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Doing business in India: cross-cultural issues in managing human resources

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Abstract

Purpose – Given the increasing global significance of Indian markets, multi-national corporations (MNCs) are keen to do business here; however, cross-cultural issues can be barriers in managing human resources (HR) in international businesses. The purpose of this paper is to understand how MNCs can successfully do business in India, with special reference to cross-cultural issues and management of HR.

Design/methodology/approach – In-depth interviews were conducted with executives working in MNCs and Indian MNCs based in India and abroad. Respondents were senior professionals, working in diverse sectors and had global work experience for about five years. Majority of the interviews were conducted in Delhi and some were conducted in Singapore. Interviews responses were qualitatively analysed.

Findings – Findings reveal that MNCs wanting to do business in India need to have a long-term business focus, a well-defined expatriate policy and deep pockets to experience growth and payoffs on investments. In order to be successful, they need to understand India culturally and geographically, build trusting relationships with HCNs, partner with local players who are familiar with domestic challenges and localize the best practices of the west. Attrition and retention being the major challenges in India, compensation alone is not enough to attract and retain talent. Understanding Indian psyche and offering individuals a unique value proposition such as challenging roles and professional growth is imperative for creating an attractive employer brand in order to win the war for talent.

Research limitations/implications – Though sample size is small, this research has implications for MNCs operating in India or planning to set up Indian operations.

Originality/value – Inferences have been drawn out of primary data collected from senior executives who were handling core MNC operations and sharing their wealth of experience. The findings give fresh insights into the whole issues of MNC management involving cross-cultural and HR issues.

Keywords Human resources, Cross-cultural

Paper type Research paper

Introduction

India and China are the two fastest growing economies. Even during the economic slowdown of (2009-2011), India has grown at 7.2 per cent vs 2.5 per cent global average and is slated to overtake China by 2030. India's economy among emerging markets is attracting large multi-national corporations (MNCs) to set up operations, involving large foreign direct investment inflows. According to Khanna *et al.* (2005), MNCs must invest in emerging markets in order to remain competitive. It thus becomes imperative for managers of these MNCs to understand the business situation and people practices prevailing in India if they are to succeed in doing business here (Budhwar and Varma, 2010).

As MNCs enter India they realize that the key to success is in localizing products and operations to suit Indian requirements, either through wholly owned subsidiaries,

or via joint ventures with Indian partners. While commerce, technology and trade practices are breaking down physical barriers, cultural issues are emerging as the new barriers for business. Cultural barriers are like icebergs that can cause collisions during business transactions.

With India's multicultural, multilinguistic and multireligious mix of human capital, established Western or Eastern management models would not work here effectively without local adaptations. The working language in corporate India is English but that does not presuppose effective communications. English-speaking population does not automatically ensure successful business collaborations. Vast differences in communication styles could create hurdles and resultant business failures.

Given the increasing global importance of Indian markets, the present research was undertaken to explore how MNCs can deal with cross-cultural challenges while doing business in India with special reference to management of human resources (HR).

Challenges of doing business in India for MNCs

A Goldman Sachs report (see Wilson and Purushothaman, 2003) forecasted that by 2050, BRIC economies (Brazil, Russia, India and China) could collectively outgrow economies of G-6 countries (the USA, Japan, the UK, Germany, France and Italy).

India is an emerging market and the challenges that businesses face here are an integral part of any such economy. Khanna and Palepu (2010) in defining emerging markets argue that a high growth rate of a country's gross domestic product does not make it a developed economy as emerging markets operate differently in comparison to developed ones. Emerging markets have "institutional voids" that increase challenges and entail higher operational and transactional costs of doing business. Institutional voids imply absence of specialized intermediaries that bring a potential buyer and seller together, to reduce the costs of transaction between them. Although institutional voids can create great obstacles for MNCs doing business in emerging markets like India; Khanna et al. (2005) recommend that MNCs first need to analyse the "institutional contexts" of countries that they intend doing business in and work on strategies thereafter.

MNCs have tremendous experience and credibility in developed markets but in emerging markets, domestic organizations outscore MNCs as they understand local markets and are quick to spot opportunities and identify threats. Domestic Indian companies are tough competitors for MNCs as they have talented, well-educated English-speaking people and have the usual advantages that locals enjoy with government and local authorities, Pacek and Thorniley (2009).

Cross-cultural issues in international business

Culture of an organization is a composite of values, beliefs and assumptions held by organizational members which explains how they cope with external and internal forces (Schein, 1983; Hofstede, 2000; Kanungo, 2001). Soh et al. (2000) opined that culture is the prime determinant of system-specific changes. It also determines performance standards, prevailing climate and HR policies in the context of socioeconomic realities and ethos of the country in which the organization operates (Tayeb, 1987, 1994; Budhwar and Sparrow, 1997; Davenport, 2000; Kumar and van Hillegersberg, 2000).

The business world has two types of cultures, deal focused and relationship focused (Gesteland, 2005). India has a "relationship focused" culture where individuals are more

people oriented, focus on building lasting relationships and attempt to maintain harmony with others (Katz, 2008). The USA, however, is "deal focused" where people are task oriented, direct and sometimes aggressive. Individuals in "deal focused" cultures wanting to do business in India need to understand that for Indians having trusting relationships is more important than contractual compliance, in order to create successful business partnerships. They prefer working with known parties and people they can trust. MNCs may therefore need to have flexibility, as patience and fostering personal relationships would keep the business going.

