the one who should set an example and by showing dedication to the work and his subordinates.[69] Furthermore, the subordinates' basic willingness to have a close relationship with their superiors and to identify with them is extremely high too. In this closeness to his supervisor, there is an implicit status symbol, which explains the motivational value of the superior's approachability.

A number of researchers have investigated the role and *importance of high achievement needs* in human resource management. Thus, achievement or a sense of accomplishment is considered as an important motivator. When applied to the international scene, if people in a society are risk-taking or encourage entrepreneurial efforts (e.g., US), the probability is higher that there would be a greater percentage of people with high needs for achievement that in other societies, where cultural values do not support entrepreneurial efforts. In his second research work, Hofstede (1983) showed the ideal profile for high achieving societies by combining the two of his cultural dimensions. First, these societies tend to have low uncertainty avoidance: individuals in these societies are not afraid to take risk or live with ambiguity. Second, these societies tend to have moderate to high masculinity, measured by the high importance assigned to the acquisition of money or other material assets. The societies, which are high on both, are almost exclusively found in the Anglo-Saxon countries. It may be surprising that India (and South Africa) is considered in Hofstede's analysis as a high-achieving society. An easy explanation for this phenomenon could be that, historically, India has been associated with Great Britain. A more rational explanation would lie in the realm of an Indian imperative, which supports the value of resource-maximization for the family, clan or related social in-groupings. The high achievement character, thus, may be seen as subservient to the resource-maximization strategy. It is interesting to note that much before Hofstede, there were other researchers, such as McClelland (1965), who have proved the high responsiveness of Indians, where he concluded that training appears to have doubled the rate of unusual achievement-orientation.[70]

4.2.3   Organization, Communication and Control-mechanisms

Trompenaars[71] suggests that, when analyzing the organization cultures in different countries, one can use two continua: the first distinguishes between equity and hierarchy and other examines orientation either to the person or to the task. Thus, most of the companies in Western Europe have a strong task emphasis and are hierarchical, often referred to as "Eiffel-tower" culture. On the other extreme, Asian companies are characterized by a strong emphasis on the hierarchy but a stronger orientation to the person than to the task. Indian organizational culture is often interpreted as fitting into this "family-type" of organizations. However, the Indian form has certain other finer traits, which make it a separate variant unto itself. Indian organizations are run on

paternalistic style, in which authority is centralized at the top, and in which outcomes are *not* predetermined by procedures. Instead of work processes and procedures, relationships among people are prescribed. There is no general abhorrence for rules and regulations, but these are interpreted according to the situation. Often, the need for complying with the rules and formalities is challenged and the bureaucratic rules are ignored.

A free flow of communication is essential for any organization to realize its objective. In which direction (top-down, bottom-up or horizontal) does communication flow is also culturally determined. In India, there is general dependence on those who hold power and Indians need plenty of communication and directions from the top for the completion of their job.[72] Orders are given in a very detailed and specific manner, lest the work is completed wrongly. The process of execution is also tightly monitored though frequent follow-ups by the supervisor. Thus, communication tends to be more top-downwards than bottom-upwards. Due to a tendency to centralize authority and decision making at the top of the organization, horizontal communication (or co-ordination) is considered difficult to achieve. Because of low level of delegation, too much information flow is assumed as not required; not to mention that the feeling of distrust encourages information-hoarding. Hence, information is clearly perceived as power by superiors, and is distributed carefully and selectively. This may be attributed to the high power distance, where communication tends to be less open and more indirect. In India, involving an intermediary is imperative for all cases that could lead to a clash between people and thus to a loss of face. Examples are a critical appraisal of a subordinate or a counterpart or the resolution of a conflict of interest within the organization. In dealing with the outside world, intermediaries are used even more frequently.

Setting of well-specified targets and controlling of performance is necessary for maintaining efficiency and competitiveness. Individual target setting may be a useful motivator in those societies, which are high on individualism and masculinity. As India scored high on power distance and collectivism, the system of control can be based on individual targets. However, Indians prefer to be evaluated more on qualitative aspects of their work than on the quantitative ones. Thus, evaluation on the basis of loyalty and dedication may be more appealing to an Indian than his output or results. Even implementing appraisal system demands participation from the subordinates. Given the

communication constraints, the appropriateness of a participative appraisal system in India can be doubtful.

