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## Management Practices with Indian Work Culture: Towards New Frontiers in Management Thinking

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# Management Practices with Indian Work Culture: Towards New Frontiers in Management Thinking

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**Key words** - *“If we are to go forward we must go back and rediscover those precious values- that all reality things on moral foundation and that all reality has spiritual control.”*

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## I. INTRODUCTION

Globalization has brought a new set of challenges and issues that organizations today have to deal with, in order to remain competitive and become successful. In the changeable scenario, optimizing human and intellectual capital in the major challenge for all organizations. If globalization is the business of mindset and behavioral change then the role of management practices becomes integral to the growth of business. The world is becoming smaller and flatter primary to the new market expansion and opportunities for multinationals. **Goldman Sachs**, a full service global investment banking and securities firms reports that rising middle class in the four nations known as BRIC (Brazil, Russia, India and China) will quadruple in coming decade and contribute more than 70% of global growth by 2040. Economic policy and liberalization of reforms in India have opened up the flood gates of cheap imports, foreign direct investment and accessibility of global markets for exports. All these have created competition among the players in the industry including service sectors. The challenge organizations facing for want of latest technology, infrastructure facilities, strong work force, and management is becoming more complex with the liberalization, globalization and changing technology. The problem is becoming more acute since organizational needs to manage workforce diverse in characters which calls for new skills knowledge and adaptability. Competitive pressures have forced a change on organization in the areas of strategies, structures and culture. The entry of MNC's players has highlighted the need for a proper succession plan for achieving success.

## II. INDIA GOES GLOBAL: AT A GLANCE

The main mantra of globalization is cross cultural literacy and diversity management. This is very

important for MNC's to recognize and understand the impact and effects of socio economic and cultural values of local organization behavior for successfully transferring the know how to various units of the organization

Alexander the great, is remembered today for his quest for conquest and unquenchable thirst for territorial aggrandizement. The corporate behemoths of this century have a role model in Alexander for emulation in global dominance and market supremacy. An amazing fact revealed by the study conducted by the Washington based institution of policy studies IPS is that of the 100 largest economies in the world, 51 are corporations and only 49 are countries. It is estimated that the sales of 200 top corporations are equivalent to 28.3% of the world GDP in 1998. The collective sales of 200 MNC's which was estimated at \$7.1 trillion in 1998 made the combined economies of 182 countries humble.

Asea Brown Boveri ABB which operates in 140 countries with 1000 companies prides itself on being a truly global company with 11 board members representing seven nationalities. Many global companies produce over and sell their global brands more overseas than in domestic markets. As of 2002, Nestle has 50% of its sales outside of the home market, coca cola has 80% and proctor and gamble 65%. Otis elevator developed the elevonic 411 by means of six research centres in five countries. This international cooperation saved over \$10mm in design costs and cut the development cycle from four years to two. In this contextual canvas workplaces have increasingly symbolized multicultural villages resulting in a growing need for cross cultural intelligence, an outsideseemingly natural ability to interpret someone's unfamiliar and ambiguous gestures the way that persons compatriots would. Multicultural workforce management demands effective cross cultural competencies, approaches and strategies for bridging the

islands of cultural diversity. According to a study conducted by the Columbia University in 1995, 57 % of cross cultural joint ventures end in failures. Their average life span is only three and half years. A survey of 200 companies in 60 industries conducted by Lorraine Segil found that cross border alliances are much more challenging than democratic ones, as they take two to three times longer to create and at least half the time to fail. Seventy five percent of the companies surveyed believed that failures were caused due to incomparability of national corporate cultures. Cross cultural disappointment such as the recent Daimler Chrysler problems, Chrysler –Mitsubishi and Fiat – Nissan have produced as much rancor as rewards him evolving global scenario has resulted in India’s transformation from a consumer market to an outsourcing hub for the international manufacturing industry. This transformation owes its genesis to the liberalization of the Indian economy in 1991, globalization and the influx of MNC’s case of access to modern plants and equipment, lower labour cost compared to other countries, and a young dynamic workforce armed with the latest skills, work ethics and knowledge. This has encouraged overseas manufactures into joint ventures with Indian companies.

