CHAPTER 1

INTRODUCTION

1.1 Background to the study

The world is evolving with the passage of time. Change is evident across the globe in the form of innovative goods and services produced by MNCs. Companies manufacturing innovative goods reach their customers either through local firms or open their enterprise at diverse locations of the world to cater the needs of mass public.

Developing countries struggle to make their ends meet, as a result, they abolished trade practices which prohibits multinational corporations (MNC) to enter domestic market. For MNCs access to untapped developing economies gave opportunity to expand their presence and connect diverse regions of the world. Interconnection of world markets resulted in downfall of trade barriers and faster growth rate of economies (Chossudovsky, 2003; London & Hart 2004; Stiglitz, 2000). Johanson and Vahlne (1977) proposed Uppsala model which gained popularity and became standard business technique adopted for internationalization process of domestic firms. The model specifies that initially, firms commence business in culturally similar countries and slowly move to culturally and geographically distant countries. Firms gradually do business using conventional method such as exports procedures etc. in the overseas country and later on firms rely on more concentrated methods such as establishing local subsidiaries.

Development in the world trade has increased overall foreign direct investment (FDI) by MNCs during the last two decades (Figure: 1.1). Despite being uneven, pattern indicates major increase in the share of FDI inflows for developing economies. More MNCs are now choosing developing / transition economies as their target nation for investment purpose and expect better return on their investment.
Figure 1.1 FDI inflows, global and by group of economies, 1995-2013 and projections, 2014-16 (Billions of dollars)

MNCs strategically position itself to cater the needs of large consumer groups who are spread across different locations, so as to increase its market share (Wheelen & Hunger, 2011). Today, business has moved beyond a city or any state and has crossed national borders (Bartlett & Ghoshal, 1999). Globalization has immensely shaped today’s business, for example, a Swedish automobile company could import engines from Germany; miscellaneous motor parts from China, assemble at USA, and a British national could head the company. To remain competitive at the global level MNCs invest heavily human resources. As a result of global competitiveness and to exploit new market opportunities, international assignments have become more frequent in recent years.

Global market brings with itself many challenges involving political, legal, environmental, and cultural aspects. MNC’s such as HSBC, Toyota, Apple, Walmart, McDonald’s, Samsung etc. are present worldwide and are among industry leaders (Fortune 500, 2014). These organizations have adopted uniformity in work culture but have also localized their operations to suit host country regulations. During transition,
organizations could face difficulty of varying nature including red-tapeism, infrastructure shortage, environmental issues, unavailability of skilled labor etc. (Moon & Bretschneider, 2002). While doing business with the help of third party agents, MNC do not get idea of cultural aspects within host nation. Cultural aspects may be threatening for MNC to commence operations, however severity of cultural practices and local mind-set have sometimes even resulted in the closure of business.

Awareness of host culture, is not only important for MNC, but also individuals (expatriates) who undertake global assignment. Although duration of international assignment cannot be measured, many scholars believe it to be in the range of 3 – 5 years (Collings, Scullion & Morley, 2007; Naumann, 1993). To capture the global market, MNCs seek to deploy expatriates from the pool of executives, either from the home country, host country or third country as per their selection policy. From the executive’s point of view, suitable position in MNC’s not only provides financial security, but also gives international exposure, by which they can leverage through the corporate ladder and negotiate for career advancement. Retention of first-rate expatriates is also challenging as MNCs often seek executives who could drive the organization to a new stature.

1.2 Globalization and Culture

Commenting on the manifold effect of globalization, John Tomilson (2004) enlightens, ‘Globalization is a complex process because it involves rapid social change that is occurring simultaneously across a number of dimensions – in the world economy, in politics, in communications, in the physical environment and in culture – and each of these transformations interacts with the others’. Globalization has multiple consequences especially on the national residents and spiritual institutions. For example, when Starbucks started functioning in China, it was popular on TV Newspaper, website, magazines etc. But religious bodies felt that it had damaged major historical and cultural place and as a result of ongoing protests, it had to close down operations in the

---

1 Organisational culture – a key miscarriage in mergers & acquisitions. Retrieved from http://businessdayonline.com/2014/10/organisational-culture-a-key-miscarriage-in-mergers-acquisitions/#.VD8x4yfe6dk
Forbidden City, China. While operating in diverse geographical locations, MNCs adopt strategy as per the cultural dynamics of the target nation, as each country has its own unique set of cultural norms.