4.2.4 Negotiation Practices

In negotiating effectively, it is important to have a sound understanding of the other side's culture. This includes considerations of areas such as communication patterns, time orientations and social behavior and decision making process, etc.[73] After a review of the literature and interviews with practitioners, Salacuse (1998) outlined ten factors in the negotiation process that seem to be influenced by a person's culture.[74] These factors are goals, attitudes, personal styles, communications, time sensitivity, emotionalism, agreement form, agreement building, team organization and risk taking. He further proposed that the culturally different responses would fall on a continuum between two polar extremes. Thus, for example, the primary goal of American business negotiators is the signing of a contract and, for Asians the primary goal is building a sustainable business relationship. Another example would be about the appropriateness of displaying emotions during negotiations. According to Salacuse (1998), Latin Americans show their emotions at the negotiation table, while Japanese and many other Asians hide their feelings.[75]

In analyzing the Indian negotiating behavior, one could generally group India with other Asian countries. Thus, in a study of international business negotiations, Smith (2000) compared the theory developed by Salacuse (1998) with the perceived reality of Australian practitioners. His major findings were based on a sample of 20 interviews with the Australian managers. On negotiation goals, he confirmed Salacuse's observation that Asian focus more on relationship than on contract-signing and it is a function of their long-term business perspective. On negotiation attitudes, he realized that Asians often bring a win/lose strategy to the negotiating table. When analyzing negotiators personal styles, he found Asians to be more formal than Americans or Europeans. Most of the respondents in his study had also found the Asian communication in the negotiation process to be indirect. Referring to Asians' sensitivity to time, he found them to be slow negotiators. The vast majority of his respondents had also never encountered emotional displays from Asians. On the form of contracts, most of the respondents agreed that Asians showed preference for more general contracts.[76]

Kumar (2004) analyzes the Indian negotiating behavior with reference to the Indian mindset. He argues that the constructs of Brahmanical idealism and anarchical individualism capture the nature of Indian mindset and influence the negotiating behavior. Brahmanical idealism is reflected in the tendency of the negotiator to seek the most perfect solution.[77] If Brahmanical idealism focuses on the purity of the mental world, anarchical individualism lays emphasis on the primacy of attaining the ideal solution through absolutist forms of interpersonal behavior. While cooperation between individuals may be problematic in individualistic cultures everywhere, this lack of cooperation is particularly pronounced in the presence of anarchical individualism. Kumar (2004) suggests that a major implication of Brahmanical idealism is that aspiration level of Indian negotiators is likely to be very high. A related implication of this behavior is that the aspiration levels are also going to be relatively rigid. The behavior of high and rigid aspirations can slow down the process of negotiation or may induce Indians to try to reshape the expectations of their counterparty (rather than changing their own). It may help them, in some cases, in getting better deals, but it could also lead to missed opportunities. Furthermore, given that Indian negotiators have high aspirations, which are rigidly maintained, one would expect that goal blockages are likely to be a regular occurrence. This implies that Indian negotiators are likely to experience emotions frequently.[78]

Analyzing the impact of anarchical individualism, Kumar (2004) mentions that cooperative behavior among individuals is a rarity under this mindset. This makes development and implementation of a coherent negotiation strategy difficult. This may further slow down the negotiation process. It may also impart a high degree of unpredictability in the negotiation process. The disunity within the Indian team may convey an impression to the other party that they are not serious about negotiations.[79]

What implications does this negotiating behavior have for foreign investors negotiating commercial contracts in India? It is crucially important to recognize that Indians are often looking for the best possible solution; they are less sensitive to the constraints imposed by time and outcome orientation, and for that reason, may be less willing to settle for anything less than an ideal solution. A negotiation with Indians, therefore, requires an excessive supply of patience.