The table below shows:

GDP official exchange rate	\$1.43 trillion (2010)
GDP-composition by service sector	55.3(2010est)
Industry	28.6%
Agriculture	16.1%
Labour forces	478.3 million 2010
Inflation rate consumer prices	11.7% (2010)
<b>Import partners of India</b>	
US	7.16%
Saudi Arabia	5.36%
China	10.94%
Australia	5.02%
Germany	4.86%
UAE	5.18%
Singapore	4.02% (2009)
Industrial production growth rate in India	9.7%
Outsourcing industry in India employs	1.2 million people
Outsourcing industry in India contributes	\$23.4 billion to GDP
MNC’s plan to change the distribution of their research and development centre within the next 3 years	38%

Source: Govt. of India (2010), India GDP

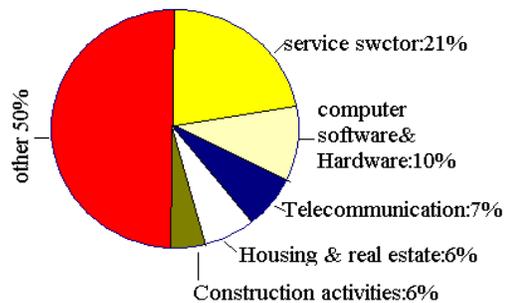
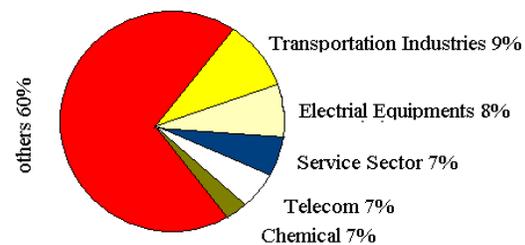
### III. FDI IN INDIA

FDI plays a multidimensional role in the overall development of the host economy. The flow of FDI in India has increased substantially since 1991 when entry

of foreign companies was allowed in the Indian economy under the pressure of balance of payments crisis of the 1980’s.They were opened up and the government leveraged the entry of private investment. As results of this more investment flowed into the markets ,more so by the foreign direct investment FDI and foreign institutional investors FII’s .the India GDP growth saw a phenomenal increase bulk of the government undertakings were divested into lots of private business houses.

### Comparative Pie Chart of FDI inflow

Figure 1 sector wise  
FDI inflow Aug 1991- Dec 1999



Source: SIA News letters, Jan 2005 & April 2009

### IV. CONCLUDING REMARKS

India has been receiving increasing amount of FDI since 1991-92. It received about \$129 million FDI in 1991-92 which went up \$613 million in 2001-02 and further up to \$35.1 billion in 2008-09.The government has facilitated inflows of FDI by making its policies relatively liberal since 1991-1992. FDI inflows have complemented domestic investment and hence contributed to capital formation as well as to bring in new technologies and global linkages. Despite of the global financial crisis and economic slowdown it is expected that FDI inflow during 2011-2012 would lower the amount receiving .During2010-2011 when we talk about India performance to attract FDI has been

satisfactory but sub optimal. The report submitted by planning commission India 2002, highlighted some constraints in achieving higher FDI in India as compared with other countries. The report was passed on the investors perception and pointed out the complicated environment by cross cultural difference and concluded with structured knowledge about host countries business and management practice so that can prepare the road map of pre requisite for a successful investments.

## V. REVIEW OF LITERATURE

On scanning the available literature it can be observed that a numbers of studies have been conducted on the various aspects of Indian work culture organizational behavior, ethical and wisdom. But on the experiences of management practices in Indian work culture is very few. A brief review of these studies will be of immense help in providing a definite direction for further study. A review of important studies and books is presented below.

### Sperling (1965)

The study of Sperling is based on cultural aspects of Germans working in India (Rourkela Steel plant). The experience says that cultural integration in one location when high numbers of same expatriates was not brought and did not exist.

### Braasch's (1999)

The research expatriates in Indian culture specifically leadership and its potential provides the most appropriate culture – specific leadership style and develops theoretical questions-“How expatriates should lead Indian employees with proposed answer ‘adaptation (authoritativeness ,emotionality and empathy) and leadership(result orientation).He developed the model of DDDP (deliberate ,demanding, differentiated and paternalism)

### Yeong-Hynn kim (2003)

The study was based on Korean managers in India through the case study of Hyundai Motors, India. She examined the processes in which foreign managers race adapted to local condition in India.

### Sinha 2004

He analyzed the challenges faced by MNC's in India.

## VI. OBJECTIVES OF THE STUDY

This paper seeks to analyze the experience of MNC's in India on socio economic cultural aspects of HRM. The purpose of the study is to help expatriates in understanding complex Indian work culture and

management practices and improving their effectiveness. The main objectives are:

- Analyzing the adaptation experience of expatriates in India
- To highlight the peculiarities in Indian organization behavior and management culture
- To help MNC's improve their understanding of India's business world and reduce the psychic distance between the investing country and India.