Based on their study of biotechnology companies, Lees and Khatri (2010) point out that several of these companies that have formed business collaborations with Indian organizations encounter many repeat problems that can be attributed largely to cross-cultural differences in ways of doing business (such as long time spent in building relationships). They are in agreement that for Indians, business relationships are more important than contracts. Contracts are legal matters whereas relationships bring results. Because of this orientation when foreigners focus excessively on rules/contract an Indian gets a message of lack of trust.

The current government in India which is formed by the Bharatiya Janata Party in 2014 released an official circular in July 2014 from the office of the Prime Minister asking ministers and bureaucrats to "prioritize" communication in the national language, Hindi, instead of English (Chakraborty, 2014). This is similar to what other major powers like Russia, Germany, France, China and Japan did using their own national language. The embrace of Hindi as the predominant language in official communications may be seen an resurgence of a self-confident India coming out of its colonial past. This was amply demonstrated when the Prime Minister of India address the 69th United Nations General Assembly in New York City in Hindi to rapturous applause. Since the present BJP led government is going to be in power for some time, some multinationals with business and trade interests may find it little difficult with increased adoption of Hindi in official communication. MNCs need to develop strategies to overcome their language deficit through different mechanism they way do with China, Germany, etc.

Organizational culture is not a replica of societal culture (Zaheer and Zaheer, 1997). Sinha (2008) supports this view to say that although IT companies like Infosys, Tata Consultancy Services and Wipro are in similar business and have similar societal cultural heritage, yet they differ largely in their respective organizational cultures. Organizations may be embedded within the culture of society, yet are open to global influences such as import of technology, principles of management, systems and practices, etc. In this way society, global cultures and organizational cultures jointly influence one another (Sinha, 2008).

Culturally, India is an extremely diverse nation and within its national boundary, there are vast differences within two hours of flying time. Hence, for any multi-national to succeed in India, it would be prudent to find cultural similarities for ease of doing business. As an example; majority of IT/ITES and automobile manufacturing companies like Hyundai, BMW, Mercedes, etc. are located in South India which is less Hindi speaking. Thus, regional location analyses is important for national as well as international organizations. In IT/ITES companies, people at all levels travel globally to client locations and corporate headquarters. This mobility across locations reduces the work-related differences or difficulties experienced by them as compared to those in manufacturing sector where manufacturing is relatively less mobile or of a regional nature.

Expatriate issues

MNCs have extended their operations into Asian countries, particularly in India and as per a Goldman Sachs report (see Wilson and Purushothaman, 2003) India will be among the leading economies by 2020. Expatriate performance is crucial to the success of an MNC, however, one-third of expatriates fail in their international assignments (Tung, 1988) and such failures have very high-costs attached (Shaffer *et al.*, 1999; Stroh *et al.*, 2000). Individual- and organizational-level factors are found to correlate with the success or failure of expatriates. Personality differences, motivation and adjustment issues of the expatriate in a cross-cultural environment (Black *et al.*, 1999; Shaffer *et al.*, 1999; Lomax, 2001; Selmer, 2002); unsystematic expatriate selection and preparation, inability of the spouse to adjust and prejudices of HCNs come in the way of an expatriate's success (Caligiuri and Cascio, 1998; Harris *et al.*, 2003).

"Social identity theory" and "similarity attraction paradigm" further posit that because of perceived differences between people, social categorization takes place which labels them into "in-groups" and "out-groups". In case of expatriates, social categorization results in favouritism or discrimination depending on whether he/she is perceived to be similar or dissimilar to HCNs (Tajfel *et al.*, 1971; Tajfel and Turner, 1979; Tajfel, 1981).

Expatriates' adjustment to the host country culture is critical to their success and thus it is felt that organizations should provide support to expatriates (Black and Gregersen, 1991, 1999; Shaffer *et al.*, 1999; Lomax, 2001). De Cieri *et al.* (1991) found that company assistance given to an expatriate definitely helped in reducing the cultural shock and in coping with stress.

According to Caligiuri (2000), HCNs can provide valuable information and support to an expatriate and help them learn the nuances of the workplace. Support can also be in terms of help finding accommodation, understanding the unwritten rules of the workplace, etc. If expatriates resist orienting themselves to the host country culture, HCNs can be less forthcoming with information and support.

Sparrow *et al.* (2004) are of the opinion that international business is all about finding ways or a "corporate glue" for individuals with differing backgrounds or perspectives to work together. Chevrier (2009) advocates the necessity of cultural understanding in international business, especially for international assignees who have to manage local employees and for managers who are involved in cross-cultural transfer of management practices.

Javidan *et al.* (2006) hold that there is no guarantee that acceptable management practices in one country will be a success in another. Trompenaars (1993) and Jackson (2004) highlights the importance of relationship between cultural values (e.g. individualism-collectivism, masculinity-femininity, universalism-particularism, etc.) and HR processes (recruitment and development practices).

A key international challenge today is to manage HR effectively and to find managers who can manage across cultures. This has increasingly become a key factor in the success and failure of international business (Black *et al.*, 1999).

