

Differences Between National Culture And Organisational Culture

Effects On Employee Behaviour In International Hotel Chains Located In
Urban India

By

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Masters in International Hospitality Management

AUT

**This dissertation is submitted to Auckland University of Technology in partial
fulfilment of the Degree of Masters in International Hospitality Management.**

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Attestation of Authorship

I hereby declare that this submission is my own work and that, to the best of my knowledge and belief, it contains no material previously published, written by another author or material which to a substantial extent has been submitted for the award of any other degree or diploma of a university or other institution of higher learning.

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Abstract

Literature from America and Europe have contributed immensely to the arena of management studies. This research uses Western and Eastern literature to lay down a balanced platform for a literature study on India. Using an Indian perspective and the available literature on national culture and organisational culture as a base, this literature study will evaluate how the strong cultural background of Indian employees working for international hotel chains situated in India differs from the organisational culture of these international companies. As globalisation engulfs the world, management gurus and academicians increasingly focus on the significance of the workforce as an important asset for a company's competitive advantage. This focus is all the more complex for Multinational Companies (MNCs) in consideration of the management of employees in host countries like India, which is well known for its cultural diversity, spirituality, caste system and booming economy over the last decade. Recognising different cultural settings and appreciating differences in cultural norms is often the key to management success.

This literature study focuses on the growing hospitality industry in India, revealing different aspects of employee attitudes (such as, teamwork, rewards systems and loyalty) towards the organisation. The study tries to answer, how international organisations cope in a country with a completely different cultural background and how does this affect the attitudes of employees working for multinational organisations that have a different organisational culture in comparison to their national culture? To make the literature study more comprehensive the study is divided into explanatory categories such as (1) Indian culture both ancient and present (2) the birth and evolution of the Indian workforce (3) the Indian economy and the effects of globalisation (4) the hospitality industry in India (5) relevant literature on culture and organisational culture (6) developing a cultural profile of India and its people with the help of the Kluckhohn and Strodtbeck framework, at the same time considering the work of Geert Hofstede on cultural dimensions and (7) finally how these strong cultural practices can affect the functioning of international organisations situated in India. It was found that if international organisations want

to succeed in India, they would have to develop an understanding of the Indian medley of culture, tradition, caste system and the fast growing economy.

Keywords

Attitude, employee, hospitality industry, India, labour, national culture, organisational culture.

1. Introduction

In the last decade there has been a rapid growth in the Indian economy and conditions favouring foreign investments. Many international companies are establishing a strong foothold in the Indian economy due to the legislative and economic conditions supporting the growth of Multinational Companies (MNCs) in India, which is clearly evident from India's \$1.5 billion from outsourcing business. Since the liberalisation in the 1990's, along with Information Technology (IT) and software, Business Process Outsourcings (BPO's) have been perhaps the most open sectors. India has seen an influx of pioneer companies such as British Airways, General Electric and Microsoft establishing their back offices in India (McKinsey, 2004). The increase in the number of MNCs in India has led to the increase in the number of business travellers to India. India made an estimated US\$2.4 billion in 2004 from business travellers and the same is predicted to reach US\$5 billion by 2014. World Travel and Tourism Council (WTTC) in their latest report stated that India's travel and tourism market would generate an outstanding US\$46.5 billion from Personal Travel and Tourism as compared to US\$19.5 billion in 2004 ("India: travel and tourism forging ahead", 2004).

Such travel has led to an ever-increasing demand for budget and economy rooms and the market remains wide open for international hotel chains to expand. Hence, the hotel industry is not lagging far behind in the race to gain a place in the growing Indian market. In fact the budding economy and introduction of tourism brand 'Incredible India' in 2003, has secured an ever-expanding opportunity for the hotel industry in India ("Centre plans to make 'Incredible India' a real experience", 2005). The liberalisation of the airline industry in 2003 and the subsequent reduction in travelling expenses has also benefited the growth of the hotel industry in India. An improved relationship with its neighbour Pakistan and stronger economic ties with countries like the United States of America and United Kingdom from 2003 – 2005, are also responsible in creating an appeal for international hotels chains to establish themselves in India (Elliott, 2005). Hotels chains such as Hilton, Marriott, Sheraton,

Hyatt and other international brands along with local luxury brands like Taj and Oberoi are the leading hospitality service providers in India ("Hotels", 2006a).