Defining “culture” has been a complex task for scholars. To experience “difference” in cultural pattern among nations, it is essential that individuals, unlearn their own values and beliefs, so as to sense the novelty and unique ways of doing things. Anthropologist Hannerz (1992) sees culture as ‘the meanings which people create, and which create people, as members of societies’. Social psychologist Hofstede (1993) has defined culture as ‘collective programming of the mind which distinguishes the members of one group or category of people from another’. From these definitions, it is implicit that culture is multi-layered, multifaceted phenomenon and each nation has its own unique underlying characteristics represented by its countrymen and varies to a higher or lesser degree from other countries. These cultural pattern remains silent unless MNCs (or expatriate) cross national border and come in contact with the members of host nation. Management guru Edgar Schein (2010) describe culture as ‘a pattern of shared basic assumptions that was learned by a group as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems’.

Leung and colleagues (2005) proposed a multilevel-multilayer model to identify various groups shaping national culture and its connection with global culture. Figure 1.2 shows how individual’s behaviour and values are affected by changes in the global culture, via top-down effect and global culture is affected by individual’s behaviour via bottom-up effect at different stages. The outermost layer represents global culture which is created by global institutes and networks which cross national boundaries and have common language for communication. Beneath global culture, comes the national culture, which is represented by national organizations, which vary across the world and together, they share values of local culture. Below national culture, comes the organizational culture, which although have shared values of local culture; differ with the kind of industry and

---

ownership structure etc. Further down, comes the group culture which is represented by sub-units of the organization that vary in terms of respective unit culture and functions (e.g., Finance dept. vs. marketing dept.).

Figure 1.2 The dynamics of top-down–bottom-up processes across levels of culture

The individual, at the last layer, through their social networks form cultural values and express in the form of behaviour. Thus values pass on from global culture to the individual behaviours through different layers. Similarly, individual having same value form their own group culture that differentiates them from other groups through a bottom-up process. Both processes (top-down & bottom-up) illustrate how culture originates at different levels and shapes the individual’s behaviour through external and internal cluster dynamics.

Globalization has been described as ‘the intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa’ (Held, 1999). The impact of globalization has been far-fetched, and plays leading role on the local culture. In some cases, owing to
globalization, MNCs make more profits from outside the country of origin (COO), for example, in 2012-13, TATA group earned 62.7 percent of the total profit coming from businesses outside India\(^3\). General Electric Co., which originates in USA, stated global earnings of $14.2 billion, out of which only $5.1 billion came from its operations in the United States\(^4\).

The removal of trade barriers and free flow of goods and services to a greater degree during the last two decades (Wacziarg & Welch, 2008) has had its impact too. Globalization has resulted in availability of products for consumers, who were previously not able to acquire them, since these were not manufactured in their own country or there were technical barriers for which the product did not reach the markets. As consumers get exposed to the products of the world it opens a different horizon and connects to a larger part of the world, making them world citizens. For individuals, becoming a global citizen, opens the horizons and connects to a larger world beyond local cultural norms and practices.

In contrast, environmentalists and trade unionists feel that globalization mostly favours rich countries at the cost of developing economies (Bigman, 2007). With expansion in many economies MNC can sold its products at much lesser cost and overcome local manufacturers. In the developing economies, any negligence in the environmental / industry regulations will be exploited profoundly by the MNCs including worsening work standard for labourers. Activists for poverty reduction claim that children from poor families are exploited with minimal wage by MNCs in developing countries and industries have minimal safety standards (Birdsall, 1998).

Organizations seek higher return on investment and often host countries have to be explored. Each year companies seeking to establish itself beyond the home country are growing, which also escalates international assignment for expatriates. Therefore, it becomes crucial to train expatriates, as per the target country cultural norms before sending them on international assignment, so they can distinguish the cultural dissimilarity and handle circumstances in much effective manner.