Managing HR

Foreign firms in India are facing two major challenges which are related to management of HR; recruitment of qualified personnel and thereafter retaining them. The Indian labour market is volatile and these firms need a clear HRM strategy to win "the war for talent".

Holtbrugge *et al.* (2010) concluded from their research that the challenges which foreign companies face in India get reduced when they shape HRM practices according

to the resource-based view (RBV). According to the RBV, organizations have many resources which are specific and unique to them and effectively differentiate between them and can be developed only internally (Barney, 1991; Grant, 1991; Wernerfelt, 1984). HR is one such resource; valuable, unique and inimitable.

Friedmann *et al.* (2008) gathered data from 80 firms originating from France, Germany, the Netherlands and Switzerland and observed that there is a correlation between HR practices shaped by RBV and HRM efficiency. They found a strong link between personnel marketing and employer brand in attracting qualified applications. The study suggests that foreign firms can reduce attrition by giving customized feedbacks and rewards. A positive relationship is found between HR strategies and organizational performance. People are a source of competitive advantage to organizations (Becker and Huselid, 1998). Delaney and Huselid (1996) found positive relationship between HR practices (like selective staffing, incentive compensation and training) and organizational performance. Numerous other studies have also shown a positive relationship between organization's performance and HR strategies (MacDuffie, 1995; Delery and Doty, 1996; Youndt *et al.*, 1996; Huselid *et al.*, 1997; Ichniowski *et al.*, 1997; Chadwick and Cappelli, 1998; Katou and Budhwar, 2007).

Positive impact of good HR practices on organizational performance and on employees has been established in the Western world (Arthur, 1994; Collins and Clark, 2003; Delaney and Huselid, 1996; Delery and Doty, 1996; Ferris *et al.*, 1998; Guthrie, 2001; Huselid, 1995; Ichniowski and Shaw, 1999).

Bloom *et al.* (2012) in a study of management practices in 10,000 organizations (comprising manufacturing, retail, hospitals and schools) across 20 countries found that management practices vary across countries. In developing countries (e.g. Brazil, China and India), organizations are less well managed whereas those in America, Japan and Germany are the best managed. Bloom *et al.* (2012) concluded that organizations with best management practices collect and analyse performance information, set challenging targets and reward high performers while retraining/firing poor performers. Most research on a relationship between strategic HRM policies and performance was conducted in the UK and the USA but a positive relationship has been found in other parts of the world too, for example, Harel and Tzafrir (1999) in Israel, Bae and Lawler (2000) in Korea, Ngo *et al.* (1998) in Hong-Kong. An HRM-performance link has been well established and now there is an interest in exploring this relationship in the context of emerging markets . Tessema and Soeters (2006) explored this link in Africa's poorest country and found that HR practices improved organizational performance but the economic and political environment was not conducive to their successful implementation. Results of these best HR practices in developing and emerging markets are not yet confirmed (Parker *et al.*, 2003). Therefore there is a need to conduct research to explore the link between best HR practices and organization performance in emerging markets like India.

Black and Gregersen (1999) found that major problem for many MNCs has been the lack of effective recruitment, retention and development programmes for host country managers. These findings have further been validated by Budhwar (2009). Bhatnagar (2009) suggests that organizations can use employer branding to manage talent well. Dowling *et al.* (1999) too caution MNCs against exporting parent company training and development programmes for host country managers.

Kulkarni *et al.* (2010) are of the view that it would be difficult for an MNC to transplant the home country managerial practices like reward and appraisal systems in a foreign subsidiary with a different cultural orientation. A study by Budhwar and Sparrow (2002)

shows that HRM in India has to be understood and applied in the context of its social, economic and political background. Björkman *et al.* (2008) strongly suggest that MNCs should seriously consider legal, political and socio-cultural aspects in India.

Demand for quality professionals is rising without a commensurate supply of skilled manpower and hence the cost of attracting and getting them to work in the prevailing culture is tough. This can affect the success of foreign companies in India (Rai, 2005). Competition for talent results in high attrition which could be between 15 and 20 per cent and reasons for attrition can be lack of career development opportunities or dull, repetitive work (Budhwar *et al.*, 2006). There was a fifteen per cent increase in salary levels from 2002 to 2007 in India and in the same years attrition also rose from 15 to 30 per cent among young professionals. Som (2006) has identified some practices linked to organizational effectiveness like aligning HR strategies with corporate strategy, hiring competent and skilled manpower, investing in HR through training and development, performance and reward system which proactively gives stock options to employees, transparent work culture and other engagement schemes to retain employees and finally, rightsizing and delayering to enhance employee motivation and morale. Indian firms are increasingly putting in place clear policies on remuneration, flexible working hours and competency-based pay to attract and retain talent. Performance-based pay is becoming popular (Venkata Ratnam, 1995; Bordia and Blau, 1998; Budhwar and Boyne, 2004). Som (2008) concluded that organizations in India have professional HR policies, and recruitment and compensation are the most important levers in improving company performance. This finding has implications for Western organizations wanting to do business in India.

