Cross-Cultural Management of an Indian Multinational in its Western Subsidiaries: An Exploratory Study

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Abstract: Multinationals from emerging countries are climbing up the global performance ladder successfully and at a very fast pace. In spite of this there has not been enough studies done on the subject especially empirical studies, as pointed out by several authors. Our paper fills the gap in the literature by presenting the cultural adaptation of an Indian multinational in its developed country subsidiaries through a case study. The study focused on the behavior of the Indian multinational at the home country and in the developed country subsidiaries. The strategies used by them and finally the performance perception as viewed by the top level managerial board.

Keywords: Emerging countries, cultural management, India, subsidiaries, performance

1. Introduction

Globalization plays a key role for multinationals to realize efficiencies and competitiveness. For multinationals, this process helps realizing efficiency by achieving specialization of individual units as well as providing significant interchange among units (Fan et al. 2012). The momentum development of globalization is more recently experiencing a new paradigm shift in the flow of multinationals from developing countries to other developing as well as developed countries (Nigam, Roli and Su, Zhan; 2010a). This shift has started a new era of MNCs research which UNCTAD (2004) referred as a ‘new geography of investments’. This is a topical issue which enticed the area of research for this study. Seth (2006) and Budhwar et al. (2008) highlighted the need for more research on emerging country multinationals (ECMs) and cross cultural comparative management. Although there is mounting research available on MNCs - mostly driven by developed country MNCs setting up subsidiaries in other developed countries (Moore, 2012; Fenton-O’Creery et al., 2008) or in developing countries (Newenham-Kahindi, 2011, Nigam et al., 2009; Gomez and Werner, 2004; Park et al., 1996), there is relatively less available research on comparatively niche industrialized nations (Thite et al., 2012), specifically, in the stream of research on cross-cultural management of ECMs and their subsidiaries.

The advancement of MDCs is not only a mimic but reality. The ranks of emerging economies are on the rise (Meyer et al., 2011). ECMs have been slowly but surely climbing up the success ladder (Nigam and Su, 2010). Consequently, the review of existing literature shows that there is a serious lack of research on ECMs expansion to developed countries (Thite, 2012), which is urging the necessity of conducting an in-depth research. To bridge this lack, our study aimed to focus on the internationalization of Indian

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multinationals and their successful cultural adaptation in developed North America (Canada and United States). The standardization or adaptation of ECM practices has been acknowledged as an area of research that needs further investigation (Baliga and Santalainen, 2006; Zhang, 2003).

The paper is organized as follows. The first section of this paper discusses the flow of multinationals in general with specific emphasis given to ECMs, research gaps, research interest, and study objectives. In the second section, review of literature is done to understand the significance and purpose of research. Followed by research framework based on identified management practices like power delegation, compensation, promotion and rewards, performance appraisal and training, development and career planning which are used as a process to explore the cultural adaptations of Indian multinational in its North American subsidiaries in the third section. Qualitative methodology using case studies is justified for this particular research. The next section is devoted to case study and its analysis. And finally, we conclude the study with our contributions and further avenues for research.

2. Literature review

The rise of Asian multinationals is a more recent phenomena which has attracted less research (Sim and Pandian, 2003; Sim, 2006; Aulakh, 2007) and even more so in case of Indian multinationals (Bruton and Lau, 2008; Nigam and Su, 2011). It has been emphasized that the little existing research has not been able to provide enough explanations for the ECMs (Sim and Pandian, 2003). According to Fischer et al (2004), “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”. The internationalization of Indian multinationals provide scope, size and opportunities to expand, exploit advantages and grow, and presents challenges of working in a culturally different environment (Bjorkman and Lervik, 2007). Little research that is available from the point of view of ECMs has been done on selected subjects like the increasing importance of multinationals from developing countries (Nigam and Su, 2010; Aykut and Goldstein, 2007), on their choice of entry modes (Cui and Jiang, 2010), strategies used by them (Bonaglia et al, 2007; Buckley et al, 2007), internationalization paths (Chittoor and Ray, 2007), etc. However, we found that most studies are lacking in empirical evidence. Latest empirical research is required to keep updated with the latest happenings and roles, to understand the implementation and cultural adaptation (Bjorkman and Lervik, 2007) of ECMs in developed countries.