4.2.5   Human Resource Management Practices

The Model of Culture Fit, as proposed by Kanungo and Jaeger (1990) and Mendonca and Kanungo (1994) asserts that the socio-cultural environment affects the internal work culture, which in turn influences human resource management (HRM) practices. This section tries to map the Indian HRM practices against the world-wide pattern and draws primarily on the research conducted by Sparrow and Budhwar (1997). The core question in analyzing HRM practices is: Whether the shift in economic policy and subsequent management rhetoric has been reflected in any concrete changes in labor market dynamics and HRM goals and priorities. Sparrow and Budhwar (1997) extended a previous research work on comparing the HRM practices in 12 countries (the U.S., Canada, Australia, U.K., France, Germany, Italy, Japan, Korea, Brazil, Argentina and Mexico) and added India to the original IBM/Towers Perrin survey. The empirical findings are based on 137 (out of 450 questionnaire sent) responses from Indian organizations, where 38 HRM practices and concepts were put to test. The respondents were asked to attach a priority to each of the practice and anticipated priorities for the year 2000. The 38 HRM practices were later reduced to 9 underlying factors, which together accounted for 95.5% of the total variance. Sparrow and Budhwar (1997)[80] provided the definition of these factors and India's comparative ranking on each of these factors as follows:

(i)   The first factor is ***structural empowerment***, in which importance is attached to introducing cross-functional teams, analyzing individual performance, rewarding employees for business productivity gains and customer service. This factor is similar to high performance work system: the Anglo Saxon countries scored the highest on this dimension and were not favored by HR specialists in France Germany and India.

(ii)   The second factor is called ***accelerated resource development***, where importance is attached to the early identification of high potential employees, establishment of multiple career paths, providing continuous training and development and basic education. This strategy is pursued by France, Germany and Korea but is not a strong factor in the U.S. or India.

(iii)   The third factor is called ***employee welfare emphasis***, in which firms place high importance on offering personal family assistance, ensuring that employees pursue good health, encouraging and rewarding external volunteer activities. The U.K.,

Germany and Italy scored low on this factor, while the U.S. and India scored highly.

(iv)   The fourth factor is called ***efficiency emphasis***, in which organizations, while communicating business directions and plans, require employees to self-monitor and improve. Japan, France and Korea scored high on this factor, while Germany and India had a very low score.

(v)   The fifth factor is called ***long-terminism***, which stresses the importance of providing full-time employment, rewarding long-term performance (innovation and creativity and not productivity). Countries with an emphasis on long-terminism included Korea, Japan, Germany and India. The Anglo Saxon countries provided, not surprisingly, evidence of short-terminism.

(vi)   The sixth factor is called ***flexible horizontal process***, which gives high importance to flexible work arrangements and cross-functional teams. Countries that scored high on this factor were Germany and Japan, both of which are renowned for cross-functional flexibility. India, along with other Anglo Saxon countries had a moderate score on this factor, with France, Korea and Italy having the lowest score.

(vii)   The seventh factor is ***negativism***, which reflects a pattern of HRM activities that place little importance on the use of information technology for communication and disregards external volunteer activities. India falls within the average on this factor, with France, Japan and Italy scoring the highest.

(viii)   The eighth factor is called ***unrewarded autonomy or creativity***, which has a lack of rewards for innovation and creativity. France, Japan and Italy were countries with a high emphasis on this practice while India, U.S., Canada and Korea were countries with low emphasis

(ix)   The ninth factor is called ***corporate involvement in education***, in that it reflects organizations giving high importance to playing an active role in the development of public education. India scored high on this point alongside Germany, France and the U.S.

Sparrow and Budhwar (1997) further investigated the level similarities between Indian HRM practices with that of other countries. It was interesting revelation that Indian practices were found to be closer to Japan than to any other country in the sample. Both countries have low structural empowerment, low accelerated resource development, high employee welfare emphasis and high long-terminism. Only on efficiency emphasis, the

two countries differ. Knowing that there are many Japanese companies, which have invested in India (primarily through the joint-venture mode of entry), this finding would provide encouraging signals to the successful implementation of Japanese technology and tools in India. This finding also proposes a change of approach away from adopting HRM practices from the Anglo Saxon. It is well-known that the modernization of Indian industry has centered on the study of American and Western management culture.[81]

When talking about introducing new HRM practices in India, one must look at the legislative and institutional framework of the labor market in India, which is generally pro-labor. An extensive set of laws regulate HRM practices; provisions exist for a variety of mandatory benefits, cost of living allowances, traveling allowances, contributory provident funds, maternity benefits and health insurance. Furthermore, there are about 40,000 trade unions in India, many of which are highly politicized, with membership of about 15 million workers. However, the influence of unions is on decline and does not exert much influence on the Indian middle-class. It may be concluded that, with the entry of MNCs from various developed countries and the infusion of HRM practices from around the world, the HRM practices are likely to develop much faster in the year to come.