Methodology

Objective of this research is to understand which factors contribute to the success of multinationals/transnationals while doing business in India with a focus on cross-cultural issues and managing human capital. The study adopted the interview method to collect data. This method was felt to be most appropriate given the objectives of the study. All the respondents were very senior professionals working in diverse sectors like media, aviation, insurance, consulting, finance, infrastructure, etc. Most of the sample organizations were privately held conglomerates, some were government owned while others were large family-owned businesses.

Details of the respondents are as follows: four expatriates live in India or abroad and are actively doing business in India; four Indians lived abroad and did or are doing business with India; three Indians work in an MNC in India and consult for MNC or Indian MNC.

Six Indians worked abroad and are now working in India; five Indians work in India with wealth of global experience, i.e. short transfers, head quarter experience, etc. In total, 22 senior professional were interviewed. The criterion applied for selecting interviewees was them having global work experience for at least five years, however, there were two individuals who had less than five years' experience in global companies like Harvest, USA and Deutsche Bank, Singapore. The sample selected was purposive and the respondents were contacted through the authors personal contacts. Majority of the interviews were conducted in Delhi and National Capital Region (India); few were conducted in Singapore. Most of the interviews were conducted in the offices of the respondents during working hours and only a few interviews were held outside the workplace. The interviewees had some prior communication regarding the purpose and topic of the interview. Most of the interviews were audio recorded and some were

video recorded with the interviewees' permission. Each interview lasted 90-120 minutes; a few of them lasted for more than two hours. The interviews were conducted over a four-month period by the first author. The interviews were transcribed and content analysed. At the start of the every interview, two broad questions were asked to each respondent. These two broad questions gave rise to other emergent questions. The two broad questions were: with global experience, what advice would you extend to ensure businesses succeed in India?; which specific HR issues should one keep in mind while doing business in India?

Demographic details of the respondents are given in the Box 1. It is to be noted that some of the respondents have changed jobs from 2012 to date. The Box 1 contains the details of the respondents. The authors have obtained the written permission of the respondents to use their real names and the organizations they work for. Few respondents were not comfortable being identified with their names and organizational affiliations. For those respondents, we have not used their names as well as their organizations (Box 1).

Study findings
Cross-cultural issues in the context of managing HR
As mentioned earlier, India is a vast country with different cultures and sub-cultures. The cultural differences are quite stark when compared with the different parts of the country. These differences have implications for the management of HR for multinationals operating in India.

Long-term perspective for India. MNCs need to understand that any organization has to be flexible while doing business in India as it normally takes longer than planned; time lines go haywire and they need to stay longer than perceived to reap benefits. Stefan Billep, Country Head, Eurofighter, Airbus, expresses this point in the following words: "I keep on telling my bosses my forecasting is based on the Indian system and the faster we accept that India is like this, the better we can manage the business opportunity". Accentuating the same point, Rajni Jain, CEO import house prods MNCs to neither complain about the system nor try to change it but to become a part of it all. India is a country, high on a "long-term orientation" and thus expanded time frames, flexibility and patience would yield results. Slow decision making is normal due to "committees for approvals" and "longer time-lines" to market; what takes one year in China probably takes three in India. The Indian government relies only on "hard-copies" for official correspondence; e-mails are a "no" and unacceptable, delaying the processes of doing business. Long gestation periods thus need to be factored in. Return on investment (ROI) can take long and MNCs need to be clear whether they are looking at a sustainable business as also to remain in existence for the long term and build a brand and make a difference to society, or are they looking at quick returns before divesting business and exiting the country. Patience, a long-term plan and perseverance would normally beat competition. Growth is possible but requires long-term investment and staying power. MNCs need to have deep pockets when they come here. Slow time-to-market directly impacts costs and it is seen that smaller companies tend to shut down operations whereas larger players survive in the market. Billep confidently states that the only way for MNCs to succeed is through the development of an India-specific business model.

Establishing "trust". India is a relationship-oriented society and believes in establishing trust for doing business. Once a relationship is built, it normally works.

Box 1. Demographics of respondents

Organization: Airbus
Sector: Aviation
Name: Federico Lacalle
Age: 53
Designation: Regional Sales
Director, APAC

Experience of doing business
with India: 24 Years
Nationality: Spanish

Residence: Madrid

Org: PROBE
Sector: Equity Research
Name: Atul Shinghal
Age: 44 Years
Designation: CEO – Probe
Equity Research

Past organizations:
Capitol One / Old Mutual –
Durban
Worked in S. Africa for 7 years

Nationality: Indian
Residence: Bangalore, India

Organization: Airbus
Sector: Aviation
Name: Stefan Billep
Age: 50
Designation: Country Head
Eurofighter Typhoon, India

Experience of doing business
with India: 9 Years

Nationality: German
Residence: New Delhi, India

Organization: Alvimedica Medical
Technologies
Sector: Medical Device
Name: Hale Soydan Worthy
Age: 45+
Designation: Regional Director,
Asia Pacific

Past organizations:
1. Abbott Diabetes Care
2. Novartis
3. Straumann

Nationality: Turkey
Residence: Singapore

Organization: Fiserv, USA
Sector: Financial Services
Name: Rahul Gupta
Age: 53
Designation: Group President

Past organizations:
1. Price Waterhouse
2. Fidelity Investments

Nationality: NRI (Indian)
Residence: Milwaukee, USA
Staying in USA for 28 years

Organization: Cholamandalam
Finance – Murugappa group
Sector: Finance
Name: Vellayan Subbiah
Age: 42
Designation: CEO

