

## **Management in Emerging versus Developed Countries: A Comparative Study from an Indian Perspective**

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### **Abstract**

With the opening up of the Indian economy, many Indian multinational companies have started operating abroad in more developed countries. This raises questions about which culture they follow in subsidiaries in developed countries. The Indian management culture may be seen through their multinational's human resource management practices. The management culture may not necessarily have the same effect or hold similar values in the subsidiaries of Indian multinational companies located in developed countries because of the many cultural and institutional differences. Several studies have been conducted from the point of view of developed countries' multinational companies and their management, but scarcely any from the Indian perspective. In view of the opening up of the Indian economy, it becomes extremely important to make an attempt to understand Indian management and examine the best cross-cultural strategies for optimal organizational performance across borders in the future.

*Keywords:* multinationals, subsidiaries, power delegation, HRM, India

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Globalization and liberalization together have helped many developing countries to emerge from their regions and become part of the globalized world. Over the years, it has become increasingly evident that multinationals from emerging regions are changing the rules of the game by becoming dominant global players (Li, 2007; Nigam & Su, 2010). However, this fact has been less researched in the literature. Research has specifically focused on multinationals from developed economies going into other developed or emerging economies. Therefore, many questions about the management culture practiced in foreign subsidiaries of emerging countries' multinationals remain unanswered (Chang, Wilkinson, & Mellahi, 2007). This research aims at filling the gap on emerging country multinationals establishing subsidiaries in developed countries.

The objective of the research is twofold: first to show the specificity of the Indian management culture versus developed country management cultures and second, study the performance implications on the subsidiary because of the management culture followed at the foreign subsidiary. The increasing global involvement of Indian multinationals prompted the study of cross-cultural management issues and the performance implications from the perspective of India and its multinationals. The choice of India is strategic because it is among the fastest growing emerging economies and is increasingly attracting attention globally (Jha, 2006). According to UNCTAD (2010), India was among the top 10 countries with regards to foreign direct investment (FDI) during 2009, and is expected to be the third largest recipient of FDI for the period 2010-2012. In fact, a GDP increase of 7.4% (CIA World Factbook, 2008) has been reported for India, and it is recognized among

the world's best performers. Das (2007) noted the quality of work has also constantly improved; for example, instead of the earlier low-quality business process outsourcing, Indian companies have started shifting to high-quality knowledge process outsourcing.

Not only is India a significant country for investment, but it is also a strong investor in foreign countries. Indian multinationals like Ranbaxy and Dr. Reddy have a global standing in the pharmaceutical industry, while Tata has the same in the automobile industry. The *Fortune 500* list for 2009 included seven Indian multinationals: Indian Oil Corporation, Reliance Industries, Tata Steel, State Bank of India, Bharat Petroleum, Hindustan Petroleum, and Oil & Natural Gas. The growth is not limited to one sector, but diverse and in many attractive sectors. Many other Indian brands have also gained respect globally for the quality of their products and services. Engardio (2007) explained that over the years, outward investment from India has improved, thanks to the liberalization of the economy, increasing competition, better quality, efficient management, and increased bilateral trade, along with other positive factors. The number of outward investing Indian firms grew at a rate of 809% between 1991 and 2003 (Pradhan, 2007). In fact, the country's FDI outflows are higher than its inflows, an indication of India's strong economic development. Indian companies have globally acquired companies worth more than USD 20 billion (Das, 2007). This is evident in the number of foreign acquisitions made by the Indian multinationals in the last few years, 38 in 2003, and by 2006, it had grown to 177. In addition, Indian multinationals had made 123 acquisitions during just the first 8 months of 2007 (Pradhan, 2007). It is a market full of potential and talent, for example, the design and manufacture of Tata's latest automobile, the Nano, with a price tag of \$2,500, was done in India to capture the ever increasing middle-class market. In sum, India is one of the most important emerging contemporary economies and a strategic country in terms of the choice for this research.

For the research, some of the most reputed journals in the research field were consulted. The journals selected had some of the most relevant work available on the subject, and the chosen articles have been recognized and cited by researchers globally. Further, specific articles with a special focus on management, Asian management, and Indian management in particular were strategically identified. The choice of journals and articles was diversified to minimize bias towards any particular idea and obtain a broad and well-rounded inspiration for the study.

