

# The culture adaptability factors of expatriates' and their consequential impact on select MNCs effectiveness

<sup>1</sup>Soumya.R, <sup>2</sup> Dr.Govindappa.D,

<sup>1</sup>Research scholar, <sup>2</sup>Associate Professor,

<sup>1</sup>Department of Management studies,

<sup>1</sup>Bangalore University, Bengaluru, India

**Abstract:** *The launch of 'Make in India' 2014 campaign and other similar initiatives have further elevated India as an investment destination for multinational companies (MNCs). In order to support the initial, set up of business in India and to protect their equity interests, MNCs second their employees (hereinafter referred to as 'expatriates') to their joint venture (JV) partners or wholly-owned subsidiaries in India. These secondment may range for a period of three months to three years. Doing business in the Indian environment is complicated by the cross-cultural differences. It also drew our attention toward a systematic need to bridge the cultural gap between the homecountry and host country employees. Most of the expatriates are based in major cities of India. This observation is supported by the location of the Indian affiliates of MNCs.*

*The number of expats in India are currently in the 20,000 to 30,000 range, are seen to be continuously increasing. The expatriate community comprises people at various levels right from CEOs to executives of international corporations. According to expat insider survey 2018 there are 18% of US expats, 12% British, 7% German expatriates are currently immigrated. This study will discuss about the factors of culture adaptability of expatriates in Indian MNCs and their impact on productivity. Sample size will be selected from major cities to analyze the factors and effectiveness of MNCs. The study will discuss about expatriates' job competency, behavioral competency, readiness to adapt host country culture and perform the successful international projects or assignments.*

**IndexTerms** - culture, adaptability, MNCs, effectiveness, India, Expatriates

## I. INTRODUCTION

On account of Globalisation, MNCs are growing rapidly and India has now become a hub for them. Favourable policies and support from Indian government have attracted an appreciating growth in Foreign Direct Investment. In 2018 India beats China in Foreign Direct Investment inflow after 20 years, with \$38 billion compared with China's \$32 billion.<sup>1</sup>

With investment MNCs also mobilizes their expatriates which is the most efficient way to transfer critical capabilities. According to a 'expat explorer survey' conducted by HSBC<sup>2</sup> with 27,587 expats from different 159 countries in March and April 2017. India was ranked 14<sup>th</sup> best country for expats.

"Driven by strong ratings across a range of economic, experience and family measures, India shines in this year's league table, moving up 12 places since 2016 (to rank 14 as overall best country for expats)," says HSBC.

"India draws many expats for work and financial opportunities, but new arrivals here often find their family life improves significantly too," it further added.

But the expatriates who are transferred in India have to face cross cultural adaptability which is driven by many factors and eventually affects performance of MNC.

"India is, moreover, a multi-cultural society and most of the MNCs do not understand the diversity and the multi-plural nature of the society and the different stakeholders in this country."<sup>3</sup>

### Cross-Cultural Adjustment Factors affecting Expatriates in India

- **Religion:** This is a very critical issue when an Expatriate are moving to a new country even for a temporary basis. Christian employees might find a church to pray in a Muslim dominant country or vice versa. But fortuitously this is not the case with India. India is a secular country and respects all religions. The first line of Preamble of Indian Constitution says "WE, THE PEOPLE OF INDIA, having solemnly resolved to constitute **India** into a SOVEREIGN SOCIALIST SECULAR DEMOCRATIC REPUBLIC". One can find a Church, Mosque or respective place of worship nearby in the same city.
- **Food Habit:** This is a major cultural adaptability for an expatriate. Food habits in India vary greatly. Expatriate might have to face difficulty in finding a suitable place for a daily meal if he does not have cooking facilities.
- **Language:** English speaking Expatriates will not have any problem since India ranks second in the world among English speaking countries and English is officially used in place of business. But if an employee travels in India he might face some problem as according to census of more than 19,500 languages or dialects are spoken in India<sup>4</sup> as mother tongues.

**Living Standard:** India is not considered to be an ideal place in terms of living standard and leisure. According to expat insider, India is not suitable for people who prefer a high demand for digital technology.

India is also left behind in Leisure rank which is 65<sup>th</sup> out of 68. Less than half (47%) Expatriates say climate and weather to be good compared 61% globally.

### Theoretical framework

#### Braasch's research (1999)

One of the most systematic and thorough study on the subject is the work done by Braasch in "Expatriates in India: Culture-Specific Leadership and Its Potentials". His study provides numerous valuable insights on the subject. Braasch did his work keeping the main goal in mind of looking for the most suitable culture-specific leadership style for expatriates for whom Indians are working as subordinates. On the basis of his study, he developed a question that "How expatriates should lead Indian employees?"