Our research subject prompts us to explore why Indian multinationals go to developed countries and how they manage their cultural adaptation? We will look into the major cultural challenges perceived by Indian managers, the management strategies adopted by them, implementation of the HR practices and details regarding the subsidiary’s performance. The style of management is used by Indian multinationals in their USA and Canadian subsidiary. Is it the strategy of Acculturation (leading towards more standardized practices), Integration (a balance between the home and host country practices) or Laissez Faire (referring to more localized practices and hence, adaptation) (Nigam et al, 2009; Nahavandi and Malekzadeh, 1988). It would be interesting to see how Indian multinationals adapt in their developed country subsidiaries and their perception on performance. Based on the literature review and future avenues, we focus majorly on three attributes: firstly, related with the objective of the Indian MNC in going to developed country. Secondly, on the subsidiary’s cultural adaptation in its developed country subsidiary and lastly, related to performance perception.
The internationalization provides scope, size and opportunities to expand, exploit advantages and grow on one hand, while challenges of working in a culturally different environment on the other hand. Certain HR practices (discussed below) have an influence on the degree of standardization and/or localization on going abroad and are directly related to performance. The standardization or localization influences firms management strategy, i.e. which style of management is used by the firms in their developed country subsidiary. The cultural management strategies which form a part of our study are Acculturation, Integration and Laissez Faire.

**Acculturation:** is said to be practiced when two autonomous cultures come together and as a result change is required in at least one of the cultures (Berry, 1980). Accordingly, one partner usually dominates the other and influences the direction of cultural change and management over the other partner. Acculturation also depends upon the approach of the parent company and the subsidiary, on the globalization pressures to foster uniformity, etc. (Takeda and Helms, 2010).

**Integration:** results when partner companies blend their current cultures together. Soon after acquisition, managers need to decide how and to what extent the two companies should be integrated. However, integration is highly dependent on the willingness of the parent company for allowing the subsidiary a certain degree of independence (Nahavandi and Malekzadeh, 1988). This cultural strategy results in a certain degree of cultural change for both partners.

**Laissez Faire:** results when the foreign subsidiary culture is left untouched by the acquiring multinational. In this case the culture of the foreign subsidiary prevails in the subsidiary office. It results when the subsidiary functions as a separate unit under the financial umbrella to the parent multinational. There will be minimum exchange of culture and practices between the parent and the subsidiary, and both continue to function independently of the other (Nahavandi and Malekzadeh, 1988). It may also take place when the acquiring multinational desires to reap the benefits of the subsidiary’s specialization without any issue of control. Furthermore, if a pre-existing firm has been acquired as a subsidiary, it is more likely for it to have localized practices because of pre-existing on site operations (Guest and Hoque 1996).

### 3. Operationalization of research design

#### 3.1. Method: case studies & multinationals

The HR practices chosen for our study are power delegation, compensation, promotion and rewards, performance appraisal, training, development and career.

**Power Delegation:** The caste system signifies one of the major values of the Indian society which to a certain degree has been incorporated into the day to day management of the companies (Chatterjee, 2007). The caste system respected hierarchy, which means that people were divided into higher or lower groups depending on the caste that they were born into. Kumar and Shankaran (2007) insist that Indians have a hierarchical mindset, be it people, relations, ideas, etc. arranged in a hierarchical manner in their mind. The hierarchical nature present in the Indian culture indicates that authority is more centralized and the flow of decision making would be more top-down. This is further emphasized by Hofstede’s (1980) study on culture, where India scored high on power distance. This implied that India is a hierarchical society which respects power distance and the delegation of power and authority is valued. However, in a
different culture this may not be the case, e.g. in some cultures decentralized power provides more motivation to employees. Recent research indicates the firms should include employees in decision-making and strategic planning to increase their motivation, confidence and performance (Kim, 2002). Power delegation was measured keeping two outcomes in mind: Firstly, how much power was delegated by the head-office to the subsidiary and secondly, how important was hierarchy within the head-office and the subsidiary. We asked questions on centralization of power and decision making (Fey et al, 2000), like who was responsible for making decisions (e.g. hiring, firing, promotion, budget allocation, etc.) in the subsidiary. For measuring and evaluating the hierarchy in / between the two, we asked questions related to the importance of titles and status in their respective organizations. Questions related to the number of levels and measurements using a Likert scale associated to the importance of hierarchy were also asked.