\(^3\) Leadership with trust. Retrieved from http://www.tata.co.in/aboutus/sub_index/Leadership-with-trust

1.3 Cross Cultural issues

Globalization has increased the overall interaction within countries not only for MNCs but also for expatriates. The model proposed by Leung et al., (2005) Figure: 1.2, in which Global culture is at the outermost level should be seen as the one which integrates world with a single characteristic without influencing national culture. But to work in the host nation MNCs recognize the major role played by national culture. Once the organization relocates to the host nation, many aspects involving nation’s values could hamper its operations from time to time. Factors which could affect organizations include, but are not limited to; (i) leadership traits (ii) work values (iii) cultural diversity (iv) woman participation & decision making (v) mechanism for conflict / negotiation (vi) team processes surrounding host nation (Cox, 1994; Gelfand, Erez & Aycan 2007; House, Hanges, Javidan, Dorfman & Gupta, 2004; Kavanagh and Ashkanasy 2006; Weick 1995; Oetzel & Ting-Toomey 2003; Schwartz, 1999).

On the other hand, expatriates come from diverse nations and have to work in a different organizational set-up and colleagues having different set of values in the host nation. The expatriates experience differences in home country cultural orientation once they come in contact with host country nationals having different set of values, attitude and behavioural norms. Factors which could affect expatriates (and their family) psychological comfort include, but is not limited to; (i) spouse support, (ii) leader member exchange, (iii) subordinate member exchange, (iv) social tie characteristics with host nationals and (v) work family conflict. (Johnson, Kristof-brown, Van vianen, De pater, and Klein, 2003; Kraimer, Wayne and Jaworski, 2001; Takeuchi, 2010).

1.3.1 Cross Cultural issues affecting organization

National culture shape organizations culture (Hofstede, 1980). Organizations are manifestation of its cultural values, which is reflected in the form of organizational culture, leadership traits, communication with team members, hierarchy / egalitarianism within subordinate and supervisor, salary structure etc. (Hofstede, 1998; Smith, Dugan & Trompenaars, 1996). When successful corporations from the home country move out and make significant investment in the host nation, results could be extreme. In
developing economies, MNCs might have to undergo several bureaucratic practices, such as impractical paperwork, redtapeism, long queues for submitting documents etc. before beginning its operations which may seldom exist in home nation. Perceptions of host country nationals towards key organization elements such as leadership, organization diversity, decision making process, work behaviour, trust, training for global workplace etc. vary in each country as per the prevailing cultural norms.

Leadership traits play vital role in forming mission and objectives for an organisation. Organisational culture and behaviour at different hierarchical levels are even influenced by leadership traits (Walumbwa & Schaubroeck, 2009). Perception towards most important and least important goals pursued by business leaders were found to be significantly different in China, India, Denmark and USA (Hofstede, 2007). Sequential ranking of most important and least important goals is presented in Table: 1.1 which indicates contradictory nature of values that people aspire to see in their business leaders in different nations, for example, top ranked goals in India are among the least ranked goals in Denmark. Alternatively Denmark’s top ranked goals are among the least ranked goals in USA.

Table 1.1 Five relatively most important and least important perceived goals (out of 15) ascribed to business leaders in four countries