Globalisation has managed to change the face of most of the world economies such as the USA, Russia and also growing economies like India and China. The following verse from the Bhagvad Gita simplifies the understanding of globalisation and its importance in today's world.

Verse 1:

"All purposes that are served by the small pond can at once be served by the great reservoirs of water. Similarly, all the purposes of the Vedas can be served to one who knows the purpose behind them."

- Bhagvad Gita, (Prabhupada, 1972 chapter 2, text 46).

Up until late the 19th century (O'Rourke & Williamson, 2000) companies thrived on the trade in their local markets. When compared to verse 1, the local markets can be referred to as small ponds. Access to small pond meant access to very limited resources of the local market. However, the late 19th century saw a revolutionary breakthrough in transportation and communication services bringing foreign lands closer and the birth of the modern globalisation (Loots, 2001). This meant a greater access to foreign markets or the great reservoirs as mentioned in verse 1. This was the birth of MNCs. However, just gaining access to foreign lands does not necessarily mean successful trade. As it is rightly said in verse 1, all the purposes of an individual would be served if they would understand the knowledge hidden in the 'Vedas' (Sanskrit word for books of knowledge). In a similar fashion, when multinational companies adapt themselves to the foreign environment and comprehend the knowledge of cultural differences between themselves and the foreign land, attracting the right set of customers and employees becomes an easy task. Nevertheless, people from different nations have varied cultural and ethical values. This diversity in the cultural and ethical values of people from different nations can be the root cause of misunderstandings, contradictions, misconceptions,

and loss of knowledge. On the other hand, the understanding of diverse cultures can help one beyond their belief, increasing their compass of knowledge yielding beneficial and lucrative results. Having an understanding and an assimilative approach towards cultural diversity is a great way to start a new venture in an unknown land with a different cultural background.

Culture is largely related to groups where the basic need of the group is to communicate, both at superficial level (where language largely meets the requirements) and also at the deeper level of meaning like the customary beliefs, social forms, and material traits of a racial, religious group (Brown, 1995). In layman's language it simply means that people from different countries have different sets of values, trends, ways in which certain actions are supposed to be carried out, rules and regulations of the society and its traditions. In addition, Geert Hofstede the father of culture literature, states '*that culture is to humans what personality is to an individual*' (Hofstede, 1984, p. 21). So, all the actions performed by an individual, are echoes of the habits and practices of the cultural group to which they belong (Chang, 2002). The cultural values also play an important role in determining persuading and conflicting behaviours of a society or an individual (Chang, 2002). It can also be said, that, the nucleus of knowledge is made up of people and culture (Awasthi, Chow, & Wu, 2001; Rangarajan, 2004). Thus, it is essential for an organisation to understand the reality that, the knowledge and information base of the employees is a vital factor for their success in a diverse culture (Connelly, 2002).

The people factor plays an important role particularly as globalisation shrinks the world similar to a globe lying on the tabletop in an executive's office. With the intellectual and technological advancements, gaining access to distant lands is as easy as pointing out a country to a child on the globe. To increase their profits and gain competitive advantage, firms move to different countries, which often have a different cultural background as compared to their home country. Globalisation has received a boost from factors such as governments opening up the countries doors to international investment, manufacturing companies going global, research and marketing by MNCs (Myloni, Harzing, & Mirza, 2004a). According to Toynbee (cited

in, Mehmet, 2002, p. 65) *'globalisation means unifying humanity into a 'Global Village' that will build on unified knowledge, best values of humanity, different religions and cultures united in tolerance, equality and mutual respect.'* But globalisation comes with its share of confusions, threats, and destruction of old ways and norms creating new risks and uncertainties hampering the existing culture (Mehmet, 2002; Rangarajan, 2004).