The paper is broadly divided into four parts. In the first part, the context and objective of the study are introduced by way of describing a gap in the research and critically analyzing the reasons for differences between developed countries and Indian management systems. This is followed by proposing a conceptual framework and a detailed discussion about the Indian management culture through the human resource management system. The third part ponders the issues of convergence and divergence while paying attention to the influence of globalization on the Indian management culture. Finally, the study is concluded by highlighting the contribution made to the literature and discussions about future empirical research.

## **Country Environment and Cross-Cultural Management Challenges**

The global spread of Indian multinationals through acquisitions, mergers, or otherwise has resulted in subsidiaries in various foreign locations, including many developed countries. Multinationals are expected to design an effective management culture in these subsidiaries. For example, the recent high profile takeover of Arcelor Steel by Mittal Steel raised many interesting questions; for example, will the new company use the Mittal Steel management culture or the Arcelor Steel management culture? Will Arcelor-Mittal, the new company, be able to retain current employees? The drama became even more intensified when the CEO left the company because of the changes in management. Hence, it is important to develop an understanding of the differences in the cultural management styles of different institutional environments. The Indian multinationals may want to implement their home country practices in their developed country subsidiaries, or they may follow the host country practices. This research is designed to show the specificity of Indian versus developed country management cultures in the subsidiaries of Indian multinationals.

The literature for both Indian and developed countries acknowledged the importance of management culture, which may be understood through the human resource management (HRM) policies and practices in the everyday operations of an enterprise.

*Today's business environment in the Indian context after the initiation of economic reforms in 1991 requires that the HRM function plays a strategic role. After the recent liberalization of economic policies, the increased level of competition by overseas firms has put a lot of pressure on the human resources function in domestic firms to prepare and develop their employees, so that these firms are able to compete with overseas firms in skills, efficiency and effectiveness. (Singh, 2004, p. 302)*

The HRM department is considered important because it plays a critical role in the performance of a company (Woodard & Saini, 2006). The objective of HRM functions is to promote a firm's efforts towards attaining effective performance. The HRM department is said to be a valuable asset for firms because it is responsible for developing knowledge and expertise. The significance of HRM departments increases even more when dealing with foreign subsidiaries. In addition, "with rapid changes in technology, worker's needs, current market, and competitive environment, planning for human resources has become an important and challenging task for development" (Tabassi & Bakar, 2009, p. 472). HRM involves not only planning for the future needs of the enterprises and its employees, but also making decisions about the management culture to prevail in the multinationals and their subsidiaries. The decisions are extremely important because the decisions have a direct influence on the overall performance of a multinational.

The subject of HRM practices and performance in firms has been acknowledged as one of the major topics in the research field (Fey, Bjorkman, & Pavlovskaya, 2000) and even more so when dealing with subsidiaries. Most researches have studied the relation between HRM practices and measures of performance. Although the literature on the link between HRM practices and performance is available, research has mostly been conducted from the point of view of developed countries and their adaptation strategies. Much less literature is available about the setting of emerging country multinationals (Katou & Budhwar, 2008) and even less on the Indian context (Som, 2008; Budhwar & Boyne, 2004). Therefore, studies are required from the point of view of Indian multinationals about the manner in which Indian subsidiaries adapt in foreign countries. In addition, less is known about the type of management strategies used by Indian multinational companies in their developed-country subsidiaries.

The literature has recognized three types of strategies: acculturation, integration and laissez faire (Nigam, Su, Elaidaoui, & Karuranga, 2009).

- *Acculturation* refers to the multinationals following the home country practices and promoting standardized practices throughout the multinational's operations. The strategy aids the multinational in the ease of its global operations.
- *Laissez faire* refers to multinationals following the host country's practices and aims at localization. The strategy is mostly used by multinationals when they do not desire to change the existing management culture, but instead, benefit from it.
- The third strategy is *integration*, which is a balance between home and host country practices. This strategy may be used when multinationals want to benefit from the best practices of both the home and host countries' management practices and culture.

Nigam et al. (2009) further explained that in going abroad, multinationals may follow any one of the strategies. The choice of strategy is important because of the differences in social and management cultures of different countries. Research has shown that the management culture and practices of a particular country cannot be generalized to other countries. This is especially true in case of developed and emerging countries because numerous differences between the Indian and developed economies' management cultures have been observed.

Fisher (2000) discussed the literature regarding managerial values and the differences between Indian and Western management styles. Managers should not assume the best practices in their countries or the acculturation strategy will prove suitable in the Indian culture. In order to be successful in the new global economy, it is important for managers to understand the Indian management system in comparison to Western management cultures. Consequently, exploration of these differences is valid, and some of the differences have been discussed in the literature:

- The Indian economy has only recently opened up to foreign competition with the introduction of the New Industrial Policy of 1991 (Athreye, Kale, & Ramani, 2009). This led to an increase in foreign trade in the country and resulted in the growth of the economy. The recent liberalization is in complete contrast to most Western economies, which have always been open.