<table>
<thead>
<tr>
<th>Most Important</th>
<th>Most Important</th>
<th>Most Important</th>
<th>Most Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respecting ethical norms</td>
<td>Family interests</td>
<td>Creating something new</td>
<td>Growth of the business</td>
</tr>
<tr>
<td>Patriotism, national pride</td>
<td>Continuity of the business</td>
<td>Profits 10 years from now</td>
<td>Personal wealth</td>
</tr>
<tr>
<td>Power</td>
<td>Personal wealth</td>
<td>Honour, face reputation</td>
<td>This year’s profits</td>
</tr>
<tr>
<td>Honour, face reputation</td>
<td>Patriotism, national pride</td>
<td>Staying within the law</td>
<td>Power</td>
</tr>
<tr>
<td>Responsibility towards society</td>
<td>Power</td>
<td>Responsibility towards employees</td>
<td>Staying within the law</td>
</tr>
<tr>
<td>Least Important</td>
<td>Least Important</td>
<td>Least Important</td>
<td>Least Important</td>
</tr>
<tr>
<td>-----------------</td>
<td>-----------------</td>
<td>-----------------</td>
<td>-----------------</td>
</tr>
<tr>
<td>Creating something new</td>
<td>Staying within the law</td>
<td>Family interests</td>
<td>Profits 10 years from now</td>
</tr>
<tr>
<td>Game and gambling Spirit</td>
<td>Creating something new</td>
<td>Power</td>
<td>Responsibility towards employees</td>
</tr>
<tr>
<td>This year’s profits</td>
<td>Responsibility towards employees</td>
<td>Responsibility towards society</td>
<td>Family interests</td>
</tr>
<tr>
<td>Personal wealth</td>
<td>Respecting ethical norms</td>
<td>Personal wealth</td>
<td>Continuity of the business</td>
</tr>
<tr>
<td>Staying within the law</td>
<td>Game and gambling Spirit</td>
<td>Continuity of the business</td>
<td>Creating something new</td>
</tr>
</tbody>
</table>

Source: Hofstede (2007)

Another important cross-cultural issue affecting organizations during relocation is work values within organisation (Hofstede, 1984). Laurent (1983) conducted test among western European countries, the United States and three Asian countries to find out if differences exist in the managers work values. Results indicated that there exist considerable score differences among each country and exclusive pattern emerge for the sample nations. Americans believed that minimal hierarchy levels and flat organization proves to be effective in increasing organizations efficiency whereas presence of hierarchy level was a major consideration for Asian countries because it explains who has authority over whom. Swedish managers were found to be least bothered in bypassing the hierarchy levels and believed, to solve problems one should go to the expert and not necessarily to the boss. Opinion of Italians and Spanish respondents were different, who felt that regularly bypassing the manager reflects poorly structured organizations. These findings also reveal MNC’s difficulty in hiring the capable workforce across the globe having diverse beliefs and working together as a team within the organization (Jehn, Northcraft & Neale, 1999).

Study in the area of cross cultural management and organizational behaviour suggests that implications of cultural values should be estimated before opening subsidiary in the host nation (Hofstede, 2010; Trompenaars, & Hampden-Turner, 1998; House, et al., 2004). When staff is hired from different cultural background, organization productivity gets affected along with work flow interdependence among departments, trust within
team members, decision making autonomy, ethical values etc. which in turn also affects individual’s attitude towards organizations (Adler & Gundersen, 2007; Daft 2012). Organisations are driven by individuals who are cognitively designed by their national cultural heritage. Opening business in the host nation necessitates understanding of deep rooted cultural values, which is prevalent in host organisations and have implications for MNCs. Adopting to host country procedures and local mind-set has become a pre-requisite for organisations.

Many merger & acquisitions as well as green field investments have resulted in severe losses for organisations, as they did not realise cultural inconsistency between home culture and host culture (Solomon and Schell, 2010). Many aspects within organisations are shaped by national cultural values, such as; work motivation, psychological contracts, person-environment fit, organizational commitment, organizational justice, organizational citizenship behaviour, and team behaviour (Gelfand et al., 2007). As organisations are psychologically programmed according to their national cultural norms, successful strategies and procedures becomes ineffective in the host nation. Expatriate managers from the home country are deployed in the host subsidiary so that MNCs could have better control in the decision making process (Paik and Sohn, 2004).

While expatriates are accustomed to their home culture, their adjustment in the host nation also depends on cross cultural training provided by MNCs. In the absence of integrated cultural training programs, expatriates could not be able to distinguish the cultural pattern and could prove ineffective bearing heavy losses for MNCs. Successful MNCs not only create innovative goods and services but also customize themselves to suit local conditions, harmonizing with the local customs and practices (Daft, 2010; Gupta & Govindarajan, 2001).