Past organizations:
McKinsey and Company, USA
Experience of doing business in
India: 5 years
Nationality: Indian
Lived in USA for 16 years
Residence: Chennai, India since
2007

Organization: IBEF – India
Brand Equity Foundation
www.ibef.org
Sector: Government
Name: Ms. Aparna Dutt Sharma
Age: 45+
Designation: CEO

Experience : 22 Years

Nationality: Indian
Residence: New-Delhi

Organization: NDTV - New-
Delhi Television Limited
Sector: Media
Name: Gagan Bhargava
Age: 38
Designation: Group HR Head

Experience of doing business
in/with India: 14 years

Nationality: Indian
Residence: New Delhi

Organization: Tata AIA Life
Insurance Company Limited
Sector: Insurance
Name: V. Natarajan
Age: 45 Years
Designation: Vice President –
Human Resources

Work Experience: 23 Years

Nationality: Indian
Residence: New-Delhi

Organization: Paypal
Sector: On-Line Commerce
Name: Rahul Shinghal
Age: 37
Designation: Director Mobile
Business APAC

Past organizations:
1. EBAY – Singapore
2. SMarttrust (Swedish Co.) – He
started in India; moved to Singapore

Experience of doing business with
India: 12 Years

Nationality: Singapore
Residence: Singapore

Organization: Right
Management
Sector: HR Consulting
Name: Samarth Masson
Age: 32
Designation: HR Consultant

Experience of doing business in
India: 7 Years
Past organizations:
1. Price Waterhouse
2. Hewitt

Nationality: Indian
Residence: New-Delhi

Organization: IL&FS Group
Sector: Infrastructure Advisory
Name: Himanshu Sinha
Age: 44 Years
Designation: Vice President &
Head Human Resources

Past organizations:
Asahi Glass
Experience of doing business
in/with India: 21 years
Lived in India but did business
with Asahi in Japan for 3Years

Nationality: Indian
Residence: New-Delhi

Organization: Jaypee Group, India
Name: Arjun Premchand
Age: 28 Years
Designation: AGM, Executive
Chairman's Office

Past organizations: The Harvest,
USA
Sector: Energy
MIT, USA
Lawrence Berkeley National Lab,
USA
Carbon War Room, USA
World Resources International, USA

Organization: AGRO Food
Industries
Sector: Food Industry
Name: Ashim Nayar (Late)
Age: 49 Years
Designation: Partner

Past organizations:
Al-Kabeer - Dubai
Worked in Dubai for 8 Years

Nationality: Indian
Residence: New-Delhi

Organization: Jain & Company
Sector: Business - Import House
Name: Rajni Jain
Age: 57 years
CEO

Work Experience: 33 Years
Nationality: NRI

Residence: Los Angeles. Living
in USA since 27 Years

Organization: Eastspring
Investments (Singapore)
Limited
Sector: Finance
Name: Karthik Rao
Age: 31 Years
Designation: Business Analyst

Experience of doing business
in/with India: 3 years

Nationality: Indian
Residence: Singapore

Organization: Deutsche Bank,
Singapore
Sector: Banking
Name: Rabani
Age: 30
Designation: Associate

Experience of doing business
in/with India: 3 Years
Past organizations:
1. Helix
2. Bank of America
Current organization: One of the
Big 4 Consulting Firms

Nationality: Indian
Residence: Mumbai

Organization: Leading
Multinational HR Consulting
Firm

Sector: HR Consulting
Age: 40+
Designation: Director

Experience : 15 Years
Nationality: Indian

Residence: New-Delhi

Organization: Multi-national
Beverage Company
Sector: Consumer Goods
Name: -
Age: Above 50
Designation: Sr. VP HR

Worked with the same
organization for 14 years in
different countries
Nationality: Indian
Residence: New Delhi, India

Organization: figr
Sector: Technology
Name: Rishab Malik
Age: 30
Designation: Director

Experience of doing business
with India: Recent as an
Entrepreneur

Nationality: Indian
Residence: Singapore

Organization: -
Sector: Tyre Company
Name: -
Age: 30 Years
Designation: -

Experience of doing business
with India: 3 years
Nationality: Expatriate from
Europe
Residence: Singapore

Organization: -
Sector: Information Technology
& Services
Name: -
Age: Above 50 Years
Designation: Head HR

Past organizations: - in London
Experience: 27 Years

Nationality: Indian
Residence: New-Delhi, India

Organization: -
Sector: Aviation
Country Head India

Past organization:
Indian Air Force (30 Years)
Nationality: Indian
Residence: New Delhi

In the words of Rahul Gupta, Group President Fiserv, USA, "Business in India is still done with who you know". Building trust takes time and for this MNCs need to be clear about the unique value proposition (UVP) that they bring to India, their reasons for coming here, how long they intend to stay, etc. People want to know the antecedents of the company and also whether it will persevere or wind up. Indians are generally sceptical of foreigners because of trust issues that take time to overcome. Gagan Bhargava, Group HR Head, NDTV states that "hire and fire" policy does not go down well with Indians as they are extremely reputation conscious. Their confidence gets dented and in the long run leads to loss of trust in MNCs as employers. Indians think of long-term relationships, integration of Indians into the decision-making process helps convince them that foreigners are here for the long haul.