Compensation, Promotion and Rewards: Compensation is one of the important methods for motivating employees and may be directly attached to specific goals or organization objectives (Singh, 2004). It has been argued that money is one of the strong motivators (Bock et al, 2005) for Hong Kong employees (Chiu et al, 2002). In their study, Chiu et al (2002) concluded that the top motivators for Hong Kong employees were basic salary, merit pay, year-end bonus, profit sharing and annual leave. On the other hand, a study on employee motivation by Nelson (1996) found that money was not the primary motivator. He found that instant and personal recognition were among the top motivators. Same set of factors may not prove to be equally high motivators in two different cultures. Since India is a collectivist society (Hofstede, 1980), 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 conveniences (Chatterjee, 2007). The 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, but more on group recognition. On the other hand, in individualist culture, recognition and bonuses for good performance for individuals are popular (Aycan, 2005). Several questions related to compensation, promotion and rewards were asked to the managers. For example, related to the strategy of giving bonuses, share options, profit sharing, merit or seniority used for promoting employees, etc. at the head-office and at the subsidiary.

Performance Appraisal: Performance appraisal has slowly become a significant part of HR activities. Its objective is to improve firm’s performance by providing developmental feedback to employees. Formal, objective and individual appraisal methods are more popular 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 (Stone et al, 2007). In India the performance appraisal is valid for only a certain level of employees (Chatterjee, 2007). This 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. Also peer appraisals, which are considered as effective methods, were not popular in Indian companies (Baruch and Budhwar, 2006). In addition, a recent study in the Indian context (Rao, 2007), found that performance appraisal and individual goals were not regarded as significant procedures in India. The main focus is on rating rather than feedback and further development. In case of performance appraisal practices, questions were asked and their importance was measured on a five point Likert scale for both the organizations.
**Training, Development and Career Planning:** Training and development (T&D) is considered very important by most organizations since they help to provide an edge over competition, by increasing the quality of their employees (Singh, 2004). Aycan (2005) argues that in collectivist cultures, T&D is aimed to increasing loyalty for the organization. Whereas in performance oriented developed countries, it is directed towards the employee’s or team’s performance. Aycan (2005) explains that in high power distance countries, the participants are chosen on the basis of favoritism rather than requirement. The employees who are in good relation with superiors are favored over others. Career planning is done by firms to assist employees in choosing their assignments in a manner that will allow them to get skills and experience that will prove to be beneficial. There is a standard defined career path for the employees in general while specific planning is limited in Indian organizations (Chatterjee, 2007). Overall, the career planning and management practices are seen as “less dynamic, rationalized and structured” in India in comparison with UK (Baruch and Budhwar, 2006). Questions on training, development and career planning were related to different kinds of training, emphasis on providing training to employees (Fey et al, 2000), their frequency, importance and its impact on career planning.

**Organizational Performance:** The outcome of the foreign subsidiary’s culture is directly dependent on the analysis derived from the results of the independent and moderating variables discussed above. The focus of attention in HRM research in recent years has been more on linking HRM practices with business strategy and organizational performance (Paul and Anantharaman, 2003; Khatri, 2000). Recent studies by Tzafrir (2005) and Wright et al (2003) have also shown that HRM practices contribute to positively enhance the organizational performance of firms. Several other researchers have acknowledged the significant increase of human resources and HRM practices as ‘good things’ and having potential for an organizations continuous success (Godard and Delaney, 2000). Tzafrir (2005) supports the idea that firms exhibit higher organizational performance when the employees are provided with a constructive work environment. We wanted to know the impact of cultural management strategies adapted by the Indian multinationals on the performance of the subsidiaries.

We chose subjective measures, which have been popularly used for organizational behavior studies. They are capable of providing a rich description, understanding and information of the effective organizational performance (Minbaeva, 2008). They allow diverse enterprises to be compared within one study (Allen et al, 2008). In case of foreign subsidiaries, the use of HRM in a strategic manner is one of the most important influential factors for organizational performance. It was observed that there is a strong association between many HR practices and performance measures (Huselid, 1995). We probe deeper by asking questions related to the satisfaction with the subsidiary’s performance, to perception of the employees, to market and customer reactions, to its notable accomplishments, etc. Besides performance, this will also demonstrate to us the satisfaction level (Kuvaas, 2006) of the parent company with the subsidiary’s performance.