- The many cultural differences between Indian and developed economies lead to differences in the management styles of the two economies (Hofstede, 2007). For example, a study done by Hofstede (1980) about perceptions of the most and least important goals between business leaders from different countries gave contrasting results. While family interests and the continuity of business were among the most important for Indian business leaders, these aspects were among the least important for the USA business leaders. The difference leads managers from different cultures to think of and take different approaches to the same or similar situations.
- Indian values promote relationships between employees in their workplace. People normally remain loyal to their companies and are promoted on the basis of years of experience and loyalty. Most of the time, employees are focused on their personal relationships rather than their performances (Kanungo & Mendonca, 1994). In addition, juniors have faith and trust they will be taken care of by their seniors (Sinha, 1995). On the other hand, in Western countries, like the USA, careers, opportunities, and pay based on performance are given priority (Chang & Hahn, 2004). In addition, material wealth and possessions have less importance in India compared to Western cultures.
- The institutional framework differentiates the Indian and developed countries management systems because relationships have more value in an Indian setting. Therefore, rules and regulations may be bent when required (Hofstede, 2007). Management in the developed countries, on the other hand, are unable to understand this kind of flexibility.
- Garg and Delios (2007) claimed the nature of firm-specific advantages is also different for the developed Western multinationals and multinationals from emerging countries. While developed Western firms have monopolistic advantages helping them to overcome the cost of doing business in foreign countries, multinational firms from emerging countries also have some advantages that could help them in their internationalization process. Garg and Delios argued the advantages may be in the form of business group structures that have arisen because of the institutional environment in these countries. The authors cited Hu (1995), who focused on internationalization, and suggested these groups help in the survival of foreign subsidiaries. "In 1993, for instance, companies affiliated with groups accounted for 89% of the total sales and assets of 4,000+ publically traded Indian companies in the private sector" (Ghemawat & Khanna, 1998, p. 42). The institutional environment of India encourages a more relationship-based environment, emphasizing social networking. The people involved with the groups are generally socially or personally related (Sinha & Sinha, 1990).

## **Major Characteristics of Indian Human Resource Management**

In addition to discussing the differences between Indian and developed countries' management, we are interested in better understanding the basic Indian management culture. The management system of enterprises is normally based on the socio-cultural environment of a country and the internal environment of an organization (Aycan et al., 2000). In the case of India, the management system is based upon centuries of rules and regulations from various dominating empires; different religions; a very influential caste system that, knowingly or unknowingly, intentionally or unintentionally, influences the organizational system of Indian enterprises; the British Raj who ruled India for about 200 years; and more recently, the globalization of world economies and its influence on the Indian management system.

Because the socio-cultural environment or the national culture of a country directly influences the organizational culture of a firm, it plays a significant role (Hofstede, 1980; Laurent, 1983) in shaping the management system of a multinational. The most popular work discussed with respect to culture remains that by Hofstede (1980), who divided the national cultures into five dimensions. The national culture of India has been described as collectivist and high on power distance, masculinity, and uncertainty avoidance. Aycan et al. (2000) explained societies high in uncertainty avoidance and power distance prompt managers to be authoritative with less power given to employees. Hofstede's (1980) dimensions may be directly applied to Indian management for understanding the decision-making process, recruitment and selection planning, priorities, and behavior under various circumstances for Indian managers, along with the rules and regulations in Indian enterprises.

The same is true for the management culture of firms from developed countries. As suggested by Fisher (2000, p. 700), "The tensions between Indian and Western managerial values have been emphasized by the normative Indian literature that has developed distinctive managerial values and ethics from roots deep in Indian culture". In addition, it has been argued the practices and policies of developed countries' management may not necessarily have the same effect or hold similar values in an Indian setting. For example, money

may be considered as less important than some other aspects of life in India (Arora, 2005). Research has also shown Indian culture tends to see time as polychronic (Huang & Trauth, 2008). Similar flexibility is extended to agreements. It has been noticed that formal contracts were not of high importance; personal relationships carry more weight in Indian culture. Contracts were seen more from the moral point of view, as a course of action for the future, and were debatable and adjustable with mutual understanding. Miroshnik (2002) mentioned some cultural variables like informality, change, materialism, time orientation and individualism when discussing the perceptions of Occidental and Oriental cultures.