Globalisation has created a big buzz in developed and developing countries. The renewed faith in private capital and resources and studies carried out by the World Bank and other international organisations has spurred a chain of structural adjustments. New opportunities have been developed by the advent of globalisation; also facilitating access to developed country markets and technology transfer (Balakrishnan, 2004).

Opening its doors to globalisation in the nineties, India also entered the race for becoming a global economy. Major economic crisis in the early nineties, like the crunch in foreign exchange, almost led India's economy close to defaulting on loans disrupting the Indian "hospitable" welcome of globalisation (Balakrishnan, 2004). However, after 1991, situations and governments have changed, guiding India to become a more open and market-oriented economy. Predictions have been made that the share of the United States of America (USA) in world GDP will fall from 21% to 18% and that India's GDP share will rise from 6% to 11% in 2025. If this were to happen, India would be third to USA and China in world super-economies ("India and the global economy", 2005). Opening the Indian Economic Summit 2004 in New Delhi, the Indian finance minister mentioned that, *"India is growing at a brisk pace and opportunities are enlarging. You must seize this opportunity and I promise you that the government will help you."* ("India's finance minister predicts growth for a decade as investment panel formed ", 2005).

India, alongside China, has been seen to provide strong competition to countries like the USA, Great Britain and other developed countries in trade and the service sector ("India and the global economy", 2005). In a recent report released by

the World Economic Forum in September 2005, out of 117 countries ("World economic forum survey out, India stands at 50th", 2005) India has ranked 50th, just a position below China, in the Growth Competitive Index. India has moved up five places from last year while China has fallen three places ("World economic forum survey out, India stands at 50th", 2005). The reforms brought about by the new government in the Indian economy have made India more accessible for foreign investors.

1.2. Research Question

With the advent of international companies, comes diverse values and international organisational culture. The purpose of this study is to determine, if conflicts between national culture and the organisational culture exist and how they affect employees. Taking into consideration the vastness of the cultural diversity that exists in India and its acceptance of globalisation makes the topic very interesting to look at. The study looks into International Hotel Chains located in urban India. Some of the questions that this study will try to answer are: How do the MNCs cope with cultural differences? What is the influence of the international organisational culture on the functioning of the organisation? What is the impact of the interaction between the national culture of the employee and the organisational culture and how does this affect the attitudes of the employees towards the organisation?

1.3. Methodology

In order to ensure a wide reading, analysis of the issues and logical arguments a comprehensive database was developed. This database consists of literature on culture and organisational culture written by both Western and Eastern authors. As India has been the main focus of this study the first four chapters provide the reader with an insight into India. The chapters are a collection of classic Indian heritage, Indian culture, and the Indian labour system that includes a brief description of the caste system, the Indian economy from independence to the

present day and finally the hospitality industry of India. The fifth chapter consists of literature on national culture and organisational culture by prominent authors like Geert Hofstede, Schein, and Adler. The literature on India and culture is then analysed with the help of the Kluckhohn and Strodtbeck framework and the five dimensions of culture developed by Geert Hofstede. This analysis helps in building a cultural framework of India, which explains why Indians behave in a particular fashion and how this behaviour effects their functioning in a MNC having a different cultural background. Based on the profile of Indian employees which has been created, various factors like team composition, leadership styles, personalised relationships, motivational aspects and human resource management practices are discussed in the literature study. The literature concludes with the limitations of the study and emphasises the importance of knowing the context before establishing an organisational foothold in a new country, such as India.

2. India: Socio-Cultural Background

A part of the Asian continent separated by the grandeur of the Himalayan ranges from the rest of the South East Asian countries and enveloped by three large bodies of water, the Arabian Sea to the West, the Bay of Bengal to the East and the Indian Ocean to the South is the peninsular country of India. The country is made up of 26 states that hold an astonishing variety of landscapes, races, religions, cultures and languages. The captivating beauty that India holds in its vastness and diversity captured the hearts of many great people throughout the world and continues to do so today. With a population of over 1 billion, India is the second most populated country in the world after China. Apart from English being the major language of trade and politics, Hindi is the national language of India along with fourteen other official languages and myriad dialects. With six major religious groups (Hinduism, Islam, Christians, Sikhs, Buddhists and Jains) and other minor ones and six main ethnic groups, the Indian calendar is filled with countless holidays ("India", 2005). These visible differences make it difficult for anyone to label any action or custom as "classic Indian".