## Hypothesis

Following hypothesis are postulated in present paper:

- Adoption process in India is relatively difficult, complex and slow.
- Social culture is the most important challenge for an expatriate.

Management by differentiation is a better strategy.

## VII.MATRIX OF INDIAN WORK CULTURE

*“India is moreover a multicultural society and most of the MNC's do not understand the diversity and the multi-plural nature of the society and the different state holders in this country.” - BCC*

The rich heritage of Indian culture can be trailed back from an ancient time .She practices beliefs, traditions and customs which we are following today were established thousands of years back. From everyday dressing to elaborate rituals every minute and major details was decided centuries back. The root of Indian culture has existed since ancient times and has been polished and modernized over the ages, what we see today is urbane version of what existed thousands of years back. In ancient India culture was the determining factor of the broad generation that is known as pluralistic society where all religions receive equal participation and respect. India is the birth place of Hinduism, Buddhism, Jainism and Sikkism collective known as Indian religion. When we decide the Indian population in two ethnic group (Indo-Aryans and Dravidians)are found 80% of population is Hindu, Islamic practiced by 13%,2.3% Christians and 2% sikkhas. Though different beliefs were followed in different religions, the foundation base of ancient Indian culture remains the same. Here we can ungroup all periods of Indian culture into different stages.

### Ancient period (early 8000 BC)

During this stage, we begin to see complex social structures as ancient Indian civilizations developed craft specializations and the beginnings of metallurgy. During

this period, we see the beginnings of urbanism and large ceremonial centers, where socialization, important role of family, cultural diversity, law of karma, value religion and spirituality, unity in diversity, originated. These characteristics were followed by people, that we are experiencing now a days.

### **Middle period (British rule)**

This is known as the **classical period of India**, during which India is estimated to have had the largest economy of the world controlling between one third and one fourth of the world's wealth. Several Indian authors have argued that British rule led to a de-industrialization of India. R.C. Dutt argued, "India in the eighteenth century was a great manufacturing as well as a great agricultural country, and the products of the Indian loom supplied the markets of Asia and Europe. It is, unfortunately, true that the East India Company and the British Parliament, following the selfish commercial policy of a hundred years ago, discouraged Indian manufacturers in the early years of British rule in order to encourage the rising manufactures of England. Their fixed policy, pursued during the last decades of the eighteenth century and the first decades of the nineteenth, was to make India subservient to the industries of Great Britain, and to make the Indian people grow raw produce only, in order to supply material for the looms and manufactories of Great Britain". R. Palme Dutt, writing forty years later, argued that the process had been continuous: "the real picture of modern India is a picture of what has been aptly called "de-industrialization"-that is, the decline of the old handicraft industry without the compensating advance of modern industry. The process of decay characteristic of the nineteenth century has been carried forward in the twentieth century and in the post-war period". Another important effect of foreign rule on the long-run growth potential of the economy was the fact that a large part of its potential savings was siphoned abroad. This 'drain' of funds from India to the UK has been a point of major controversy between Indian nationalist historians and defenders of the British raj. However, the only real grounds for controversy are statistical. There can be no denial that there was a substantial outflow which lasted for 190 years. If these funds had been invested in India they could have made a significant contribution to raising income levels, which constituted bulk of Indian middle class: government employees, teachers, lawyers and doctors.

### **Post Independence Period (Live and let live concepts are encouraged)**

Contact and business with inhabitants of other parts of the world are the signs of the unique concept of Indian culture and society. Many empirical evidence are available on the impact of cross culture liberty on the

cost of doing business in foreign markets such as in 15<sup>th</sup> and 16<sup>th</sup> century many Europeans brought their culture to India. Dutch, English, French and Portuguese are the main among them. In 1947 India remained under the rule of British. It was obvious that European culture especially English influenced the Indian social life. We can mention decency, punctuality and discipline in framework of social life style. Along with that we can say that the fields of education development and globalization too were strengthened by English culture. Geographical unity transport communication and political awareness to prospered. Today, all this is present in the Indian culture and social life lastingly.