5.   Summary and Conclusions

Since early 1991, India has experienced a significant increase in FDI inflows. This has contributed to a growing presence of foreign companies in India and created an urgent need for a better understanding of India's work culture and management practices. This research paper sought to fulfill two major goals of (i) analyzing the adaptation experience of expatriates in India, and (ii) to highlight the peculiarities in Indian organizational behavior and management culture. The ultimate goal was to help MNCs improve their understanding of India's business world and reduce the psychic distance between the investing country and India.

A survey of the literature on expatriate's adaptation experience did not provide much empirical evidence about how difficult is India as an assignment location and what are the most challenging aspects of the Indian assignment. The research work on the subject, though scanty and varied in focus, is likely to increase in the years to come. To provide research orientations, several hypotheses are proposed. One hypothesis is that, when

compared with China, India should be an easier assignment. This argument is grounded in the fact that expatriates enjoy the English language advantage (*lingua franca* in the business world) and the adoration-advantage in India. Another hypothesis is that Management by differentiation is a better strategy in a pluralistic system, like that of India. A third hypothesis is that culture-specific problems in India are less significant a problem than the infra-structural deficiencies, bureaucratic delays and policy confusions. Since most of the foreign MNCs are located in the large metropolitan cities of India and interact primarily with the urban population, the value system, work culture, organizational behavior, and management practices of this urban middle class is postulated as representative of the Indian business world. An understanding of this subset of the Indian societal culture provides a good link towards MNCs better management of their operations in India.

Towards the second research goal, the paper focused on five aspects of organizational behavior and management culture. These are management and leadership styles, motivation strategies, organization communication and control mechanisms, negotiation practices and human resource management practices. It is pointed out that, living in a collectivist society, with a high power distance, an Indian tends to appreciate a paternalistic style of leadership. They respect and adore the skills brought by the superior and demand more attention and approachability from their leaders. Working in a foreign company appears to be a strong motivator for the status conscious Indian, who visualizes a "market-value" advantage in being trained in new technologies. The Indian organization structure is biased towards relationship oriented systems, where interpersonal links are focused more than processes and procedures. Indians expect more clarity on instructions and guidance and that increases the need for top-downward communication. When it comes to performance evaluation, Indians prefer qualitative indicators (such as loyalty) to quantitative indicators (such as output). The Indian negotiation practices reflect the cultural mindset and are guided by the Brahmanical idealism and Individual anarchism. This often leads to slow negotiations and often demands extra patience on the part of the outsiders. A mapping of the human resource management practices reveals more similarities with the Japanese than with the Anglo Saxon world. The changing face of Indian management does show signs of convergence, though the sources of influence are no more confined to Anglo Saxon world; the Japanese, the Korean, and the Scandinavian influences are intermingling with the Indian mindset to create a new blend.

To conclude, this paper provides a broad overview of various aspects of India's work culture and management practices. The ideas are drawn primarily from the published material and supplemented by author's perception of his own culture and work-experience. The issues raised are expected to help the expatriates prepare their Indian assignment, to MNCs in developing pre-assignment induction programs, and to trainers in developing intercultural training instruments.

---

[1] Cross-cultural literacy mean an understanding of how cultural differences across and within nations can affect the way in which business is practiced.

[2] After achieving independence from the British colonial rule, India adopted a model of economic development, which was characterized by planning, control and regulations. The model came to be known as a mixed economic system, where state-owned enterprises played a dominant role and the market forces were assigned a secondary rule. The system of institutional control continued for four decades and there was relatively little inflow of foreign direct investment during this period.

[3] UNCTAD (2003), in its latest World Investment Report (p.45) and Planning Commission, Government of India (2002) in its Report of the Steering Group on FDI (p16) suggest that India's FDI estimates do not include the reinvested earnings by foreign companies, inter-company debt transactions and overseas commercial borrowings by foreign direct investors as per the standard IMF definitions. The issue has come in sharp focus because Dr. Pfefferman, Chief Economist of the IFC (Presentation at a seminar in April 2002 in Washington DC) estimated that India's actual FDI inflow might be between US$ 5 billion and US$ 8 billion during 2001.