1.3.2 Cross Cultural issues affecting expatriate adjustment

MNC’s decision to open subsidiary in the host nation has significant impact on organizations as well as expatriate managers. Moving to host nation presents many challenges to expatriates, including spouse/family adjustment, relationship with supervisor and subordinate, social networking with host nationals, and adjustment to
host nation (Black & Gregersen, 1991; Black, & Stephens, 1989; Earley & Ang, 2003; Law, Wong, Wang, & Wang, 2000; Johnson, et al., 2003). Expatriate adjustment has been described as the extent of psychological ease and awareness with different facets of foreign culture ((Black and Mendenhall, 1990). Mendenhall & Oddou (1985) proposed four stage model explaining expatriate acculturation. When expatriates enter host nation initially they experience novelty in the surroundings of host nation, which is referred as honeymoon period. After few days they experience change in culture and behaviour pattern of the host nation, which is called the culture shock stage. In the course of adjustment stage, they start changing their behaviour to suit host culture. And finally, once they have completely grasped cultural skillset to act as per the host country norms it is called mastery stage (Mendenhall and Oddou, 1985)

Initially, adjustment of senior managers in the host nation, was not seriously considered, as a result, many assignments saw premature return of expatriates. Hofstede’s (1980) work on cultural framework saw many organizations began appreciating difference between the ethnic values of host nation and home nation. A recent study underlined critical family challenges affecting expatriate in the host nation. Spouse (or partner) resistance towards international assignment was found to be the most critical factor, followed by, adjustment of family members in the host nation, whereas concern for children’s education was ranked as number three (Brookfield, 2013).

Other important challenges, included, spouse / partner’s career, degree of difficulty of destination location (e.g. third world emerging economy, isolated), cultural adjustment, length of assignment, inability to speak the language and support for other dependent family members (Brookfield, 2013). Challenges for expatriates who relocate along with spouse and/or children, could increase substantially, as they have to allocate significant amount of time for their family members apart from specified job responsibilities.

One of the preliminary studies in the area of expatriate adjustment by Hays (1971), underlines that inability of spouse and family members adjustment as the most important reason for expatriate’s failure in the host nation. One of the possible reasons for spouse agreement to relocate with expatriates could possibly be because they might want to assist expatriates (and/or children) and remain united as a family. Expatriate
could benefit from emotional support received from spouse, by taking care of the household responsibilities and children, so that expatriate could devote more time on their assignment. Spouse could also help young children through positive conditioning and helping them increase their psychological strength while interacting with kids in host nation. Positive influence from spouse and better adjustment of children is likely to benefit expatriates (Konopaske, Robie & Ivancevich, 2005; Bauer & Taylor, 2001).

Host country nationals categorize expatriates depending upon their gender and characteristics (Varma, Toh & Budhwar, 2006). Lack of support from the colleagues and supervisors could make expatriates feel miserable. This could result in premature departure from the international assignment. On the other hand, better relationships with supervisor and subordinates will facilitate adjustment to the new workplace (Kraimer, et al., 2001). Expatriates receiving suggestion and ideas at their workplace, could learn many aspects about the host nation and organize needs for themselves and their family members. Supervisors may facilitate expatriate by making friendly human resource policy and helping expatriates to devote equal time for their family members. Positive environment within organization will boost morale of staff members to assist their colleagues whenever required and equally influence expatriates, who will improve their organizational performance.

An additional significant factor affecting expatriates adjustment process includes social network (Johnson, et al., 2003). When expatriates leave their home country, their social connectedness from parents, neighbourhood, club associates, religious societies, family friends, colleagues at work place, etc. is disconnected. Initially, expatriates have no contacts, hence, additional efforts have to be put on developing networks and social ties. Expatriates could benefit from their spouse’s ability to develop social network, as they would be predominantly occupied with the assignment (Black & Gregersen, 1991). Better relation with colleagues could also convert into a possible social network which could enhance understanding about the organizational culture, and other useful information inside and outside the workplace. Another useful source of contact could be association with other parents in schools where expatriate send their children for education and expatriate community who have gone through similar situation while
relocating in the host nation and who could provide useful information regarding adjustment (Johnson, et al., 2003).