Based on a review of the literature, in Figure 1, a framework for the analysis of Indian management culture is proposed. The framework helps to understand how various factors induce organizational performance. At the same time, the different strategies Indian multinationals may choose for their foreign subsidiaries and their influence on the organizational performance of the firm are presented. Because some Indian multinationals have successfully established themselves in developed countries, it would be interesting to unveil the management culture that is followed in their developed country subsidiaries.

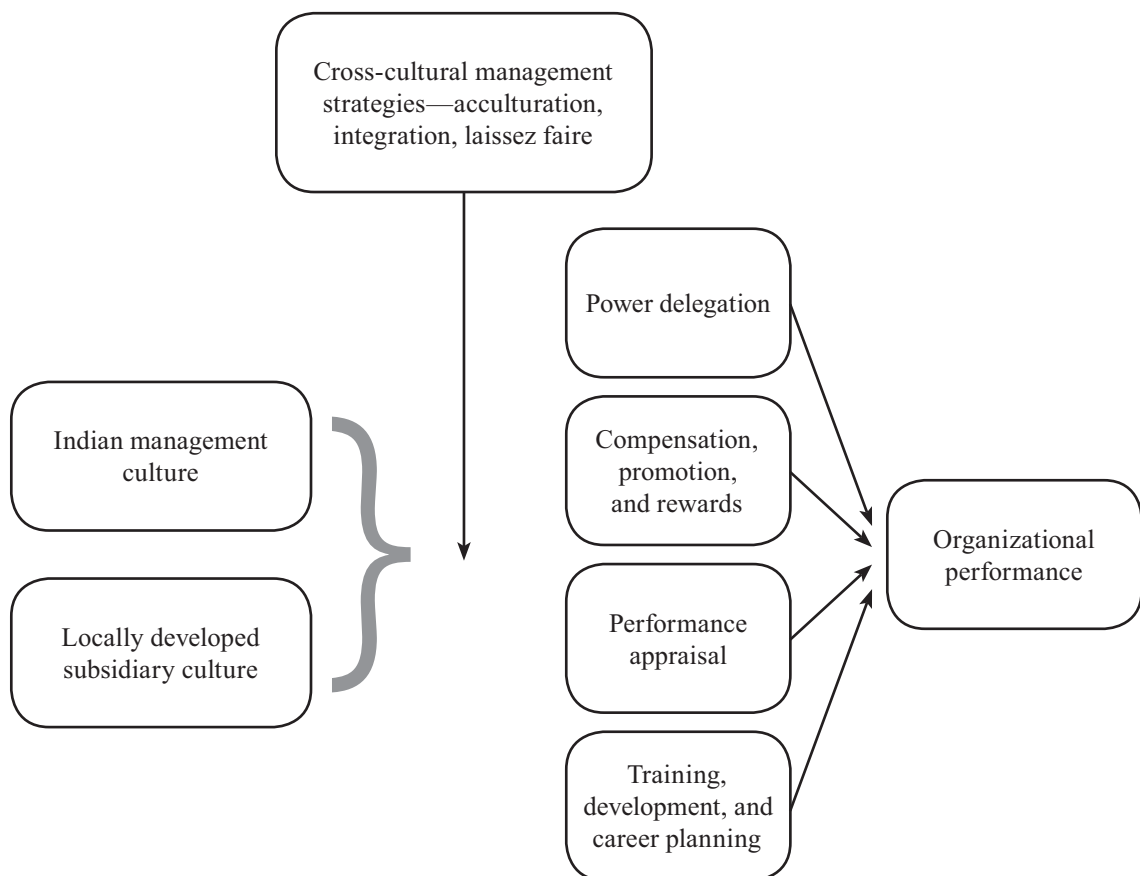


Figure 1: Framework for Analysis of the Indian Management Culture

The management culture of an enterprise may be best evaluated through its HRM practices. With ever-increasing global competition, only the strong and well-organized firms survive, a factor highlighting the importance of HRM practices like compensation, training, career planning, and so forth, which have often been used by firms to motivate their employees. Motivating employees is one of the most meaningful objectives of the HRM department because it is one of the major mediating variables affecting a company's performance (Boudreau, 1998; Nadler, & Lawler, 1977; Park, Mitsuhashi, Fey, & Bjorkman, 2003). In their study, Dimba, K'Obonyo, and Kiraka (2008) concluded HRM motivational practices do not directly influence performance; rather, motivational practices influence human capital, which in turn, affects the performance of a firm.