Partnering with local expertise helps build trust and establish credibility
When MNCs enter the Indian market, partnerships with local players are inevitable. Doing business independently is difficult for them; hence collaboration is the way to go ahead. Without assistance of locals and access to government machinery, success is difficult; however, MNCs need to be selective and careful in appointing the right resource personnel. Thereafter, trusting that partner is critical.

Local players know the local dialect, and have knowledge of domestic markets and production costs and can thus cater to price-sensitive customers. Arjun Premchand, Executive Assistant to Managing Director, Jaypee Group, suggests that having a local partner who has done business in a similar line of interest helps as this person's connections could be helpful in making a team. Partnerships can also be forged with an entrepreneurial company that operates professionally, has good infrastructure, financial and legal support teams, etc. Building sustainable partnerships with such entrepreneurs helps capitalize on hidden opportunities.

Each state in India offers varied business incentives; therefore selecting geographies for business is vital and should be determined by focusing on availability of material and HR. Selecting a business-friendly environment is crucial for success. Engaging with local state governments helps in the operations of an MNC. Cultural understanding is very critical to deal with contrasts and yet be able to identify opportunities. MNCs could find themselves dealing with counterparties that are not transparent and this can be very frustrating for them. Becoming a member of an industry association, e.g. Confederation of Indian Industries (CII), Federation of Indian Chambers of Commerce and Industry (FICCI), Associated Chambers of Commerce and Industry of India (ASSOCHAM), etc. help MNCs to remain connected with industry trends in India.

Understanding India geographically and culturally
Foreigners need to understand that geographically India is a mix of four-five different countries but culturally it is like a continent, akin to the European Union. Over the years India has developed its own ways of doing business.

Challenges in India are many and connecting with locals and adaptation becomes a must. India's social structure differs significantly from Western societies, as Indian consumers on an average are generally much more price conscious, and they demand quality products. As V. Natarajan, Vice President HR, Tata AIA Life Insurance states "the Indian consumer has MNC, Indian MNC and the local retailer to select from. Thus an MNC needs to sell him what he wants at the cost he can afford".

Today's Indian is an ambitious and confident individual, seeking growth, looking to contribute and be rewarded by compensation, is hungry for recognition as well as personalized treatment at a humane level. In the words of Natarajan, this Indian says "I am a very special person, treat me well and I will do anything for you".

Expatriate issues

India is one of the most difficult countries for expatriates and/or their families to adapt to as compared to other countries. An expatriate commented that Indians have an inherent ability to adapt quite easily globally, but Europeans find living in India extremely challenging. Despite the richness of Indian culture, expatriates hesitate to bring their families as it is very demanding and only a handful would stay on for more than five years. Managements should therefore send only those executives to India whose families can stay here for extended periods. Rahul Shinghal, Director, Mobile Business, APAC, Paypal, sums up the plight of expatriates in the following words: "Expatriates find it extremely challenging to cope with India". Expatriates and other respondents are of the opinion that India is a complex country and requires a multidimensional understanding of its culture and business practices. Expatriates need to stay for at least three or four years to be able to build a relationship of trust with the local people and they would also have to convince managements that they need to stay on for longer durations and be flexible while doing business as ROI may take longer than thought initially. They also need to convince their top managements to visit India to appreciate the nature of business practices here and the grassroot problems that cause delays. Managements/home country need to understand how doing business in India is unique. Federico Lacalle, Regional Sales Director, APAC, Airbus, sums up many years of his doing business in India in the following words: "Business can't be done the European way, India has developed its own way of doing business. Embracing local culture and taking setbacks in one's stride is the key to survival in India".

An Indian company would be reluctant to give high priority to hiring foreigners for its India office as a first priority. It makes prudent business sense to hire HCNs instead of foreigners because the latter generally do not cope well with local challenges (infrastructure, etc.). It is wise to hire people who have lived and formed contacts here over the years. MNCs have to decide whether the particular skillset involved is available in India or someone needs to be brought from the parent country and thoroughly examine the cost issues of local hiring vs expatriate hiring.

Managing HR in a cross-cultural context

A major challenge facing organizations worldwide is how to manage the HR in a foreign subsidiary. Research has shown that implementing the managerial practices of the home country in a foreign country is simpler if cultural values of both are similar and highly challenging if they are different (Ramamoorthy and Carroll, 1998). The foregoing analyses highlights some of the important cultural aspects of doing business in India that are necessary for any MNC to understand. There are abundant qualified personnel in India as brought out in a statement by Aparna Dutt Sharma, CEO, India Brand Equity Foundation.

"In my discussions with MNCs with commitments across sectors in the Indian market, the consistent resonance has been that one of the unique advantages they find coming to India is the huge reservoir of talent. It may be added that Indian managers

display exceptional abilities to manage cultural diversity at the workplace given their very natural exposure to diverse cultures, which coexist in harmony in India".

India has tremendous demographic dividend and by 2020 is set to become the world's youngest country with 64 per cent of its population in the working age group (*Hindu*, 17 April 2013). The unique demographics of this country would affect all HR processes and this entails understanding Indian culture and the Indian psyche and thereafter localizing best practices of the West. Even the most popular MNC brand needs to position itself in ways which would project it as an employer of choice. MNCs need to decide on the UVP that an employee would seek in them.