He proposed an answer for the same which was in agreement with "Adaptation and Leadership". his answer is:

“Expatriates are more successful in India if they apply a culture-specific leadership style. Such a leadership style combines Adaptation (authoritativeness, emotionality and empathy) and Leadership (result-orientation). Both components have some potential alone, but basically form an inseparable unit, which only in its entirety generates the best possible results. This entirety can also be called a deliberate, demanding, differentiated Paternalism (dddP.)”

Brassch have explained the concept and idea of dddp by indicating the need for a paternal approach of superiors towards their employees which includes firm authoritativeness, fatherly support and good leadership elements.

He first started interviewing with 73 expatriates from different countries to give his hypothesis some existential test. Of these 73, 29 were of from US and 44 from Germany and 57.5% were based in Mumbai and 42.5% were based in Delhi working in service and manufacturing sectors 66% and 34% respectively.

And Secondly he collected (through field survey) data of 102 expatriates from US and 255 expatriates from Germany. He prepared questions which consisted of close-ended questions describing mutual cross-cultural work relationship. The assessment about the confirmation of the hypothesis was based on the judgment of the success of expatriates and their employees. In which both realize the success through the quality of work relationships between them. Thus an expatriate is deemed successful only when he judges the mutual relationship between him and his employees as positive as well as his employees.

The results confirmed the hypothesis. This was a major achievement in that this approach generated best results in the amongst Indian employees and maximize their efforts. Based on this it was concluded that Indian employees seek and appreciate to work under leaders who can mould their authority in a paternal approach and can adapt and empathize with them. This shows that Indian employees work efficiently and give maximum result when their “cultural need” are catered to.

On the other hand, while the employees got happy, the feedback by expatriates was far less positive for the mutual relationship between them and Indian employees as the approach made the employees happy but increases the pressure on expatriates and they need to adapt themselves according to every employee.

The response of the employees on the emotional aspects was mixed and it seems that the author overestimated the importance of the emotional factors and the role they play. Response to the superiors’ interest in developing their employees and in improving their skills is important for Indian employees was high. This reflects upon the ambitiousness of the Indian employees. Thought it has nothing to do with culture and the response would have been the same in any other culture as well.

### **Bentolhoda Hossein’s research**

A much recent study done by Bentolhoda Karbalaie Hossein on “Cross-cultural adjustment of expatriate employees in global business environment with special reference to India” aimed to investigate the factors that influenced expatriate’s cross-cultural adjustments who are assigned to India gave new insights on the subject.

In this study, Hossain considered five influence factors that affect cross-cultural adjustment of expatriates. These factors include

- Job satisfaction                      consisted of 8 questions
- Organization socialization        consisted of 7 questions
- Organization support                consisted of 6 questions

- Family support consisted of 3 questions
- Cross-cultural training. consisted of 6 questions

This is a quantitative research designed using structured questionnaires on the basis of previous researches. The questionnaire is composed of 3 parts that include 64 questions. Data is collected and the author used statistical package for social science (SPSS), descriptive simple regression and correlation statistics, T-test, ANOVA for analyzing the data which was collected from the expatriate employees who are assigned India. Descriptive statistics were used to analyze the demographic factors which include

- gender
- age
- marital status
- working experience in India
- overseas working experience
- previous cross-cultural training
- family living status
- stay duration in India
- host country language ability (Hindi)
- English language proficiency.

SPSS was used to calculate the descriptive statistic. Hypothesis investigated are statistically analyzed by different methods including ANOVA, T-testing, regression and correlation.

## RESEARCH METHODOLOGY

Gender					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	75	62.5	62.5	62.5
	Female	45	37.5	37.5	100.0
	Total	120	100.0	100.0	
Age					
		Frequency	Percent	Valid Percent	Cumulative Percent
	20 – 29 Years	38	31.7	31.7	31.7
	30 – 39 Years	47	39.2	39.2	70.8

Valid	40 – 49 Years	29	24.2	24.2	95.0
	50 – 59 Years	6	5.0	5.0	100.0
	Total	120	100.0	100.0	
	Doctoral Degree	4	3.3	3.3	100.0
	Total	120	100.0	100.0	
<b>Marital status</b>					
		<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Valid	Single	55	45.8	45.8	45.8
	Married	64	53.3	53.3	99.2
	Divorced	1	.8	.8	100.0
	Total	120	100.0	100.0	