However, this may not be easy because it involves employees with personalized values, priorities, opinions, and emotions, which may be considered variables influenced by culture. Some employees might prefer motivation related to merit, while others may prefer motivation based on seniority (Chadwick & Dabu, 2009).

Some may be motivated by financial benefits, while others value non-financial benefits. It may be concluded that the motivating factors and management requirements in different cultures are dissimilar. In order to keep employees happy, firms need to create a motivated management culture to ensure satisfied employees and hence, better performance. In the following section, the Indian management culture will be discussed with respect to four HRM practices, namely, power delegation; compensation, promotion, and rewards; performance appraisal; and training, development, and career planning.

**Power delegation.** The caste system signifies one of the major values of Indian society that has been incorporated into the day-to-day management of Indian companies to a certain degree. The system respects hierarchy (Chatterjee, 2007), which means people are divided into higher or lower groups, depending on the caste into which they are born. Legally, the caste system has been abolished by the Constitution and its influence may be declining in cities. However, the caste system still exists in the minds of the people and is dominant in rural India. Kumar and Shankaran (2007) insisted Indians have a hierarchical mindset with respect to everything, be it people, relations, or ideas. Kumar and Shankaran further emphasized this by observing even the Gods in the Hindu religion are hierarchical, which draws attention to the importance of religion in India, a feature that has a strong influence in Indian culture as compared to developed countries' cultures.

Due to the hierarchical nature of the Indian culture and mindset, authority is more centralized and decisions tend to be more top-down. Similar ideas were proposed by Hofstede (1980). On the power distance dimension, India scored on the higher end with 77 points. The score implies India is a hierarchical society, and due to the delegation of power in the Indian companies, power is seen as a valuable managerial motivation.

In addition, respect, loyalty, affection, and bonding are also very important power aspects of the Indian culture directly linked to the Indian management (Chatterjee, 2007). The Indian management culture is based on a strong relationship between elders and younger employees. Kumar and Shankaran (2007) argued power distance in India is in the form of affection for the young and deference for elders, leading to strong bonding in the society and firms. The behavior of managers in a normal Indian firm may be described as a combination of collectivism on the outside and individualism on the inside (Chatterjee, 2007), which implies power is considered important in the Indian culture, and obtaining more power is a strong motivational factor. The same reasoning is supported by achievement theory, which shows people perform because they want to achieve something and because of the power motive (Dimba et al., 2008).

In a different culture, centralized power may not be as important. For example, in most developed cultures, decentralized power provides more motivation to employees. If the employee is allowed to participate in the decision-making process, this will have a positive effect on his or her performance (Wagner, 1994). In fact, research based on developed countries has indicated that firms should include employees in decision-making and strategic planning processes to increase their motivation, confidence, and performance (Kim, 2002).

**Compensation, promotion, and rewards.** A strategically planned compensation system includes the base salary, flexible pay, and benefits (Minbaeva, 2008). However, Minbaeva (2008) argued a strategically planned compensation system should be selective rather than general, which will help better motivate employees and lead towards effective performance. Compensation is one of the important methods for motivating employees and may be directly attached to specific goals or organization objectives (Singh, 2004). Compensation packages consist of both monetary and non-monetary benefits. It has been argued money is one of the strong motivators (Brock, Zmud, Kim, & Lee, 2005) in some cultures. In their study, Chiu, Luk, and Tang (2002) concluded the top motivators for Hong Kong employees, who are culturally more similar to developed countries than emerging countries, were basic salary, merit pay, year-end bonus, profit sharing, and annual leave. On the other hand, a study by Nelson (1996) found that money was not the primary motivator. Nelson found that instant and personal recognition was among the top motivators in numerous cultures. For example, in a study of Indian employees working for Lufthansa, it was found that money was not the primary motivator; instead, status was the priority, followed by the pleasure of doing the job (Lang, 2008). Different compensation factors may prove to be better motivators because India is a collectivist society (Hofstede, 1980); for example, programs like maternity leave and career breaks are popular (Aycan, 2005). For the same reason, lifetime employment is encouraged in the public sector along with certain benefits like medical facilities, accommodation, and educational amenities (Chatterjee, 2007).