When MNCs come to India to do business, they need to have their business strategy right, for instance, to study the talent availability in India *vis-à-vis* what they require. Thus, the HR department has a pivotal role in developing and supporting business strategy. Multinationals entering India can have a lean model to work by outsourcing routine processes like payroll and talent assessment to reduce cost and increase efficiency (such services are offered by graduates from premier Indian institutes).

India has a large cultural diversity in its employee population; hence, understanding its nuances requires a seasoned HR professional and necessitates that MNCs hire an HR manager who is a HCN. In this scenario, MNCs need to be very clear about their EVP before they come to India for attracting and retaining people because they would be competing with the best Indian companies in their search for talent. In fact, even family-owned companies in India are now engaging HR consultants for defining, creating and implementing their EVP. Given that attrition levels are high in India, it is vital for MNCs to be clear from the outset how to engage and retain personnel who would remain productive.

People in India are very mobile and do not hesitate to move across geographies where they see professional and/or financial growth. When an Indian joins any MNC, he/she is looking at career growth, work-life balance, challenging role, good salary and a brand image. In order to manage these HR, hiring, training, performance management, compensation, retention and employee engagement need to be understood in a cross-cultural context.

Hiring
Opportunities in India can be capitalized by hiring the right people. For this MNCs need to identify some good executive search firms that can help identify quality human capital. There is no dearth of English-speaking people with superior analytical skills in the country; however, to optimally utilize this resource MNCs need to complement them with their comprehensive HR processes and high-quality standards.

MNCs need to define the specific skills required while recruiting host country managers because there is a shortage of quality personnel at senior levels. They also need to identify whether they need lateral hires with experience or recruit fresh talent on whom investment would need to be made by way of training, etc.

People joining MNCs would be from diverse regional backgrounds and would need to be sensitized about the company's products/services and made aware of "what's in it for them". Regional holidays are important and by respecting the local sentiment, management can win the hearts of employees. MNCs need to be extremely flexible in executing their HR processes. According to a Sr. VP-HR, of a Beverage MNC, "Most HR policies are framed at the headquarter to be implemented at a local level. But in Asian culture, one needs to take greater care of the emotions of people and not because policies have been decided at the headquarter level". Indian culture is extremely family

oriented in which relationship building is given great importance. This naturally percolates into business practices as well and should not be considered as unprofessional. Himanshu Sinha, Vice President and Head HR, IL&FS Group states, "In India, you cannot fragment an individual employee from his/her family. As an example, I will allow my junior to leave work before office hours but I also have the liberty to organize a con-call on a Sunday". Indians are emotional people and employment is a matter of bonding. Doing things in a cut-and-dried transactional manner, i.e. "hiring at will" would therefore not work.

MNCs can increase their HR base by tapping the gender divide locally. India is a country where women also aspire to be in top management positions and will look at MNCs for that opportunity. Sr. VP-HR, of Multi-National Beverages Co., India states that they have a strategic focus on a diversity policy for women. Companies looking at setting up businesses in India must seriously exploit this vast untapped resource base and retain it by offering them flexible working arrangements.

Among the hiring options available in India, diaspora needs to be seen as an option for hiring locals. A senior director at an HR consulting firm suggested that many second-generation Indians are returning who can be hired. People had left for enhanced monetary opportunities but in turn got disconnected from their roots and emotional linkages; by returning they are reconnecting. Older people also have a wealth of experience, thus blending experience with competence can further add to the talent pool.

Training

People look for professional growth and continuous learning opportunities, and want to be trained, developed and reskilled. Organizations that invest in training, reap the benefits of low attrition. The HR department should be able to articulate to a prospective employee the benefits of working in that company and reinforce this with a structured and strong induction training programme.

Hale Soydan Worthy, Regional Director Asia Pacific, Alvimedica Medical Technologies finds that Indians are keen to be trained and developed and she feels that training in soft-skills is an important area for them. Significance of "role-transition" training is highlighted by Vellayan Subbiah, CEO, Cholamandalam Finance, Murugappa group: "Because of growth in industry people may be promoted faster than them being "job ready" and here "role-transition" training would be useful otherwise an organization may create a situation of micromanaging".

Indians are proficient in science, technology and bio-technology but lack strong R&D skills. MNCs can train them in their own countries, which would act as a motivating and retention tool. They can also have collaborative programme with universities to train personnel to suit their specific requirements. This can play an important role in unleashing the entrepreneurial spirit of people by providing them opportunities to be "intrapreneurs".

Performance management

Gagan Bhargava, Group Head HR, NDTV points out that in India, there are various factors which determine and motivate performance, e.g. ambition, quick growth, appreciation, variety, etc. It is a myth that people in India do not want to know how they are doing and care only for compensation. In fact they are keen to be assessed in an unbiased and objective manner so that they can improve themselves. Sinha cautions

MNCs about the sensitivity of performance feedback in the Indian milieu: "Indian work culture is paternalistic and boss is seen as a father-figure. As a result, 360 degree appraisal does not work well here as compared to the West. People are sensitive to one-to-one feedback/interaction and supervisors have to be good listeners with positive body language, etc." Given the importance of designations and compensation for Indians, a clear career path should be chalked out for them when they join an MNC. Letting them know what is in it for them in the long term helps them to stay on. It is also essential to plan their lateral and vertical movements within the organization.