Sometimes being a citizen of India one may be considered as being from a poor nation. This can happen because 25% of the population falls below the poverty line ("The world factbook", 2005). On the other hand, India can also boast of its cream of the crop and a powerful class of millionaire industrialists like Ratan Tata, Kumarmangalam Birla and Rahul Bajaj (Raj, 2005). In 2003 the official CIA website estimated that around 59.5% of the Indian population is illiterate ("The world factbook", 2005). In contrast, India has one of the largest education systems in the world churning out highly qualified doctors, engineers, lawyers, scientists and software professionals. An abundance of English speaking and educated labour in India has made it a potential market for MNCs looking to expand their trade. But, just having a market, which supports growth, is not enough to establish a successful endeavour in India. Because of the diversity in the religion, races and social

background that persist in India, it makes it very significant for the MNCs to know what the ingredients of the Indian soup are before eating it.

Thus, it is of importance to know the significant cultural and economic characteristics of the country that influence the business environment. The following section will discuss India's ancient heritage followed by a brief discussion on the growth of empires and religions in India.

2.1. Indian Culture

Indian culture dates back to 5000 BC (Lewis, 2000). Even though the culture is old, its prominence can be felt in every nook and corner of India. As all the four corners of India have their own distinctive culture and all the states have created their own cultural identity, the prominence of diversity in Indian culture shines out. Even with the existence of such diversity in various parts of India the one thing that remains common is the age old civilization and the knowledge that has been handed down through the generations, which is clearly evident from the day-to-day activities of the Indian population (Lewis, 2003). The difference in the religion and the language separates the people of India rather than the geographical boundaries. The 2001 census notes that 80.5% of the Indian population is Hindu, 13.4% of Muslims, 2.3% Christians, 1.9% Sikhs and 1.8% of Buddhist, Jain and aboriginal included (Gannon, 2004; , "The world factbook", 2005). The world-renowned anthropologist and linguist Benjamin Whorf cited, "that the language we speak largely determines our way of thinking, as distinct from merely expressing it". Whorf also added that *"language is shaped by culture and reflects the individual actions of people daily"* (Turner, 1987, p. 836). Therefore, it is of importance to have a basic knowledge of the native language of a nation to fully understand the reality of the experiences in a strange nation with an unknown culture (Lewis, 2000).

2.2. India's Ancient Heritage

Throughout the three thousand years of existence, India has been known as the land of spirituality and philosophy and has been the motherland of various world religions like Hinduism, Buddhism, Jainism, and Sikhism. Other religions that found shelter in India in the past three thousand years of change and development are Christianity, Islam, Zoroastrianism and Judaism ("Religion - India", 2000). Even though Hinduism is the dominant religion in India, Indians have learned the art of symbiotic existence. This is evident from the fact that reciting of the Hindu *shlokas*, the *aazaans* of the Muslim prayers, *Guruvani* of the Sikh, hymns of the Christians and the chanting of the Buddhist monks ("Religion - India", 2000) echo in chorus under the same Indian sky.

Verse 2:

"We are the birds of the same nest, We may wear different skins, We may speak different languages, We may believe in different religions, We may belong to different cultures, Yet we share the same home - OUR EARTH.

Born on the same planet, Covered by the same skies, Gazing at the same stars, Breathing the same air, We must learn to happily progress together, Or miserably perish together, For man can live individually, But can survive only collectively."

Sloka, Atharva Veda (Birodkar, 2005a).