<b>Stay duration</b>				
	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Less Than 1 Year	33	27.5	27.5	27.5
1 – 3 Years	49	40.8	40.8	68.3
3– 5 Years	12	10.0	10.0	78.3
More Than 5 Years	26	21.7	21.7	100.0
Total	120	100.0	100.0	

<b>Work experience</b>					
		<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Valid	Less Than 1 Year	43	35.8	35.8	35.8
	1 – 3Years	49	40.8	40.8	76.7
	3 – 5 Years	10	8.3	8.3	85.0
	More Than 5 Years	18	15.0	15.0	100.0
	Total	120	100.0	100.0	

<b>Family living status</b>				
-----------------------------	--	--	--	--

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	YES	46	46.7	46.7	46.7
	NO	64	64.3	64.3	100.0
	Total	120	100.0	100.0	
<b>Host country language ability (Hindi)</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	None	60	50.0	50.0	50.0
	Poor	29	24.2	24.2	74.2
	Fair	25	20.8	20.8	95.0
	Excellent	6	5.0	5.0	100.0
	Total	120	100.0	100.0	

### Hofstede's dimensions and scale

Geert Hofstede (Professor Emeritus of Organizational Anthropology and International Management at Maastricht University, former IBM employee, Dutch social psychologist and ) in his seminal work explained the four dimensions of the culture that he found that help explain the behaviour of the people from a different culture. Author made Four dimensions on considering the issues every society has to face and their response to these issues give a deeper insight into the behaviour pattern of the society.

These four dimensions of the society as described by Hofstede in his work are:

- **Power Distance:** This hints on the point to which the power-deprived members of a society accept that power distribution is uneven.

**Uncertainty Avoidance:** This dimension pertain on the alertness of people of society towards uncertain circumstances and to deal with them they set up certain institutions and create certain beliefs.

- **Individualism:** Indicate towards the inclination of people to be bothered about their and their immediate family's well-being.
- **Masculinity and Femininity:** These are the broad classification of the major collective goals of a society.
  - Masculinity is a situation the prime values of the society lie in materialistic things, money and success.
  - Femininity on the contrary describes a society where dominant value lies in looking after and caring for each other and the living standard.



Hofstede arranged a scale ranging from 0-100 on the basis of which he formulated results for the countries that were surveyed. The position of India and its vast cultural variety is quite intriguing.

### **Score of India on Hofstede's Scale**

#### **Power Distance (PDI)- 70**

India was scored a striking 77 which means that the distribution of the power and resources in Indian society is highly uneven and unequal. This fact is not forced on the society but accepted by it as a social norm. The managers in the society depend on the obedience of their subordinates and employees and the employees demand to be directed clearly for the work.

Furthermore, the division of the Indian society on the basis of caste also increased the score considerable. The caste system divides the society into 5 major groups and in a specific order, each one is superior to the one below. The caste is specified by birth on the hierarchical basis and power is "allotted" to the citizens on its basis .

#### **Individualism versus collectivism (IDV)- 48**

India scored 48 in this dimension which indicates its collective nature.

Individuals are needed to work in agreement with the society for its greater good. Many Indians have their future defined by the society and major institutions governing this society such as Government, churches, temples, family- immediate or extended, neighbour, social circles and other wider networks. The loyalty from employee and protection from the employer are the basis of every employer and an employee relationship . In workplaces hiring and promotions are made on the basis of this relationship. Relationships play a major role in everyone's life in a societies like that of India.

#### **Masculinity versus Femininity (MAS)- 56**

As India score 56 in this dimension its is considered that India has a Masculine society where the major goal is materialistic achievements and success. India is a very masculine country as is shown by the pomp and show by every individual at some point or the other. This pomp and show has landed India such a high score. The major focus in India is on material gains. Work and the success in the workplace which everyone deem very important has occupied the central space of almost every Indian's life. In India, the assertive, competitive and ambitious people are quite valued.

#### **Uncertainty Avoidance (UAI)- 40**

People in India are not too inclined towards avoiding uncertainty as is indicated by the score of 40 in this dimension. In India, tolerance for unexpected is very high and nothing need to go as planned and nothing needs to be perfect. People in India are not forced by the uncertainty to take actions and feel content. Indians value risk-taking and seek change and show tolerance towards difference and error. These qualities make India an ideal destination for business establishments

Later Hofstede included another dimension which he termed "long termed orientation" and India scored 61 under it.