Compensation

Decisions regarding compensation and benefits for individuals, career planning, succession planning, etc. all have to be carried out in light of what works best in the Indian context. CEO of an Indian executive search firm pointed out that Indian social structure compels one to take up a stable job with a good pay and growth potential. In absence of adequate social security and uncertainty about long-term employment in an MNC, Indians expect a relatively higher base salary. Some of the best organizations have moved away from cost to company concept and are customizing compensation on an individual basis.

Bhargava states that risks of high attrition, job-hopping and spiralling inflation necessitates compensation for expats and Indians to be at par. It is strongly felt that MNCs cannot look at India as a cost arbitrage haven anymore and therefore having a well-articulated "reward" and "recognition" policy is essential for MNCs to be successful in India.

It is commonly felt by foreigners and Non Resident Indians that India is an expensive destination as cost of living is rapidly increasing. Hence it is reasonable to benchmark compensation against global standards. Creative compensation is offered to keep people motivated to grow businesses. Global share purchase programmes, and employee share options, etc. are effective in engaging employees at a deeper level. A feeling of ownership is critical not only for improving employee performance, but also for increasing their commitment to the organization.

Retention

People are keen to grow and hence creating an effective career development path becomes extremely crucial for retaining talent. Samarth Masson, HR Consultant, Right Management points out that most of the companies are facing high attrition, however attrition in Tata group companies is low. The Tata group also pays moderate salaries (at 35th-40th percentile of the market) but what makes people stick with them is the organizational culture, the ability of the group to be progressive, to be open to change and carry their people with them. MNCs could benchmark with the Tata group for training, development and succession planning of their employees to reduce attrition. Country Head (India) of an Aviation company commented, "Only high compensation does not ensure retention of talent".

Employee engagement

It is unanimously expressed by respondents that majority of firms in India are plagued with attrition and find it difficult to retain people. Most MNCs and start-ups struggle to keep their employees engaged, excited, motivated and productive. Including employees in regular company "Communications" globally and at the headquarter level could

keep them engaged as they would be aware of what is happening internally. Managements should send regular updates on internal changes, quarterly performance, etc. Recognition mails must also be circulated similarly at a global level.

Discussion

It is evident from this study that MNCs need to understand the culture of an emerging market like India which is a unique blend of different intra-country cultures. Therefore, understanding of its culture is very important to deal with contrasts and spot opportunities. This can be achieved by building trust with the HCNs. Indians are very relationship driven and MNCs need to give weightage to this factor while trying to build businesses in India. They also need to get an Indian manager into the decision-making process to establish trust among Indians that MNCs have long-term business plans in the country.

Expatriates usually do not come to India with their families as they find India to be a difficult place to adapt to and local hardships are quite tough to bear and as a result without family and social support they want to return to their families and/or parent company at the earliest. This is somewhat paradoxical because for most of the expatriates, gaining experience in an emerging market like India is viewed as critical for future growth within the organization. Lack of adequate management support builds pressure on the expatriates to perform and at the same time they feel apologetic for not being able to spend time with their families.

The modus operandi of doing business in India is quite unique because of the country's social structure, bureaucratic and infrastructural bottlenecks, etc. MNCs would do well to partner or collaborate with local players who are familiar with domestic challenges. It is also desirable that MNCs take membership in trade bodies like FICCI, CII, ASSOCHAM. MNCs should come to India with deep pockets because it takes considerable amount of time to experience growth and investments to start paying off.

India has a huge demographic dividend compared to many emerging economies and MNCs need to understand the Indian psyche and also localize the best practices of the West. Creating an employer brand that is perceived as attractive is critical for MNCs to win the "war for talent". Employing an HCN as HR manager goes a long way in establishing credibility and building trust in the MNC. MNCs need to identify executive search firms that would help them to hire quality personnel. Investments have to be made in training employees and helping them develop their careers.

Indians attach a great deal of importance to designations, are desirous of feedback on performance and need a clear career path to stay on the job. In India there is not enough social security and therefore, MNC's policy of hiring and firing will not work. Compensation levels in India are also quite high given the cost of living and high inflation. Most Indian companies as well as MNCs operating in India face high attrition and hence employees need to be involved at all levels through regular communication flowing from the corporate headquarters. Managers need to be kept updated on internal changes, quarterly performance, etc. Focus on these aspects would help the management of MNCs to have a strong foot hold in India to reap the benefits of their investments and ensure long-term presence in the country.

This study tried to explore what makes MNCs succeed in India. The findings reveal that MNCs setting up business in India need to: have a long-term focus; deep pockets; geographical and cultural understanding of India; a well defined expatriate policy and a UVP. This paper draws upon the experiences of managers working in MNCs in India

and abroad, either as expatriates or as HCNs. This paper is intended for corporates seeking to make a long-term and mutually beneficial entry into the Indian market.

A major limitation of this paper is the small sample size. A larger number of expatries as respondents could have given different insights/perspectvies on the research. Future research in the area might take these things in to consideration.

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