The above verse or *sloka* is from the Atharva Veda one of the four 'Vedas' or books of knowledge from ancient India (Birodkar, 2005a). This *sloka* brings out the very meaning of humanness, which is the undercurrent of subsistence in a nation known by many names such as Aryavarta, Jambudwipa, Bharatvarsha, Hindustan or India. The history of Indian civilization is a witness that all cultures have been welcomed with profuse respect and open heartedness. The land has been inhabited and cultivated since 3000 BC (Swanson, 1998a). Living on the same land, evolving on the principle of togetherness, the Indian civilization has laid down a strong foundation rich with its ancient and benevolent heritage and a knowledge-wealthy

culture for the children of today. India has proved itself to be an assimilative society despite differences.

With a history of around three thousand years, the spirit of India has ensnared the human race with its charisma. The earliest urban civilization to inhabit India was the Indus valley civilization and the Harappan civilization between 3000 – 1200 BC (Swanson, 1998a). During the rise and fall of various civilisations and historical periods in India, immigration laws were not in existence and one did not need a passport to enter a country, people came to India from all the corners of the world. According to historians India was originally inhabited by Dravidians for around one thousand years before the nomad Aryan tribes marched into India in 1500 BC (Hooker, 2003). The advent of the Aryans laid down the foundation for the present day Hindu or Indian culture. Along the years, many other dynasties flourished and perished in India. India witnessed the rise and fall of many great dynasties and monarchies like the Nandas, the Guptas, Maurayas, Cholas, Vijaynagar, Mughal and in the last 300 years the European colonial powers like the Portuguese, Dutch, French and the British ("Who is India", 2005). During these years of rule under different empires, the physical boundaries of India stretched to countries like Afghanistan in the North West and to Java, Sumatra (Indonesia) and Burma (Myanmar) in the East. Along with the expansion of physical boundaries there were also significant developments in the field of literature, the performing and visual arts, architecture and politics. These eras of Indian civilization have contributed to the 'well of knowledge' of the world by giving it great minds, gurus (teachers), a rich and composite culture and spiritual enlightenment which in turn have greatly influenced present day Indian culture.

2.3. The Realm of Religions

The dominant religion in present day India is Hinduism with about 80.5% of the population being Hindus ("The world factbook", 2005). Hindu actually means the "civilization of the Hindus" which dates three thousand years to the Indus Valley and the Harappan civilization (Lewis, 2003). Although Hinduism denotes the Indian

civilization of the last four thousand years, Hinduism is primarily the legacy of the chariot riding Aryans who made India their home in 1500 BC (Hooker, 2003). These Aryans were the originators of the Vedic civilization and left behind a body of literature that still remains the foundation of Hindu thinking: four *Vedas* (*Atharva Veda*, *Rig Veda*, *Yajura Veda* and *the Sama Veda*) or the books of knowledge, the philosophical Upanishads, the popular stories of the Ramayana and the colossal epic Mahabharata which contains the celestial song Bhagvad Gita (Hooker, 2003).

The essence of Hinduism is in its capacity to absorb and assimilate dissimilar creeds. This is possible because Hinduism believes in the universal truth of oneness, covering and integrating various worldly aspects into it like religious, social, economic, literary and artistic. Throughout the generations Hinduism has played a major role in an Indian's behaviour in relation to his/her social or business life (Lewis, 2003). However, Hinduism alone, cannot be called the only moulder of Indian philosophy or culture. This is because Hinduism has undergone many changes due to the impact of other cultures (Gannon, 2004).

Other religions that have contributed to the rich and diverse Indian culture are the ancient religions Buddhism and Jainism and the not so ancient religions like Christianity, Islam and Sikhism. Jainism is believed to be in existence since the pre-Vedic times (Jain, 2006a). Jainism attained glorification when the last Tirthankara Vardhamana Mahavira (a great guide) attained salvation. Mahavira was born in 599 BC (Jain, 2006b). Buddhism was founded by Lord Gautama Buddha born in the 563 BC (Swanson, 1998a). Both Jainism and Buddhism are considered to be a reaction to Hinduism and have common beliefs to Hinduism such as karma and reincarnation. Some people consider these religions to be a critique of the values encrypted in the Hindu scriptures (Lewis, 2003).