### **Transformation Period: New Liberalization Era**

It was and it is the time for India to feel at par with western countries. Technological innovation is giving India a high-flying place on the world map. Tremendous product designs and customization, creativity assured quality and added value has helped India placed itself on the global map. The steady entry of small and medium enterprises in various sectors, the rapidly growing population of the middle class in India, is often portrayed as a sizeable market that should attract MNC's. Group of urban educated english speaking and upwardly mobile people suitable for working as profit machine are attractive features for MNC's. But from MNC's perspective, the socio cultural values of Indian middle class which are still in the process of formation and transformation should be viewed as major bond in their understanding of modern Indian culture and society.

### **Organizational behavior and management practices:**

Organizations are collections of interacting and interrelated human and non human resources working towards a common goal or set of goals within a framework of structured relationships. Organizational behavior is concerned with all aspects of how organizations influence the behavior of individuals and how individuals are in turn influence organizations. It is an inter disciplinary field that draws freely from a number of the behavioral sciences including anthropology, psychology, sociology and many other. The unique mission of organizational behavior is to apply the concepts of behavioral sciences to the burning problems of management and more generally to administrative theory and practices. The Dutch researcher Geert Hofstede (based on four fundamental issues in human societies for particular responses) found four dimensions of culture in his massive study:

- Power distance
- Uncertainty avoidance
- Individualism

- Masculinity

In his study India scored

- Power distance- 77 points because of hierarchical distance
- Uncertainty avoidance – 40 points- relaxed atmosphere
- Individualism -48 points – measured on per capita GNP
- Muscularity -56 point as slight preference from achievement apart from all for cultural value India scored 61 points.

When we conclude the result of Hofstede found that India is having not very clear position on three dimensions because of its culture so highly complex and pluralistic in consistent and contradictory oriented. Any generalization about the Indian work culture and practice has to acknowledge the difference in size, ownership and branch characteristic of business. So work culture at large companies are very flexible. Braasch (1999) had advised that professionalization in India indeed seems to reduce the gap between its own and the management culture of other countries and thus represent a process of convergence.

#### VIII. CORPORATE CULTURE VALUES INSPIRATIONAL LEADERSHIP

Every organization has its own unique culture and value set based on the values of the top management the culture of the organization is typically created unconsciously. The success rates of any organization depend upon the policy makers and leaders of the company. Employees are more satisfied when their managers are good leaders. This includes motivating employees to do good job striving for excellence or just taking action. Difference in managers reflects the culture and output of the company .the value patterns predict managerial rating and healthy success in selection and placement decision. In India (based on survey) successful managers has high morale orientation, highly individualistic and focuses on organization and compliances and competence. In India managers has to respond into two ways-

**People orientation** through relationship of trust and goodwill employees need and to get the work done.

**Task orientation** by improving efficiency by in regular percentage is focused on people orientation because of value relational needs personal interest and most important heterogeneous characteristic of Indian Management culture where manager needs to be tactful and resilient enough to face the resistance and push ahead.



A paper based on global human capital survey was conducted by price, water ,house coopers (pwc) in2002 ,on the basis of data from over 1000 organizations across 47 countries .The finding proof that good people management has a positive effect on a range of issues from increasing employee productivity and reducing absenteeism to improving profitability.

#### IX. FIVE MOTIVATORS OF INDIA

Motivation a very complex phenomenon. In the earlier years, managers wanted to motivate workers to achieve higher productivity and the cost of motivation .Sometime emotional sometime little economic or we can add the performance of HR etc. but now a days the definition of motivation is same as earlier but the area has been expended .Money, high package is the best definition of motivator in India. A study by the corporate leadership council, cited in Einsberg, kilduff, Burleigh and Wilson 2002, listed the following factors in order of importance

- Pay
- Manager quality
- Sense of accomplishment
- Laws of work
- Status of the company

In India employees are motivated by an emphasis on the role of the boss. A more accurate statement is to code this- **people quit their bosses not their jobs**. But they also believe boss should be strict and maintain discipline by monitoring motivating and reviewing the work activities of the subordinates’ .Lots of researches showed that India is considered as a high achieving society .The high achievement character may be seen as subservient to the resource. Maximization strategy .Mc Cleland 1995 has proved the high responsiveness of Indians where training appears to have doubled the rate of unusual achievement orientation.

#### X. COMMUNICATION, TRANSFORMATION & CONTROL PANEL

Indian companies are run as paternalistic style, where dependence on power holder needs to communicate plenty of directors in a very detailed and

specific manner to the supervisor. But due to proper control on communication, too much information flow is not required, clearly communication by supervisors and is distributed carefully and selectively. This contributes to setting the well specified targets and controlling of performance to maintain the efficiency and competitiveness. Indian system is based on individual targets because they prefer to be evaluated to be more on qualitative aspects of their work. The rating in the loyalty and dedication they may be more appealing as output.