### 3.2. Results: case study of Indian pharmaceutical multinational

“The pharmaceutical sector is one of India’s most important sectors in terms of projected revenue growth from exports and for meeting the needs of Indian population. The Indian pharmaceutical industry is one of the world’s largest and most developed, ranking 4th in volume terms and 13th in value terms” (Ministry of Commerce & Industry, 2008). Since 2011, it has become 3rd largest in terms of volume.
PharmaZT is an integrated Pharmaceutical company with strategic focus on innovation and accelerated process of delivering products to customers. The Company through its global presence serves customers in over 60 countries. Starting year 2005, the focus was on the North American market and they acquired three FDA approved manufacturing facilities cum sales and marketing offices. They thus developed an elegant business model concentrating on different stages of value chain. There have been cases of intense opposition for some acquisitions where the MDC were acquired by ECMs. Mittal steel’s acquisition of Arcelor steel remains most popular example in this category. This went on to the extent that the Indian government had to diplomatically complain to the European Union (Asia Times, 2006). However, the market reaction in North America was not the same. The good reputation of the Indian multinationals preceded their actions. Employees at the facility were optimistic that this acquisition would represent growth and investment: “From our standpoint, we had heard that they had also acquired another facility in North America the year before. And there had been investment made in the facility.” (Sub ZTs)

**Strategic Objective for North American Presence:** It was observed from empirical studies that acquiring subsidiaries in North America was a strategic objective of Indian multinational to gain faster entry into the regulated USA market, to enter the global pharmaceutical sector, spread its hold in all forms of pharmaceutical market and benefit from FDA approved manufacturing units. Had the multinational set up its own subsidiary, it would have taken a long time to get the FDA approval. The intention was to have presence in the entire value chain from raw materials, to intermediates, to manufacturing of final pharmaceutical products, to marketing of those products, to the allied services and the clinical services: “They view the opportunity to complement their existing portfolio of products and services with North American presence. More than that, it opens up new products and services that our services offer and they can offer to clients.” (Sub ZTs). The company’s success so far has been an outcome of its strategic focus on the pharmaceutical industry, moving up the value chain for products and services, investing in various growth platforms and promoting a culture of innovation for serving customers globally. However, after acquisition, several cultural challenges were faced in the integration process.

**Differences in Cultural Perceptions:** There appeared several cultural challenges. The majority of manufacturing facility in USA would be up and operating by 6:00 in the morning, and shut down production by 2:00 in the afternoon. What the subsidiary had not previewed was that most of the Indian culture worked from 6:00 in the morning till 8:00 in the night: “We would hold meeting with all of our leaders sitting in the conference time starting at 8:00 am expecting that whoever the visitor was would come in at 8:00 because that is what the agenda was. And about 9:00 or 9:30 they (Indians) would come in and by that time we wouldn’t be there.” (Sub ZTr). This proved to be a real struggle for both. The US employees would leave according to their agendas and not wait for the Indian employees. This left both the subsidiary and the head-office employees frustrated.

Another cultural issue that arose was related to the evening activities. This again highlighted a cultural shift and differences in understanding between the two cultures: “If we had a guest in our community, we would host them for maybe 1 night out of 3 or 2 nights out of 5.” (Sub ZTr). However, one of the things that came up and was learned through discussions was that frustration was being voiced by some of the Indian visiting employees. The Indian visitors could not understand why their western colleagues did not want to entertain them and go out in the evenings. The dissatisfaction showed by Indians was a stunner for the subsidiary employees as they felt that they were being accused of not being good host. They felt quite strange and opposed that their priorities were to be with their families. The Indian management culture
may be said to be more flexible in terms of everyday management and operation. In comparison, the subsidiaries were found to be more formalized in their working style, restricted with their time and schedule setup. The flexibility of Indian head-office may be seen as an advantage for enhancing sustainability and durability as firms venturing outside their domestic boarders can make use of it to benefit from more strategic options (Luo and Rui, 2001).

**Power delegation (hierarchy):** Respect, loyalty, affection and bonding are important social aspects of the Indian management culture (Chatterjee, 2007 and Kumar and Sankaran, 2007). Hierarchy has more importance in the head-office in comparison to the subsidiary. For e.g. a cultural challenge was experienced in the very starting of the business relation by one of the senior member from the subsidiary. During due-diligence and negotiation process the owners had introduced themselves on the first name basis and were relaxed while interacting. However, once the acquisition was completed and the delegates from both sides had their first real meeting, cultural confrontations were obvious to both sides: “I was pulled aside by someone and told that I was being clearly very disrespectful by referring to the owners by their 1” name. You should refer to them as Mr. _X_ or sir.” (Sub ZTr)