Christianity in India is as old as the Western world of Christianity. The first Christian missionary activity in India dates back to the first century AD with the advent of Saint Thomas, the disciple of Jesus (McLaren, 2004). Concentrated only in the Southern states of India in the beginning of the first century AD, Christianity

has gained a wider acceptance throughout the country in the present day. 2.3% of India's present population practices Christianity ("The world factbook", 2005).

Islam was the religion of the rulers from Arabia who first invaded India in the eleventh century. The Muslim rulers ruled different parts of India from 1000 AD to 1750 AD (Swanson, 1998b). Thus, the Islamic religion has had a strong influence on Indian society even though only 13.4% of the Indian population is Muslim ("The world factbook", 2005).

Sikhism is the religion founded in the Northern state of Punjab in the late fifteenth century by Guru Nanak ("Religion - India", 2000). A very new religion as compared to the other religions in India, it derives its values from both Hinduism and Islam. Sikhism emerged as an alternative dogma to Hinduism and is now a flowering religion in its own right with about 1.9% ("The world factbook", 2005) of India's population following the Sikh religion.

Apart from the assortment of religions and cultures that left an impact on the three thousand year old Hindu or Indian culture, the colonisation of India has also had a strong impact on present day India. The first European countries came to India in the early fifteenth century. These European colonists arrived on the Eastern shores as traders and explorers. The first to arrive were the Portuguese who entered India as traders in search of spices and souls and established their rule over the West coast of India in the early sixteenth century (Birodkar, 2005b). Until the very end of their colonial rule in 1967, the Portuguese remained in the coastal cities of India (Birodkar, 2005b). The Portuguese not only introduced European customs but also converted the locals to Christianity.

The Dutch, French and the British, arrived in the seventeenth century and thereafter. The British came to India as traders and businessmen. The British East India Company started by acquiring rights to carry out trade and establish factories in some of the Mughal provinces and later transformed these rights into political power

(Robinson, 1989). Unlike the resistance that the Muslim rulers faced on their arrival from the Indian rulers, the dawn of British power saw a '*smooth transition between the Indian aristocracy and the colonial power*' (Birodkar, 2005b). Forming alliances with the weaker rulers and defeating their powerful local and overseas adversaries, the British gained control over most of India. The expansive force of private and company trade in part powered British expansion.

According to their Christian beliefs, the British considered Indian society as barbarous, which they believed gave them the right to improve the conditions in India. They were successful to a certain extent in marrying the European ways of social leadership and Western aristocracy with the ancient Indian traditions. A free hand had been given to Christian missionaries during the colonial rule (Robinson, 1989). This helped in great social reforms like abolishing of sati (practice of widow burning), encouraging widow remarriage and female education. Also as the British Raj (the Indian name given to the East India Company) expanded all over India, there was a substantial increase in the requirement of English speaking workforce for government jobs. To fulfil vacancies in government jobs the English language was promoted in schools. The purpose behind the establishment of new universities and educational hierarchies in India was to achieve the desired social reforms. To facilitate the development of new universities and educational institutions, development of better means of transport and communication was crucial (The World Book Encyclopedia: Ci - Cz, 1993). The astute methods (such as introduction of English language and Western education system) employed by the British, captured the Indian minds by sowing influence through belief and thought, taste and opinion, thus giving birth to new genre of Indian intellectuals who were far more than '*administrative appendages of the colonial rule*' (Ramachander, 2004). The British had a selfish motive behind educating the middle class Indians which was to create an '*army of clerks*' who would work for the British Raj (Ramachander, 2004, p. 1).

Although the British colonisation of India ended in 1947, traces of British culture continue to be embedded in the daily life of the Indian. This was only possible because the soil that received the seeds was the right soil, for in a country

like India that has more than 428 spoken languages (Gordon, 2005), the colonial language English continues to play a prominent role. Even though Hindi is the national language of India, English enjoys an associate status and is the most important language for national, political and commercial communication ("The world factbook", 2005). India adopted the education system from the British. Indians used the education system provided by the British to their advantage in gaining freedom and at the same time absorbed a new culture in their day-to-day lives. However, this is not all. Indians have also most respectfully welcomed the mindset of the British, which includes a new perspective of life and a set of values.