Collectivist and individualist cultures also give rise to different kinds of reward schemes. For example, special recognition for one employee may not be an effective idea in collectivist culture. In addition, seniority and good relations with management is also a basis for receiving favorable compensation. On the other hand, in an individualist culture, recognition and bonuses for good performance for individuals along with stocks

and other options are preferred (Aycan, 2005) and are normally based on performance. From their study, Dimba et al. (2008) concluded that one of the best predictors of organizational performance is compensation. Performance-based compensation is recognized as one of the more significant HRM practices and according to Delery and Doty (1996), it is the strongest predictor of firm's performance.

According to the expectancy theory (Vroom, 1964), if a firm suitably rewards its employees, employees are more likely to work in a manner that will ensure they obtain rewards. Rewards are metaphorically important in any organization (Fidler, Russell, & Simkins, 1997). This is an important motivation strategy and valued by the employees at all levels, whether managerial or working class. Rewards may be in the form of finances, acknowledgement, promotion, and so forth. Promotions based on merit rather than seniority are known to better motivate employees (Huselid, 1995).

Aycan, Kanungo, and Sinha (1999) discovered that the HRM practices in Indian firms neither promoted job enrichment; not encouraged reward management. However, HRM practices are very much a part of the foreign multinationals operating in India (Chatterjee, 2007). Ramamoorthy, Gupta, Sardesai, and Flood (2005) further observed (citing Berman et al., 1985) the distribution of rewards in Indian organizations seemed to follow the equality philosophy in contrast to the equity philosophy practiced in individualist countries like North America. One reason could be lifetime employment along with promotion based on seniority is still popular in India, especially in the public sector. Due to collectivist thinking, cooperation is encouraged along with job security. Lifetime employment also encourages loyalty towards organizations (Budhwar & Sparrow, 2002).

**Performance appraisal.** Performance appraisal has slowly become a significant part of HRM activities. Its objective is to improve a firm's performance by providing developmental feedback to employees. The process helps to motivate and acknowledge the good performers, while providing direction to underperformers (Oh & Lewis, 2009). The process of performance appraisal is important not only for employees but also for firms as a whole. Firms need to devise strategies for future to remain competitive. With the help of performance appraisal processes, management and developmental needs can be identified, prioritized, and applied (Hood, 2001), along with the intention of benefiting both the firm and the employees.

*“Central to the ‘matching’ of organizational development and the personal needs of the staff, is the implementation of a non-judgmental staff appraisal system. Through this process, areas of strength and weakness can be identified, opportunities for development organized and staff can actively participate in their development programmes. By negotiating and agreeing targets for growth, with regular progress reviews, staff are more likely to be motivated to achieve these.”* (Hood, 2001, p. 23)

It has been argued for performance appraisal to positively motivate employees and initiate future development, the process should not be judgmental and should be conducted in such a way employees experience more of positive feedback. If this is not the case, the appraisal may prove to be harmful to the morale of the employee (Kuvaas, 2006).

Kuvaas (2006) conducted research and found employees' satisfaction with appraisal results enhanced their motivation to perform better and to stay with the organization. Therefore, performance appraisal is not only helpful for developmental objectives but also for the retention of employees in the organization. At the same time, it is also important the appraisal have positive results for employees. Organizations are also able to supervise the development and progress of employees with the help of performance appraisals (Singh, 2004). Broadly, objective and subjective methods of appraisal are used in different companies according to their national and organizational culture. Stone, Stone-Romero, and Lukaszewski (2007) elaborated by explaining, formal, objective and individual appraisal methods are more accepted in individualist cultures like North America, which encourage goal achievement; on the other hand, in collectivist cultures like India use of informal, subjective appraisal is more popular.

In India, performance appraisal is valid for only a certain level of employees (Chatterjee, 2007). Chatterjee's (2007) observation is supported by Mendonca and Kanungo (1990) when they observed that Indian managers are far behind when it comes to involving employees in the process. In addition, peer appraisal, which is considered an effective method, was not popular in Indian companies (Baruch & Budhwar, 2006). In addition, a recent study (Rao, 2007) found performance appraisal and individual goals were not regarded as meaningful procedures in India. The focus is on rating rather than feedback and further development. Hence, performance appraisal is seen more as a formal task instead of a tool for bettering the performance.

**Training, development, and career planning:** Training and development (T&D) has been identified as a major motivating factor. It is considered very important by most organizations because T&D helps to provide an edge over the competition by increasing the quality of employees (Singh, 2004). T&D may be defined as a course of action for developing work-related skills and awareness in employees with the intention of making the firm's performance more effective. Authors have argued that the performance of an employee depends upon his or her skills and motivation (Fey et al., 2000). If a motivated employee has the skills, it is possible for him or her to contribute positively towards the successful performance of the company. The same has been supported by social exchange theory, which suggests that when employees are offered developmental opportunities, they become motivated to return the benefit to the organization by performing better (Kuvaas & Dysvik, 2009).