[4] FDI flows to China grew from US$ 3.5 billion in 1990 to US$ 52.7 in 2002 making it the most attractive location for foreign MNCs. The major sources of FDI in China since 1979 are Hong Kong, Taiwan and Macao.

[5] Despite allegations that China's FDI are over-reported by about 25% due to round-tripping (UNCTAD 2003, p. 45), China attracted seven times more FDI than India

[6] It needs to be mentioned here that China started with the economic liberalization program ten years earlier than India. Braasch (1999), p. 6 suggest that, 10 years ago, China received FDI quite close to India's US$ 3.3 billion in 1998.

[7] Athreye and Kapur (1999) p. 9.

[8] Kumar (2001) p. 261-262.

[9] Planning Commission (2002) p. 18.

[10] Kumar (2001), p. 264.

[11] Ibid. p. 265. The importance of triad in India's FDI is consistent with its foreign trade with India. The triad also constitutes India's major trading partner.

[12] Author's computations from Bhandari, Gokaran and Tandon (2002) Table 4 p. 16..

[13] Partnering with an established Indian company benefited the new entrant in setting up, labor relations as well as marketing. Bhadari et al (2002). P. 17.

[14] Ibid. P. 6.

[15] Entry mode for these sectors is consistent with the theory of international business, where MNCs with high proprietary technology would prefer to enter an emerging market on their own.

[16] Planning Commission (2002) p. 20.

[17] The GoI is targeting at an annual FDI inflow of US$ 8.0 billion based on its scenario of expected annual average growth of 6.5%. See Planning Commission (2002) p. 64.

[18] Expatriates are those who live and work away from their home country. They are usually, but not necessarily, citizens of the country where the MNC is headquartered.

[19] United Press International (2003) P. 1.

[20] One estimate suggests that China had about 170,000 expatriates in 1998. See Prahalad and Lieberthal (1998) p. 75.

[21] For statistical purposes, it is important to check whether American Born Indians (ABIs) or British Born Indians (BBIs) going back to India to live and work should be considered expats. In China, Amercian Born Chinese (ABCs) and Canadian Born Chinese (CBCs) are considered expatriates; similarly, Chinese from Hong Kong, Macao and Taiwan are also considered expatriates.

[22] Author's interviews

[23] The unpublished research paper was presented in a conference on "Contemporary Issues in India: Demographic, Environmental, Economic Perspectives (Organized by Asian Geography Specialty Group) in March 2003

[24] Unpublished dissertation submitted to the University of St. Gallen, Switzerland.

[25] Braasch (1999) p. 186.

[26] Ibid. p. 392. In the opinion of the author, such an approach proposes, on the one hand, that expatriates pro-actively adapt themselves to the employees *core expectations (defined as values, beliefs and assumptions)* of what a superior should be like. On the other hand, it proposes that expatriates then utilize the goodwill they created among their employees for improving a variety of latter's (efficiency-impeding) characteristics on the *surface (defined as symbols, idols, certain behavior at work, etc).*"

[27] ibid (1999) p. 257.

[28] Ibid.

[29] ibid. p. 236.

[30] Based on Braasch's tables 4-1, 4-2, 4-3 and 4-4. pp. 358-361.

[31] Sinha (2004) pp. 252-253

[32] ibid.

[33] Sinha (2004) p. 250.

[34] Cited in Sinha (2004) p. 250.

[35] Dowling (1999) p. 274.

[36] Julien (1997) p. 68.

[37] Kakar (1981) point out that "Hindu culture is governed not by a belief in golden mean but by a staunch belief in golden extreme, p. 36.

[38] An expatriate, who is often unable to connect to his headquarters by phone for an urgent business is less likely to rationalizing the source of the problem. In many similar frustrating situations, the India subordinates are likely to be blamed for the sordid state of affairs.

[39] In addition to that, there are 24 other spoken languages, each spoken by a million or more persons, numerous other languages and dialects, which for the most part are mutually unintelligible.

[40] Coogan (1998) p. 156.

[41] The term "Core" has been variously called as "deep culture" or "DNA of a society" or "inner world".

[42] Braasch (1999) p. 50.