Consequently, when one looks back 3000 years into the history of India, one can see a trend of globalisation emerging. It was a globalisation where religious and philosophical ideas interacted and where there was an interchanged culture's of traders and rulers from far off lands with the ancient culture of India. After being a Hindu state for almost three thousand years, India and its culture is today a blend of different racial, religious and linguistic influences (Gannon, 2004). If stated in simple words, the term Museum of Cultures fits India immaculately. As the vast majority of Indians are still tradition oriented, understanding their routine activities as individuals or as a part of the society, a reference to the Hindu or Indian traditions and culture is essential (Gannon, 2004). Thus, for a Westerner who desires to live in India or a MNC that wishes to establish a business in India, familiarising themselves with the social and cultural background of India becomes a significant concern.

The following chapters deal with the main factors or topics that are an essence of the cultural settings of India. The Indian labour system eclipsed by the caste system, the growing Indian economy and the hospitality industry in India along with the Hindu culture and traditions are an important part of this literature study.

3. Indian Labour

Verse 3:

“Each nation has a theme in life. In India religious life forms the central theme, the keynote of the whole music of the nation.”

Swami Vivekananda - cited by (Gannon, 2004, p. 121)

Societies, which have a strong traditional background, follow certain principles that have a strong bonding with their philosophical foundation (Robinson, 1989). The same is the case with Indian society. In India, philosophy has a propensity to overlap with religion making the Indian perception of life more culturally and religiously oriented. Whereas, the Western values are more individual and action and goal oriented (Gannon, 2004, p. 123; Lewis, 2000). With about 80% of the Indian population being Hindu, the religious philosophies of Hinduism have become an integral part of the Indian society and culture. This has resulted in a unique Indian identity, which in turn, has significantly affected the outlook of Westerners towards Indian society, the Indian community and the nature of their interpersonal relationships (Thomas & Philip, 1994). Studies carried out on the relationship between national culture and employee behaviour support the above statements proving them as a fact. Geert Hofstede did one of the most prominent studies (1967) in the field of relationship between work values and national culture. In his studies, he found that India has the highest Long-term orientation (LTO) value of 61, with the world average at 48. A high LTO score is suggestive of a culture, where the lifestyle of the people is closely related to their traditional values and are strongly inclined towards economising their finances and resources (Hofstede, 2003).

In fact *“Indian society is based on coexistence rather than organisation”* (Hooker, 2003). A harmonious coexistence in a complex cultural society is only possible because, every Indian has a precise place assigned by society, known as the caste system. In India the caste system has prevailed for thousands of years becoming a basic structural feature of Indian society. The caste system is hereditary

and the caste of an individual is determined at the time of their birth (Hodge, 2004). This place confers certain duties and privileges that an individual has to fulfil. However, this caste segregation comes with many restrictions that Indians affiliate strongly with their traditional, family and social backgrounds (Hooker, 2003). This chapter deals with the long prevailing caste system of India and how the labour system has been structured around it. The chapter also delves into the facts as to how certain factors like the level of education; international exposure and globalisation have affected the labour system of India.

3.1. The Caste System Of India

“A person’s specific dharma is interpreted through his role in life, and every role has certain expectations of dharma to be fulfilled” (Pio, 2005a, p. 4).

Dharma- the sacred order as suggested by Fitzgerald (1990, p. 112) is a “fundamental unifying principle of traditional Hinduism”. Most of the Indians also use it to define their own religion. In addition to religion, *dharma* can be understood as ‘ones duties’ (Pio, 2005c, p. 82) or as ‘eternal order, moral law, justice, righteousness and personal duties’ (Hodge, 2004, p. 28). In simple words it is a tool, which represents sacred and moral reality to keep the society and an individual’s conduct in accordance with the design of the universe. This harmonising of ones beliefs, practices and values considered as ones *dharma* - with the sacred and moral reality leads to communal and individual well being (Hodge, 2004). As *dharma* forms an integral part of Hinduism and Hinduism is an integral part of the life of Indians, *dharma* provides structure and coherence to all facets of life (Mullatti, 1995).