#### **Orientation (LTO)- 61**

The score of 61 under this dimension indicates the cultural conduct of India society. Indians are well acquitted with the concept of Karma and believe in it. Indian Philosophy considers the time to be polychronic as opposed to western culture which considers time to be mono-chronic and generally scores very low in this dimension. Hinduism is many times considered philosophy more than religion. A score this high is indicted the forgiving nature of society towards lack of punctuality. Faded paths are more often followed than a concrete plan. This often indicates the one's lethargic approach towards work in India.

**Impact of Cross-Cultural adaptability on MNCs' effectiveness.**

The internationalization has become a growing strategic option for the organizations that want to acquire an edge in the competition. Globalization largely affects corporate culture and the employee. Some organizations try to develop dynamic capabilities through the expatriation of managers. The failing of expatriates gives way to decline of the productivity of a firm.

**Communication:**

Communication is the key to the success of any MNC. Communication is required in all organizations in all sectors. Communication with customers, communications with suppliers and partners. MNCs also require to communicate with the stakeholder across the globe.

High-end Technology is the most basic necessity of multinational companies as with the help of tech only anyone can communicate with their colleagues anywhere in the world but it has failed to help us to understand the values and perceptions of our foreign counterparts.

Globalization has dissolved every limit of the boundaries and bought the world closer. And Cultural awareness helps to deal with new settings. If not for the cultural awareness it could have created misunderstandings and be harmful for establishing business relationship. Knowing and understanding the values of other culture make it easier to meet the expectations of foreign counterparts.

**Successful teamwork:**

Teamwork is the undeniably most important factor to run a company. A team often consists of people from different backgrounds, in terms of profession, region, age-group, gender, personal and work-related experiences. People belonging to different cultures work on the same team. In a multinational company, we are often required to collaborate with individuals dispersed across the globe.

While this diversity makes the employees more flexible and tolerating, it sometimes hinders the progress of the company too.

**Marketing and development:**

To advance in different regions and serve in different markets it's crucial to be aware of their standards, preferences, values and customer priorities. What is preferred in one culture might be considered distasteful on another.

These are just a few areas that make intercultural awareness very important in the success of international business and global cooperation. In most MNCs, the diversity on the team is valued as well as quite appreciated.

**IV. RESULTS AND DISCUSSION****Descriptive statistic of Demographic factors****Gender**

62% were male and 45% were female of the 120 respondents.

**Age**

31% were between 20-29 yrs old and 39% were between 30-39 yrs old while only 24% were between 40-49 yrs old and 5% were between 50-59 yrs old.

**Marital status**

A Major proportion of the respondents were married to only one person divorced. 55(45.8%) single, 64(53.3%) married and 1(0.8%) divorced.



**Stay duration**

27.5% had been living in India for less than a year. A Majority had been living in India between 1-3 years almost 40.8% while only 10% had been living in India between 3-5 years and 21% had been living in India for more than 5 years.

**Work experience in India**

Among 120 35.8% had less than a year of work experience, 40.8% had 1-3 years of working experience and only 8.3% had 3-5 years of experience and 15% had more than 5 years of experience in India.

**Family living status**

46% were living with there family, 64% were not.

**Host country language ability (Hindi)**

Majority of expatriates were unable to speak Hindi 50.0% were not able to speak the host country language (Hindi), 24.2% were poor, 20.8% were fair and 5.0% were excellent.

**Overseas experience**

40% never had an overseas experience while as majority 72% had overseas experience.

**Cross-cultural training**

31.7% had cross-cultural training before being posted while 82 % never did.

**References:****Websites Referred:**

- [economictimes.indiatimes.com](http://economictimes.indiatimes.com)
- [www.livemint.com](http://www.livemint.com)
- [internations.org](http://internations.org)

**THESIS/DISSERTATION REFERRED:**

- Hossein, Bentolhoda Karbalaei (2016). Cross cultural adjustment of expatriate employees in global business environment with special reference to India. Jamia Milia Islamia University.
- Steffen Braasch, Expatriates in India: Culture-specific Leadership and Its Potential : a Theoretical Concept of Adaptation & Leadership, and the Experience of 85 Expatriates in American and German Companies in Bombay and Delhi (1999). Unpublished Dissertation No. 2265, University of St. Gallen, Switzerland.
- Bhandari, Gokaran, Tandon Reforms and Foreign Direct Investment in India, DRC Working Paper No. 4, Centre for New and Emerging Markets,(2002) London Business School, London.
- Geert Hofstede, Dimensionalizing Cultures: The Hofstede Model in Context (2011).Universities of Maastricht and Tilburg, The Netherlands.