This is an example of one very subtle cultural trip that came up on the interaction of two different cultures. Most epic and holy books in India also promote the respect for authority and seniority (Prabhupada, 2008). These values are ingrained in Indian society and they in turn promote the behavior towards centralized decision making. At the same time, the Indian expatriates who went to work in the American subsidiary was also experiencing the cultural shock as he felt that he was in a very different environment:

“I must say that here hierarchy is not as much as in India. In India people give you a lot of respect, if you are a vice president then lots of respect. Not same here. Here you will feel very odd” (Sub ZTs1)

The importance of hierarchy is also highly evident by the fact that there were 5 to 6 levels in the subsidiaries as compared to 13 to 15 levels in the head-office. Therefore, the distance between the employee and his manager in the subsidiary is not much. There is a difference in the way employees are treated. “A key difference that the former authors observed, however, was that the Indian firms’ practices were more personalized and ad hoc, subject to the whims of top management, while the practices of the Western firms were more likely to be impersonally institutionalized and stable” (Rao A.S, 2007). Accordingly, we found that in India boss always has the upper hand and their relation is more formal.

Further, titles and status’s have less importance in the subsidiary than in the head-office. Consequently, employees are encouraged to make decisions without interference from their managers but only within the framework of their day to day roles. It was interesting to note that the American employees considered hierarchy as the ability to make financial decisions, rather than in terms of reverence and seniority as was seen in India. The issue of trust came out as important for the Indian multinational. This was demonstrated by their behavior when they paid attention to building relationship and trust. They sent just one person to the subsidiaries to oversee the operations and build relation and awareness. Further, there have been cases when the Indian multinational infused equity in case of financial difficulty. The multinational gave priority to build relationship with the subsidiary and gain confidence.

**Power delegation (decision making):** the pharmaceutical multinational involve facilities that manufacture drugs which are injected in peoples bodies, and hence, independent decision-making is inherently risky.
The facilities are regularly audited by FDA, regulatory agencies as well as by customers. In view of this, the employees are encouraged to make decisions but within well-defined parameters. Consequently, it is a regulated decision making market. It is recommended to make group decisions instead of individual. There is a business structure that has been put in place. The head-office enjoys the final decision making power over its subsidiary. The basic strategy comes from the head-office but the subsidiary is given a relatively free hand for taking its own decision within the framework of the overall strategy. In case the subsidiary has to go out of the framework, then they are required to discuss with the head-office.

We realized that power delegation was important for the multinational and hence, the final decision making powers at higher levels were retained by the head-office. Kumar and Sankaran (2007) and Varma, Srinivasand and Stroh (2005) support the idea that Indian managers have a preference towards centralized decision making or paternalistic management styles. This may be treated as a cultural issue since for generations Indians have followed a hierarchical social system (Sahay and Walsham, 1997). Decisions in the subsidiary related to the number of people, promotion, hiring and firing of employees, evaluating work performance, salary levels, etc. are taken solely by the subsidiary itself. However, in case of some key areas, particularly in finance, hiring is taken care of by the head-office. The Indian head-office also gets into action while recruiting senior level key personals in the subsidiary. Regular meetings take place between the subsidiary and the head-office for exchange of day to day happenings. Communication is good and things are discussed. In subsidiaries there is very much a structure for decision making.

When the Indian multinational acquired this subsidiary, there was a lot of ambiguity and subsidiary made the mistake of thinking that they had the authority to make decisions regarding investments, head counts, paychecks and expenses. This led to a lot of frustration when those decisions were found out. The subsidiary had a tough time understanding this. It was becoming an impediment for making hiring decisions in a timely fashion since they were required to go back and forward with the head-office for getting approval. This hindrance was costing them as sometimes they would miss out on good candidates because of delays in decision making.

Compensation, promotion and rewards: Although the basic pay is higher in the subsidiary according to the law in each country, the subsidiary is a little less motivational in terms of the concept of profit sharing, bonus, share options, incentive for good performance, rewards for achievement of group objectives, and other benefits given to employees. One expatriate involved with the acquisition of the subsidiary told us that a quarterly employee meeting was enforced very seriously by the Indian multinational. In these meetings the senior management acknowledges the performance of the company, employees who have completed their higher qualification or certifications or who have done something fantastic are all applauded publically. The Indian multinational started a new concept in the head-office and made it compulsory at the subsidiary too, and this was to have a coffee chat with the senior management. During this meeting, the employee and the senior management person will chat, interact and share their thoughts. An attempt to understand the concerns or issues of the employees and also to get their suggestions is the idea behind this.