For developing social contacts, expatriates must interact with members of host nation, which to a certain degree, depends upon their personality and open-mindedness towards the host nation (Caligiuri, 2000; Johnson, et al., 2003). Expatriates, who feel discontented with the available standard of living and environment of host nation, may resist any association with host country nationals. Social ties could also be affected by attitude of host country nationals towards expatriate community, especially where host country nationals are predominantly influenced by their native culture (Florkowski & Fogel, 1999). Broader social network could help in getting useful information about the tradition, history, culture, rituals and festivals etc. of host nation and provide expatriates and their family psychological comfort.

1.3.3 Work and family domains during international assignment

Work and family domain has been one of the most researched areas in the field of organizational behaviour, but it has been under studied in the expatriate context. When expatriates relocate to the host nation, it also brings disruption, in their work and family domains. Expatriate, their spouse and children find themselves in the midst of unfamiliar surroundings, indigenous lifestyle, customs, behaviour etc. and for the most part remain under stress of adjustments. Under isolated conditions, family members remain for each other, strength providing support and care. MNCs make investment in cross cultural understanding of expatriate managers for smoother transition in the host nation. While cultural training could prove effective for expatriates, spouse or children may find it difficult to sustain pressure involved in the host nation as they are not psychologically prepared for it (Harvey, 1998).

As a result of their involvement at the workplace, expatriate are sometimes short pressed to allocate in their personal life, which could affect relationship with family members (i.e., work-to-family conflict). On the other hand, excessive attention towards family responsibilities could hamper efficiency at the work place, which in turn will affect business growth (Family-to-work conflict). Inability to perform at home or at
work will lessen the mental strength for continuance of the assignment, as both domains involve stakeholders, who possess the ability to influence adjustment process. The challenge will be to manage both work place and personal end balanced (Netemeyer, Boles, & McMurrian, 1996).

Influence of mood between individual and domain could be understood through spillover and crossover effects (Demerouti, Bakker, & Schaufeli, 2005; Song, Foo & Uy, 2008). Haslberger (2007) distinguishes the crossover and spillover effect; whereas spillover refers to the effect on manager in two domains (Work & Family), the crossover effect denotes influence of one person (manager) on another person (spouse) within a shared domain (Figure 1.3). Spillover is associated with domain effect. It is expected that positive family environment will have ‘spillover effect’ on the work domain and adverse family experience will have negative ‘spillover effect’ on managers at the work domain. A positive workplace environment will have ‘spillover effect’ on the family domain and disgusting & infuriating office environment could have negative ‘spillover effect’ on the family domain.

Crossover on the other hand, connects two or more people. Cheerful manager could have ‘crossover effect’ on spouse and children reducing their stress & suffering and remain at ease in their existing situations. Likewise, family member’s psychological well-being could have ‘crossover effect’ on expatriates to reduce their stress level. Friendly managers could also have ‘crossover effect’ on workplace, resulting in better relationship with colleagues, improved efficiency and team performance etc. Psychological state of expatriates will have favourable or unfavourable ‘crossover effect’ on family members and colleagues, with whom they share domain in the workplace and home.

Work-life conflict occurs as a result of inter-role conflict between work and life domains. Work-life conflict comprises work to family conflict and family to work conflict. Work to family conflict refers to the work activities interfering with family responsibilities, and family-to-work conflict refers to family activities interfering with work responsibilities. Work-life conflict has been found to negatively affect individual’s satisfaction with life.
Greenhaus and Beutell (1985) have categorized work-life conflict under three heads viz., time-based conflict, strain-based conflict, and behaviour-based conflict. Relocation to a new country, not only brings challenges but also disturbs the relationship at workplace and between work and family domains. New colleagues at workplace and new work culture are bound to affect relationship between work and family roles. When expatriate face challenging circumstances, they could seek support from their supervisors and subordinates at their work domain as well as spouse could provide comfort in the family domain. In the absence of adequate support system in the work and family domains, expatriate possibly will not be able to harmonize family or work responsibility adequately, which would affect their adjustment process.