[43] Reifeld (2001), p. viii.

[44] Bétallie (The Hindu, 5.02.2001)

[45] Misra (1961) p. 10.

[46] In McCauley's doctrine, (he was asked to propose an education policy for the British India) British wanted to create a class of persons, Indian in blood and color, but English in taste, in opinion, in morals and in intellect.

[47] Joshi (2001) p. 2.

[48] Estimates of its size vary from under 100 million to over 300 million persons, depending upon the annual income definitions. The most widely accepted estimates are the ones based on surveys carried out by the National Council of Applied Economic Research (NCAER) in India.

[49] Béteille (2001) p. 79.

[50] Hasan (2001) p. 153.

[51] The age profile of India's population indicates that 45% of India's population (about 450 million) is less than 19 years of age, which could be at the forefront of a socio-cultural shift in the next two decades.

[52] Hofstede (1980). In his massive study, he initially collected data from 116,000 respondents from over 70 countries around the world making it the largest organizational study ever conducted.

[53] Hofstede (1980).

[54] Thus, results were comparable across countries, lending credence to the fact that all statements about culture ought to be relative: Information about other cultures should be compared with one's own culture so that the information becomes meaningful.

[55] Gabeler (1996) p. 7.

[56] Countries, which have a score higher than India are Indonesia, Arab countries, Mexico, Venezuela and Philippines and Malaysia.

[57] Singapore, Denmark, Great Britain, Ireland and Malaysia were the countries with a score lower than that of India, signifying more willingness to accept risks.

[58] Gabeler (1996) p.7.

[59] also termed as Confucian Dynamism, the values was more prominent is many Asian economies, such as China, Hon Kong, Taiwan and Japan.

[60] Nandy and Kakar (1980) quoted in Sinha (2oo4) p. 103.

[61] Both India and Japan emerged in Hofstede's research as high power distance and collectivist societies. Combining power distance and collectivism, Triandnis and Bhawuk (1997) labeled India and Japan as "vertical collectivists:

[62] Braasch (1999) p. 116.

[63] Whitely and England (1980) p. 87.

[64] England and Lee (1974) pp. 418-419.

[65] This view was endorsed by Braasch (1999) also. See section 3.2 for details of his work.

[66] Gabeler (1996) p. 60.

[67] See Sinha (1978).

[68] Sinha (1978) p.43

[69] Gabeler (1996) p. 54.

[70] McClelland (1965), p. 20.

[71] Trompenaars (1994) p. 154.

[72] Gabeler (1996) p.66.

[73] Brett, Shapiro and Lytle (1998) p. 410-424

[74] Salacuse (1998) p. 223.

[75] Ibid. p. 231.

[76] Smith (2000)

[77] Kumar (2004) further opines that the idealistic mindset is also a self-validating one. If the ideals are not met, it does not bring into question the validity of those ideals, p. 45.

[78] Kumar (2004) pp. 47-49.

[79] Ibid. p. 51.

[80] Sparrow and Budhwar (1997) pp. 228-232.

[81] Ibid. p. 235.

6. Bibliography

Athreye, S. and Kapur, S. (1999), Private Foreign Investment in India, Mimeo, UMIST, Manchester.

Béteille, A. (2001), The Social Character of the Indian Middle Class, in: Ahmad and Reifeld (ed.), Middle Class Values in India and Western Europe, Konrad Adenauer Foundation, Social Science Press, New Delhi.

Bhandari, Gokaran and Tandon (2002), Reforms and Foreign Direct Investment in India, DRC Working Paper No. 4, Centre for New and Emerging Markets, London Business School, London.

Braasch, S. (1999), Expatriates in India: Cultural Specific Leadership and its Potential, Unpublished Dissertation No. 2265, submitted to the University of St. Gallen, Switzerland.

Brett, J.M., Shapiro, D.L. and Lytle, A.L. (1998), Breaking the Bonds of Reciprocity in Negotiations, In: Academy of Management Journal, August, pp. 410-424.

Coogan, M.D. (1998), World Religions: The Illustrated Guide, Duncan Baird Publishers, London.

Dowling, P. (1999), International Human Resource Management: Managing People in Multinational Context, South Western College Publications, Cincinnati.