In regard to the question of status and titles, the subsidiary considered them from a more practical point of view. They are considered important as they proved to be nice motivators. For this reason, the job titles are constantly evaluated and accordingly weaved in to fit into the structure. For the same reason hierarchy was also considered important as it brought with it power to make decision. Although the concept of
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hierarchy came out as important, it was not for the same reasons as in India, where it is based more on respect. The significance of hierarchy in subsidiaries was on the authority to make business decisions.

The concept of bonus was more important at the Indian head-office in comparison to the subsidiaries. Normally the Indian employees prefer and ensure maximum employee welfare and benefits at workplace (Business Today, 1995, Sparrow & Budhar, 1997). At Sub ZTr, about 10% of the top employees are eligible for bonus. Also, the subsidiary never had the profit sharing model or stock options, nor is planning to adopt at this time. One of the reasons we found for this was that the subsidiaries were mostly privately held by the Indian multinational. In the head-office for Indian employees, stock options are more popular. Although the subsidiary does not necessarily provide financial benefits, some other benefits are quite popular: extensive medical coverage benefits, encourages healthy lifestyle by offsetting programs for gym memberships, back to school programs, etc.

There are not really any instances of family members getting involved and running the business or their relatives getting the job in either the head-office or the subsidiary. Both are run in an extremely professional manner. At both the places there is a near relative policy that discourages the recruitment of near relatives. One of the Indian expatriates acknowledged that: “Even if someone is recommended, they go through the whole selection process and finally the best candidate is chosen.” (Sub ZTc). At both the head-office and subsidiary, pay is merit based with little importance given to seniority or favoritism. Although relationships are important in India, they do not play a role in employees getting promotion or new employees getting selected in the company. Although there is an attempt to move over to similar practices, it is not so as things do vary from location to location. The subsidiaries have been acquired but the multinationals have to continue with some of the existing practices. This is not because of what they want to do but because of the market. It is important to understand that they are different markets. For example, in India the compensation levels are different; the cost of living, structure is different than in the North American part of the world. Further, in US people are more concerned with retaining their jobs, while in India, people are more concerned with improving their situation.

**Performance appraisal:** The performance appraisal (PA) programs are considered to be important both at the head-office and the subsidiary, and employees at all levels participate in it. They are done annually and are based on criteria’s such as quality of work, relationship with others, attitude, etc. In all the subsidiaries’ it is done in a similar fashion. Stone et al (2007) noticed that “formal, objective and individual appraisal” methods are more popular 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. However, we found that mostly formal methods are used in the subsidiary, while both formal and informal methods are used in the head-office. Employees are given feedback in formal face to face meetings at the subsidiary while at the head-office it is both formal and informal meetings. At both the places PA was aimed at having an impact at employees improved performance and employee’s own opinion was also taken into consideration.

The unwritten PA was considered as a motivation for employees and a chance to communicate through the department. Also, pay related performance appraisal has been an effective technique (Baruch and Budhwar, 2006). We observed that a transition towards merit based pay rather than seniority based pay (Budhwar and Boyne, 2004; Pio, 2007) is taking place and this was very evident in all the subsidiaries. The Indian head-office employees and expatriates believed that the PA practices were very similar at both
the offices. However, on a detailed questioning we found that although the practices were similar, their perception was still different, maybe because of cultural differences. The subsidiaries considered the whole system of PA as very significant. It helped them to move on with their future planning related with the employees and the business development. If an employee has a career goal for himself and wants to be promoted to a certain position then the subsidiary starts identifying the positions and needs for matching with the employees’ experience. According to Amba-Rao et al. (2000), Indian managers have long resisted the implementation of a formal performance appraisal system, and have been criticized for not involving employees in the appraisal process. However, this was proved wrong by our study since the performance appraisal process included the opinion of employees themselves too. After the acquisition, the PA system of the subsidiary was aligned with the corporate office. This was in terms of timing of performing the PA in corporate. After the acquisition, it is same in the subsidiary now.

Although slight differences still remain, the head-office did not feel the need to change the point system as it achieved the same purpose, just through a different scale. Hence, the overall strategy remains more or less similar, although the intricate technicalities might differ. Favouritism or preferential treatment is discouraged at both the head-office and the subsidiary. Consequently, the companies are really unenthusiastic about employing family relations.