In case of a firm's foreign subsidiary, Dowling, Welch, and Schuler (1999) suggest that the use of training programs helps with controlling and coordinating. Training is said to be highly relevant as controlling and coordinating helps subsidiaries and head-office move towards similar values, approaches, and goals (Fenton-O'Creavy, Gooderham, & Nordhaug, 2008). Training may enhance teamwork among employees (Barney & Wright, 1998) and between head office and a subsidiary because employees gather at a common place with a common objective and come to know each other better.

It is critical for T&D to be integrated and correlated with the firm's goals and strategic identification of the skills required be planned (Van Halen, 1995). Planning and identification should be done in such a way that employees feel motivated. Motivation influences the enthusiasm of employees to focus on the program as well as learn and apply their learning on the job (Tabassi & Bakar, 2009). In contrast, if employees are not motivated, they may not benefit or learn enough to develop themselves from the training. Henderson and Tulloch (2008) explained motivation can even be in the form of incentives. For example, senior medical officers in New Guinea have the facility of receiving 6 months sabbatical every four years, especially for training.

Aycan (2005) argued in collectivist cultures, as is the case in India, T&D may be aimed at increasing loyalty towards the organization. He supported the same by taking the cultural view and explaining that in high power distance countries like India, participants may be chosen based on favoritism rather than requirements. Employees who are in a good relationship with superiors are favored over others. Likewise, Chatterjee (2007) reasoned T&D has not been very effective for developing the skills and values of employees in the Indian companies. In contrast, in performance-oriented developed countries, T&D is directed towards the employees or teams' performances.

Because one of the best predictors of organizational performance is T&D, Dimba et al. (2008) conclude it may be expected that firms investing in training programs are likely to develop the skills of employees. In addition, in firms with good technical and non-technical training programs, employees are likely to realize that their market value develops more favorably in comparison to other firms. Consequently, it is in their own interest to remain longer in the firms (Fey et al., 2000). The increase in their market value, on the one hand, serves as a motivator for employees to perform positively in their jobs; on the other hand, the increase in market value also encourages employees to plan their careers. In their study, Katou and Budhwar (2008) found quality development of employees in organizations had a direct positive relationship with organizational performance.

Career planning is conducted by firms to assist employees in choosing their assignments in a manner that will allow them to obtain the skills and experience that will prove to be beneficial for both the employee and firm. It was also acknowledged by Fey et al. (2000) that a functional career planning system has the favorable possibility of encouraging employees to take more responsibility for their own development, which includes the development of expertise vital to the firm. A well-laid career planning and development system, along with advancement opportunities, results in highly motivated employees, which has a direct impact on a firm's performance (Osterman, 1987). In India, a standard, defined career path for employees in general exists but specific planning is limited. Overall, career planning and management practices are seen as less dynamic, rationalized and structured in India in comparison with the UK, which is a developed country (Baruch & Budhwar, 2006).

## **Convergence and Divergence**

Organizations, cultures, and societies evolve; hence, specific cultural theories may not be valid at all times (Miroshnik, 2002). The ongoing globalization and exposure of firms to foreign management prompts change in the traditional management style. "Change is the only thing constant in life" is an old Indian saying from



the *Bhagavad Gita*. The same is true for management and cultures, as pointed out by Adler (1983): changing behaviors and practices influence the management environment, and the process keeps repeating. Global business conditions expose the HRM of firms to challenging situations with respect to their practices. The same can be for management practices of Indian multinationals.

According to earlier studies, for example, by Hofstede (1980), Indians are said to be high on uncertainty avoidance. However, Kumar and Sankaran (2007) recently reported more recent studies suggesting that Indians are moderate on uncertainty avoidance. The rules, regulations, and practices keep evolving with time and therefore it becomes necessary to explore the same aspects in-depth. The subject as a research field will remain interesting for both researchers and practitioners alike.