#### **XI. COMPETENCY OF SELF MANAGEMENT AND NEGOTIATION PRACTICES**

- Competency of self management can be seen in India in these phases
- Emotional self control
- Trust Worthiness
- Consciousness
- Adaptability
- Optimism
- Achievement –orientation
- Initiative

Having confidence about their competency, negotiation practices are moving around the wheel. Salacuse 1998 pointed out ten factors of negotiation which are influenced by a person's culture, goals, attitude, personal styles, communication, time sensitivity, emotionalism, agreement form agreement building, team organization and risk taking. In 2000 Smith compared the theory of salacuse with 20 interviewers of Australian management and conclude salacuse's observations that asian focuses more on relationship than on contract signing and it is a function of their long term business perspective .On negotiation attitude he realized that Asians often bring a win- lose strategy to a negotiating table. When analyzing negotiators personal styles he found Asians to be more formal and direct than Americans or Europeans. Indians are often looking for the best possible solution they are less sensitive to the constraints, impulse by time and outcome orientation and for that reason may be less willing to settle for anything less than ideal solution. A negotiation with Indians requires an excessive supply of patience.

#### **XII. STRATEGIC ROLE OF HRM**

Based on early statement we can strongly assert that socio cultural environment affects the internal work culture at any organization which influences HRM practices. The future business environment replicate

multicultural supermarkets defying national and geographical jurisdiction .In this context that the strategic role of HRM strengthen and sustaining corporate growth has assumed paramount significance the world over and almost every Indian companies have evolved innovative practices in HR for accomplishing excellence in the pursuit of business. But while analyzing HRM practices question arises automatically - whether the shift in economic policies and subsequent management rhetoric has been reflected in any concrete changes. In the labour market dynamic HRM goals and priorities, answer we found in Sparrowi and Budhwai 1997 research work with 12 countries including India in which 38 HRM practices and concepts were put to test and priorities to each practice in 2000 at last out of 38 HRM practices they found only nine common factors which together accounted for 95 % of the total variance.

##### **Structural empowerment**

Cross functional team analyzed individual performance employees for gain .Some Indian companies are providing it.

##### **Accelerated resource development**

Identification of potential employees, training, and development thus strategy is very low to persuade by Indian companies.

##### **Employee welfare emphasis**

The time has been changed now. Money is not the only motivator for performing aggressively, so India scored high rank to provide ample scope of enjoying leisure with family, health insurance etc.

##### **Efficiency emphasis**

In Self monitoring and improvement, countries like Japan, France and Korea scored high while India had very low score.

##### **Long terminism**

The score rate was very high in India.

##### **Flexible horizontal process**

Flexibility in work arrangement, cross functional team India scored normal on that.

##### **Negativism**

A pattern of HRM activities (IT in which India falls with in the average)

##### **Unrewarded autonomy or creativity**

India emphasizes very low in that which has a lack of rewards for innovation and creativity.

##### **Corporate involvement in education**

Giving high importance to playing an active role in the development of public education, India scored high on this point.

Overall findings after analyzing these factors that although India has low structural empowerment, low accelerated resource development, high employee welfare emphasis and high long feminism, then to Indian industries has centered on the foreign management culture due to number of entries of MNC. India has to introduce new HRM practices with new mindset of legislative and institutional framework of the labor market in India.

### XIII. CONCLUSION

Since early 1991, India has experienced a significant growth in FDI inflows. This has contributed to the 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 paper sought to fulfill two main aims-

- Analyzing the adaptation experience of expatriates in India
- To highlight the peculiarities in Indian organizational behavior and management culture

The ultimate goal was to help MNC's 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 assignments.

The paper focused on five aspects of organizational behavior and management culture. These are management and leadership styles, motivation strategies, organization communication and control mechanism, negotiation practice 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 structures are biased towards relationships oriented systems, where interpersonal links are focused more than processes and procedures.

The Indian negotiation practices reflect the cultural mindset and are guided by the bramanical idealism and individual anarchism. This often leads to slow negotiation and often demand 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 sign of convergence though the sources of influence are no more confined to Anglo Saxon world: the Japanese, the Loreans, and the Scandinavian influences are inter mingling with the Indian mindset to create a new blend.

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 assignments to MNC's in developing pre assignments induction programmes and to trainers in developing intercultural training instruments.

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