1.4 “India” as host nation for expatriates

Stern (1993) observed, ‘In India, you will find a society that has, like Europe’s, the diversities of a continent and the unities of a civilization’. The phrase about India is that it is such a diverse economy whatever you say about it, the reverse is equally true. The statement gets support from the facts which suggest that on one side India is one of the most improved economies of the world (Business, 2013) and on the other, poverty in the eight Indian states is more than twenty six African nations (Klugman, 2010). India has
eleven fastest growing urban cities of the world, yet high rate of migration exists from poorer cities to metropolitan cities (Deshingkar & Grimm, 2005).

India as host nation offers an outlook to a foreigner which is unique. Each Indian state offers distinctive characteristics, where people are surrounded with multifaceted religion, language, caste, cuisine, customs, tradition & rituals etc. While visiting India for the first time foreigners may find it challenging to understand the cultural values, attitude and behavioural norms of the people. Hofstede, Hofstede and Minkov (2010) found India as one of the countries which is higher in “power distance index”, like other Asian economies, indicating supremacy toward authorities. Power distance has been defined as ‘the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally’. It is expected that hierarchical levels exists within the Indian workplace; employees, to a larger extent, are psychologically dependent on their supervisor to receive instructions to finish the task-at-hand and communication often takes place in the form of top-down and mostly, instruction based.

Based upon the earlier clustering studies, Ronen and Shenkar (2013) highlighted the role of language, religion, and geography in creating new clusters and boundaries. Emerging cluster were based on empirical data used in previous studies which eventually resulted in six singleton (cluster containing only one country) nations resulted from the analysis i.e., Austria, Brazil, India, Israel, Japan, and South Korea. Emerging cluster was further enhanced by adding 26 countries, forming pie of 96 countries (Figure 1.4). India was found to be independent of other countries, indicating unique cultural propositions compared with other Far East economies.

Markets of Brazil, Russia, India, China and South Africa (BRICS) were frontrunner, during the last decade and are also expected to lead the world trade until 2050 (Sachs, 2007). Total inflows to the BRICS economies reached US$322 billion in 2013, 21% higher than in 2012 (Monitor, 2014). India has been projected to become the third largest economy by 2030 (Economics, 2013). India has been cited as frequently selected locations for international assignment and offer greater prospects in the form of strategic location which ease production of goods and services.
India stands among the largest populated countries of the world and privileged in terms of Gross Domestic Product (GDP) growth rate (O’Neill & Stupnytska, 2009). The atmosphere is conducive for MNC’s growth prospects, in terms of, well-connected transport system, availability of raw materials, low labour cost, aspirant for white-collar jobs, sophisticated information technology infrastructure etc. Presence of MNC’s increase competition with the domestic firms, besides, providing benefits to consumers in terms of low price and latest technological products. Number of companies entering Indian economy has been increasing at fast rate (21%) during the past 3½ years (Table: 1.2). Although from investment point of view, India seems to be a lucrative nation, there also exist certain drawbacks with the economy. World Bank ranks India 134th in terms of ease of doing business, which is lowest among BRICS economies (Business, 2014). India has been consistently ranked as most challenging location for international assignment (Brookfield, 2013).
Table 1.2 Selected state-wise number of foreign companies operating in India (as on 31.03.2008 and 18.08.2011)

<table>
<thead>
<tr>
<th>States/UTs*</th>
<th>31.03.2008</th>
<th>18.08.2011</th>
<th>States/UTs*</th>
<th>31.03.2008</th>
<th>18.08.2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andhra Pradesh</td>
<td>50</td>
<td>74</td>
<td>Karnataka</td>
<td>222</td>
<td>248</td>
</tr>
<tr>
<td>Assam</td>
<td>0</td>
<td>1</td>
<td>Kerala</td>
<td>11</td>
<td>17</td>
</tr>
<tr>
<td>Bihar</td>
<td>1</td>
<td>0</td>
<td>Madhya Pradesh</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Chandigarh</td>
<td>0</td>
<td>3</td>
<td>Maharashtra</td>
<td>553</td>
<td>744</td>
</tr>
<tr>
<td>Chhattisgarh</td>
<td>1</td>
<td>2</td>
<td>Orissa</td>
<td>7</td>
<td>10</td>
</tr>
<tr>
<td>Delhi</td>
<td>1405</td>
<td>1521</td>
<td>Pondicherry</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Goa</td>
<td>2</td>
<td>3</td>
<td>Punjab</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Gujarat</td>
<td>27</td>
<td>40</td>
<td>Rajasthan</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Haryana</td>
<td>100</td>
<td>179</td>
<td>Tamil Nadu</td>
<td>122</td>
<td>187</td>
</tr>
<tr>
<td>Himachal Pradesh</td>
<td>2</td>
<td>1</td>
<td>Uttar Pradesh</td>
<td>29</td>
<td>40</td>
</tr>
<tr>
<td>Jammu &amp; Kashmir</td>
<td>2</td>
<td>1</td>
<td>West Bengal</td>
<td>57</td>
<td>54</td>
</tr>
<tr>
<td>Jharkhand</td>
<td>0</td>
<td>2</td>
<td>India</td>
<td>2593</td>
<td>3138</td>
</tr>
</tbody>
</table>