In cross-cultural research done by Aycan et al. (2000), it was observed, the socio cultural environment does have an impact on managerial beliefs and assumptions, which in turn influence HRM practices. The study of 10 countries, including India and Canada, was based partly on Hofstede's (1980) model. It was found that India scored higher on paternalism, power distance, uncertainty avoidance, and loyalty towards community. In addition, with respect to futuristic orientation, reactivity, and obligation towards others, India scored higher than Canada. Aycan et al. further elaborates, suggesting that Indian managers have realized the importance of future planning as they need to do business with limited resources in a highly unpredictable political and economic environment; hence, they have developed a more futuristic vision. On the other hand, Indian employees were found to be low in autonomy, skill variety, and self-control in comparison to Canadian employees.

The findings of the study were that Indian employees were high on goal setting and participation, except for a futuristic orientation. The result was surprising because these are characteristics more popular in Western organizations and cultures. The result may be understood in the paternalistic as opposed to authoritarian style of management. On the other hand, it is possible that Indian management has experienced some changes in working styles due to the influence of foreign multinationals.

Indian management has also opened its eyes to the knowledge culture, which is considered one of the most important resources for organizations. Research by Pillania (2006) took into consideration the three main sectors of Indian industry: software, pharmaceutical, and the petroleum sectors with respect to the importance of knowledge management in the Indian firms. The research surprisingly claimed Indian management systems do not encourage a knowledge-sharing culture in their firms. The prevailing opinion among employees was that knowledge management was the responsibility of a select few in top management. It may be concluded that this opinion is directly related to management practices of the companies, because none of the companies studied included the knowledge-sharing behavior of employees in their performance appraisal systems. Pillania, however, pointed out that the software sector (private ownership) best promoted the culture and practice of knowledge transfer and sharing, followed by the pharmaceutical sector and the petroleum sector (public ownership).

## Conclusion

Concern has been repeatedly expressed about the limited number of studies available about emerging markets (Nigam & Su, 2010a; Li, 2007) and on the subject of HRM (Bjorkman, Budhwar, Smale, & Sumelius, 2008). Through this study, an attempt has been made to fill a gap in the literature. The paper is focused on India because Indian management culture is less explored, presenting a potential and interesting, unique market for research. For example, it has a colonial past and hence, has had exposure to different styles of management for decades. Therefore, it presents a different management culture in comparison to other countries or cultures.

The attempt to explore the behavior of Indian multinationals and their management culture, which may be seen through their HRM practices, contributes to the scarce literature available on the subject of emerging country multinationals. The HRM practices chosen for the study were power delegation; compensation, promotion, and rewards; performance appraisal; and training, development, and career planning. The use of HRM practices and policies has been recognized in the literature as one of the main measures of control in foreign subsidiaries. The practices help to carry the organizational culture to other regional settings. The policies, practices, norms, and behaviors of the head office culture may be standardized or adapted in foreign subsidiaries (Jaw & Liu, 2004) or the decision for choosing a strategy may depend on the objective of multinationals.

An exhaustive review of the literature to understand the Indian management culture has been presented. An important question raised from the detailed literature review is the choice of management strategy by the Indian multinationals in their developed country subsidiaries. Multinationals may like to transfer their best

practices to their subsidiaries due to their belief in the universality of management practices (Dimba et al., 2008). However, the direct transfer of practices may not always be the best strategy. Concern was also raised about the importance of organizational performance and the lack of studies on the subject. With the internationalization of Indian multinationals, researchers may find it interesting to study how multinationals transfer their organizational cultures (Miroshnik, 2002), which management strategies are used in their developed country subsidiaries, and how the transferred practices of the home country affect the performance of a firm or its subsidiary in a developed country.

The objective is for academics and practitioners to gain a better understanding of a potential but yet not well-known market. Regarding the methodology for future empirical studies, management culture may be measured through HRM practices on a Likert type scale. For example, assisting employees in career planning, the centralization of power or decision making, merit or seniority used for promoting employees, the emphasis on providing training to employees (Fey et al., 2000), satisfaction (Kuvaas, 2006), and usefulness of performance appraisals, can be measured with a Likert type scale.

To measure the alignment of HRM practices and strategy, the questionnaire may include questions such as, "Does the firm conduct a formal analysis to determine how similar the HRM practices between the firm and the subsidiary are?" Responses might range on a five-point scale with 1 meaning *not at all* and 5 meaning, *to a great extent* (5). In addition, performance may be measured using self-report measures. Self-report measures have been popularly used for organizational behavior studies. Self-report measures are useful when perceptions, like attitude, satisfaction, understanding, and so forth, are to be measured (Minbaeva, 2008). Finally, the paper makes a contribution to the field of emerging multinationals, especially Indian multinationals, and will enable academics and practitioners to understand the Indian management culture better.

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