**Training, development and career planning:** The importance given to training and development is extremely high at both the head-office and subsidiary since the company is in the pharmaceutical industry, a market based on research and development. Therefore, specific training programs related to the field of business are designed and information or training on the latest technology is considered very crucial. Regular trainings to both new and old employees are a necessity and are given at both the subsidiary and head-office. Since training is an extremely important function in the pharmaceutical industry, it is compulsory for all the employees to go through strenuous training programs before acting independently. For subsidiaries which are in the manufacturing field, there is continuous training for the employees. This implies that there is a lifelong learning process.

On further probing we found that because of differences in the activities that are performed in the head-office and subsidiaries, there were different kinds of training taking place at both the places. At the head-office, most multinationals had a fully developed training center. There are internal as well as external faculties where employees are trained. The subsidiaries have a different set up as compared to the head-office. The focus at the subsidiary has been primarily on technical and regulatory training that is normally required by the pharmaceutical law in USA and Canada. Mostly the R&D activities take place in India.

Interesting enough, a budgeting process is followed in the companies for handling the training requirements. The financial resources are allocated according to the requirements and associated cost of each company and department. An estimated amount will be budgeted and reviewed accordingly. A very similar process of centralized budget is followed in the subsidiaries and the head-office. The budget is normally recommended by the departmental head, both for internal and external training. The recommendations for the budget for the whole year are based on the number of people, on their skills, and on the skill set required to perform the respective job functions in an effective manner. These criteria’s are taken into consideration and accordingly recommendations are made. We were informed that the main budget is finalized in discussions with the head-office. However, it is allocated according to the requirements and planning of the subsidiary. In manufacturing facilities, this was very much evident. The
employees were being evaluated based on their quotidian performance. This means that training is not being used here for the purpose of just evaluating performance, for giving accolades or providing motivation but more for evaluating performance to maintain the standards required by the company.

The multinational do not motivate their employees after training for acquiring competencies. They consider training itself to be a motivator by ensuring that it is meaningful and will aid the employee in the achievement of the company’s goals. Also the employees are motivated by the sense of satisfaction and the learning that they receive in the process of learning. Further, there is no tool to measure formally if the training has contributed towards employee development. Also, it makes an impact on an employee’s career planning by keeping him updated about the industry. This being an ever evolving sector with constant innovations and new technologies, it becomes important for the employees to remain updated. Overall, the career planning is largely ignored by the majority of firms (Business Today, 1995) and management practices are seen as “less dynamic, rationalized and structured” in India on comparison with a developed country (Baruch and Budhwar, 2006). We can say that this idea was somewhat supported by our study since receiving training or attending training programs were not linked with development of careers at either the head-office or the subsidiary.

Foreign subsidiary performance perception: The performance is ultimately the most important outcome in any business. The individual performance is linked to the subsidiary’s performance, which in turn is linked to the overall performance of the multinational. The subsidiaries which had recently been acquired have not completely achieved their objectives. Nevertheless, the subsidiaries are on the path towards being profitable from the day they were acquired. Some are having impressive profitable numbers, while others are having moderate profit numbers. Although the objectives of the multinational are clear, the direction towards growth is clear; some external issues were pointed out during the interviews, which were hampering rapid performance of the subsidiaries: “Because of environmental requirements, and various situations, the performance is not in line with expectations.” (HO ZT)

This clearly indicates towards the differences between the very strict environmental laws that are practiced in developed countries. It also brings out serious preparation, determination and the high standards that the Indian multinationals are ready to adapt in order to emerge as reputed global companies. One example in support would be that one of the subsidiaries has been awarded as the best manufacturer in their state this year. There has been lot of tangible growth and the required infrastructure has been set up. Also, a lot of intangible growth has taken place in terms of customer accounts, volume growth, etc. The company has invested a lot in R&D and it is expected that the subsidiary will prove to be profitable in the coming years. While this is a specific case of one subsidiary, similar situation is valid for other subsidiaries as well.

On the financial side, there is a very clear strategy of the parent company and substantial amount of effort has been put in for achieving those objectives. However, other than that, the subsidiary doesn’t believe that there has been an effective communication strategy. Hence, they have not been able to progress in any way towards any other objective. For the future the subsidiary would like to see itself performing much better with more revenue. Though they agree that is not as easy as saying it, but they believe that more autonomy would actually help them in succeeding towards better performance.