England, G.W. and Lee, R. (1974), The Relationship between Managerial Values and Managerial Success in the United States, Japan, India and Australia, August, pp. 418-419.

Gabeler, J. (1996), Intercultural Co-operation Between Germans and Indians, Unpublished Study for Deutsche Gesellschaft für Technische Zusammenarbeit.

Hasan, Zoya (2001), Changing Political Orientation of the Middle Class in India, in: Ahmad and Reifeld (ed.), Middle Class Values in India and Western Europe, Konrad Adenauer Foundation, Social Science Press, New Delhi.

Hofstede, G. (1980), Culture's Consequences: International Differences in Work-related Values, Sage Publications, Newbury Park.

Hofstede, G. (1983), Dimensions of National Cultures in Fifty Countries and Three Regions, In: Deregowski, Dziurawiec and Annis (eds.), Expiscations in Cross-cultural Psychology, pp. 335-355.

Joshi, S. (2001), Fractured Modernity: Making of a Middle Class in Colonial North India, Oxford University Press, New Delhi.

Julien, A. (1997), The Applicability of Western Management Practices in LDCs – The Indian Experience of French and German Companies, Unpublished Diploma Thesis, Paris.

Kakar, S. (1981), The Inner world: A Psychoanalytic Study of Childhood and Society in India, Oxford University Press, Delhi.

Kumar, N. (2001), Liberalisation and Changing Patterns of Foreign Direct Investment: Has India's Relative Attractiveness as a Host to FDI Improved? In: Kapila, R. and Kapila, U. (ed.) India's Economy in the 21st Century, Academic Foundations, Gaziabad.

Kumar, R. (2004), Brahmanical Idealism, Anarchical Individualism, and the Dynamics of Indian Negotiation Behavior, In: International Journal of Cross Cultural Management, Vol. 4(1), pp. 39-58.

McClelland, D.C. (1965), Achievement Motivation can be Developed, Harvard Business Review, November-December.

Ministry of External Affairs, Government of India (2002), India 2003-2004: Reliable Business Partners Attractive FDI Destination, Text produced in association with KPMG India.

Misra, B.B. (1961), The Indian Middle Class in Modern Times, Oxford University Press, Bombay.

Nanda, A. and Kakar, S. (1980), Culture and Personality, In: Pareek (ed.), A Survey of Research in Psychology, Popular Prakashan, pp. 141-181.

Planning Commission, Government of India (2002), Report of the Steering Group on Foreign Direct Investment, New Delhi.

Reifeld, H. (2001), Preface, in: Ahmad and Reifeld (ed.), Middle Class Values in India and Western Europe, Konrad Adenauer Foundation, Social Science Press, New Delhi.

Salacuse, J.W. (1998), Ten Ways That Culture Affects the Negotiating Style: Some Survey Results, Negotiation Journal, July, pp.221-240.

Sinha, Jai B.P. (1978), The Nurturant-Task Leader – A Model of the Effective Executive, concept Publishing Company, New Delhi.

Sinha, Jai B.P. (2004), Multinationals in India: Managing the Interface of Cultures, Sage Publications, New Delhi.

Smith, M. (2000), International Business Negotiations: A Comparison of Theory with the Perceived Reality of Australian Practitioners, Unpublished Research Paper No. 00-9, School of Commerce, The Flinders University of South Australia.

Sparrow, P.R. and Budhwar, P.S. (1997), Competition and Change: Mapping the Indian HRM Recipe Against the World-wide Patterns, In: Journal of World Business, Vol. 32(3), pp.224-242.

Triandnis, H. C. and Bhawuk, D.P.S. (1997), Culture Theory and the Meaning of Relatedness, In: Earley and Erez (eds.), New Perspectives on International Industrial/Organizational Psychology, New Lexington Press, San Francisco.

Trompenaars, F. (1994), Riding the Waves of Culture: Understanding Diversity in Global Business, The Economic Books, London.

UNCTAD (2003), FDI Policies for Development: National and International Perspectives, World Investment Report, Geneva.

United Press International (2003), Commentary: India Calling, 24.10.2004.

Whitley, W. and England, G.W. (1980)Variability in Common Dimensions of Managerial Values due to Value Orientation and Country Differences, In: Personnel Psychology, Spring, pp. 77-89.