Unlike MNCs whose products and services do extremely well in consumer markets, expatriates who relocate along with their family members may find adjustment as problematic. Issues which could play important role in the Indian context comprise; Tax implications and maternity leave, adaptation to the culture, family adjustment, extreme climate, living conditions differ from home country, habitual differences, schooling for dependent children, lack of consistency in service level and quality, availability of housing – scarce, provident fund issues, VISA, work permit, security concerns, customs delays, compliance and structure of packages’ (Brookfield, 2013).

While India offers challenging outlook for international assignment, it also offers better career prospects. Long ago, civil servants moving from England to India during British rule were given utmost priority and adequate training were provided (Stening, 1994). Some of the challenges for civil servants in India included separation from families in Britain, countless untreatable diseases (such as, dysentery, typhoid, malaria, rabies and cholera,), oppressive climate, foreign languages to be learned and generally tough living conditions (Stening, 1994). Although severity of these challenges have lessened over a period of time, as a result of technological progress and improved infrastructure,
nonetheless, cross cultural training remains critical in the Indian scenario (Waxin & Panaccio, 2005). Expatriates who do not adjust in Indian setting, return prematurely, which significantly disturbs subsidiary performance. These expatriate are replaced by senior managers who have to complete remaining part of the assignment. MNCs such as Goodyear, Standard Chartered, Siemens, GE, Castrol, Nestle etc. have completed more than 75 years in India and are popular among Indian consumers. Successful adaptation of MNCs reflect their evolution over a period of time and providing adequate resources & training to expatriates as per Indian cultural environment.

1.5 Summary

Culture evolve itself differently within each country, linking itself with past history and civilization. As Trompenaars, and Hampden-Turner (1998) defines ‘culture is the way in which a group of people solves problems and reconciles dilemmas’. Diverse Indian setting brings operational challenges for MNCs, who are otherwise successful in their home nation. Diversity in the Indian metropolitan cities are vast, as people migrate from poorer towns, accustomed in regional culture are headed towards rich cities, in search of employment and other amenities (Deshingkar & Start, 2003).

While Indian culture may be distinct for MNCs, they have to make changes in their operations to suit local norms. Apart from organisations, expatriates accepting global assignment and moving along with family, could also feel stress and anxiety in the host environment. Expatriate adjustment, is reliant on performance in the work and family domains. As expatriates are associated with host country nationals inside and outside the subsidiary firm, and family members their adjustment gets affected in work as well as family domains due to spillover and crossover effect. In turn, expatriate maladjustment in the host nation forms strain occurring in work and family domains negatively affect colleagues at workplace and spouse and children in the family.

Successful completion of assignment, not only provides cultural learning, but also psychologically strengthens expatriates for other overseas assignments. Senior

---

Managers from the parent company are mostly chosen to establish local company in the overseas market (Caligiuri, 2000). Manager’s success in the home country could be because of varied reasons, such as better understanding of business matters, high interpersonal skills, social networking, support from family members to concentrate on work domain, government funding, well-developed logistics and infrastructure etc. These factors disappear when they relocate in the host nation. To fit with the host culture it is necessary that expatriate learn the new set of behavioural norms and act in cultural-consistent way to reduce acculturative stress (Black, Mendenhall & Oddou, 1991).