Overall, the Indian multinational is committed to leverage innovation and scale of operations at every step of the pharmaceutical value chain to deliver value to their stakeholders globally. It boasts of a creditable
talent pool, which is a blend of PhDs, MDs and Masters, across various disciplines, and brings a wide range of experience from global pharmaceutical companies, biotech and academia. The companies are slowly but surely moving towards their vision to acquire and maintain global leadership position in their field of business, to continuously create new opportunities of business for growth, to be among the top 10 most admired companies to work for.

4. Discussion and conclusion

It was acknowledged that integration is always a challenging thing. Significant difference in the institutional framework, work cultures and human behavior in different economies lead to difficulties in integration between the two cultures. The importance of cross cultural training to develop an understanding for employees, both at the Indian office and the subsidiaries was highlighted due to the misunderstandings. In order to overcome the cross cultural matters the Indian head-office sent expatriates to the subsidiaries with the purpose of becoming buffers and try to minimize these frustrations through communication. Subsidiaries also made attempts by getting professional training. They were able to get insights that were tremendously helpful to develop an understanding. The understanding is expected to develop by keeping open minds and open communication. Also, an effort is being made to integrate the practices in USA subsidiaries. Accordingly, the aim is to have common practices throughout USA and reduce ambiguity.

A slight convergence towards standard practices was observed in subsidiaries along with a positive mindset for global practices leading to positive effect on companies’ performance. Comparatively, most Indian multinationals are relatively young company, and at this level of growth they are building very quickly the infrastructure to be able to define boundaries regarding the charge of authority. The subsidiary managers are developing a better understanding what their boundaries are, where they can make decisions and when they need to go to their corporate head-office. The company has invested heavily in software which will allow them to see in real time production, deviation, expenses, labor cost, or retirement, etc. going on in the subsidiary. The open ended intend is to get more knowledge and information on the subsidiary in real time. Controls are being introduced slowly with the intention of moving towards greater transparency. Although developing trust and strengthening the relationship is extremely important, the issue of control has not been forgotten.

Based on our research, we conclude that the Indian multinational follows the strategy of Laissez Faire going on Integration in its developed North American subsidiaries. Firstly, the laissez faire strategy is evident in terms of employees, since the subsidiary is more localized in terms of presence of number of employees at the management level. Secondly, the multinational is more interested in reaping the benefits of developed country subsidiaries instead of attempting to change the existing policies and practices. Although the multinational has given the subsidiaries a relatively free hand, it nonetheless has kept the final strings and control in its own hands, which is very much evident by its control over the final financial budgets, strategies and defined frameworks for the subsidiary. Thirdly, we observe that the multinational is not trying to change the management culture in the subsidiaries but instead aiming at developing a better understanding between the head-office and the subsidiaries.

The convergence and divergence views are becoming very ambiguous in the ever globalizing world. The Indian multinationals are being challenged by this notion of convergence. Over the years, India has been
highly influenced by various factors, and most recently by globalization which has had a dramatic influence for the corporate mindset as well as the HR practices. Indian managers and management system has been much influenced by the West by being educated there, receiving western education, getting work experience there or working in western business models within India (Budhwar et al, 2008). Added to this is the exposure from the Internet, access to global television, etc., is helping towards building similar mindsets throughout (Budhwar and Sparrow, 2002). This results in new management styles of the Indian businesses, especially in the private sectors. According to Woldu, Budhwar and Parkes (2006), most of the convergence of culture is occurring within India. The Indian multinationals are constantly modifying strategies as per the business environment. This allows them to build a strong organization and ensure that it meets the overall strategy objectives. For example, in a big and competitive industry like pharmaceuticals, consolidations are regularly going on. With these consolidations, pharmaceutical companies sometimes take a back seat about whether to develop all drugs that are there or to wait for the market to pick up, etc. Based on the ever changing business environment, there are a lot of challenges, which requires constant review of objectives and strategies.

This paper advances the research in the field of ECMs by providing an empirical exploration on the cultural adaptation of Indian multinationals in their developed country subsidiaries through some chosen management practices and policies. The results indicate a tendency of the Indian multinational towards adaptation in the developed country subsidiary but at the same time to have the final controlling power. The findings also indicate an influence of globalization when compared to previous research. Finally we can conclude that the study has made contribution to the literature and provides guidelines for practitioners. Our empirical exploration will help in the advancement of the literature by contributing to the limited pool of studies in the field of ECMs. The practitioners can learn from the experiences of this multinational and develop an understanding for their future planning.

References


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