As *dharma* determines the duties that need to be fulfilled by an individual, it is considered to play an important role in the structuring the society into four *varnas* (means colour in Sanskrit). The *varna* system is the legacy of the fair skinned Aryan invaders who gave birth to this system in order to keep the original dark skinned (Dravidians) inhabitants of India in a state of permanent subordination (Saha, 1993).

The *varna* system was conferred the name of 'caste' system when the Europeans came into contact with India. The word 'caste' has a Portuguese origin, which meant 'something not mixed' or 'pure'. The Portuguese used this word to describe the social stratifications that they saw in the subcontinent in the middle of the sixteenth century (Elliott, 1997).

Indian society is still divided into four castes in a hierarchical structure.

3.1.1. The Brahmins

They are the first class in the hierarchy. These people basically were priests, poets and intellectuals by profession (Gopalan & Rivera, 1997). They were given utmost respect in society as they were considered a direct link between God and the common man and woman. The duties of the *Brahmins* consisted of performing religious rituals, managing large estates and labour and acting as advisors in the courts of kings ("The caste system in India", 2006). The development of the classical Hindu scriptures (*Vedas and Puranas*), the epics (*Ramayana and Mahabharatha*) and various philosophical systems can be solely attributed to the *Brahmins* (Saha, 1993).

3.1.2. The Kshatriyas

The second class in the hierarchy was the *Kshatriyas*. Their duties basically included governing and administrating in peace (Hodge, 2004). These people were warriors, rulers and statesmen by profession (Gopalan & Rivera, 1997).

3.1.3. The Vaishyas

The *Vaishyas* were third in position to the Brahmins and *Kshatriyas* in the hierarchy. They were farmers, traders, merchants, bankers and artisans by profession. During the years of British Raj some of the individuals became pioneers in industry and commerce (Saha, 1993).

3.1.4. The Shudras

Last in the hierarchy, these people were considered to be born to serve the three higher castes. They were basically labourers and menials by profession (Gopalan & Rivera, 1997). The *shudras* later came to be known as the 'Untouchables' or the 'scheduled caste'. The other higher castes considered the *shudras* as outsiders. Many of the untouchables embraced Islam during the Mughal period to avoid a humiliating existence (Saha, 1993).

The subdivisions of the *varnas* are the *jatis* (sub castes). These castes were divisions under the four *varnas*. The *Brahmins* enjoyed an undisputed supremacy, while the population under the other *varnas* was divided into castes and sub castes according to their occupational specialisations. Depending on their occupation, India has three thousand castes and twenty five thousand sub castes (Elliott, 1997). The caste system prohibited people to pursue any alien occupation other than the one decided for him or her at their birth. Also, personal and social interactions with people from other castes were strictly prohibited (Gopalan & Rivera, 1997).

3.2. Evolution of the Workforce

As the caste system decided the occupations for an individual at their birth, it became mandatory for the people to follow the specified occupation. Various clubs and societies were formed all over India which were dedicated to the welfare of a

particular caste (Saha, 1993). As Hinduism forms the core of the Indian lifestyle, the dogma of caste system has survived over a thousand years and still persists (Birodkar, 2006). Various movements started by Mahatma Gandhi and Dr. Babasaheb Ambedkar for the betterment of the untouchables, brought to the attention of the common people the disparities of the caste system. Dr Babasaheb Ambedkar the father of the Indian constitution, established the law where by untouchables were given equal rights as the people from the higher castes ("The caste system in India", 2006). The industrial revolution and the dawn of the modern age in the post independence period changed the ways of functioning throughout the country. It was in this period that the natural death of caste system almost appeared to be certain, but it still lives.

The central government of India along with the state governments designed the policies of positive discrimination for the lower caste in India. This positive discrimination allowed certain reservations for the people belonging to the lower caste in areas like government jobs and university admission. The policy of positive discrimination has managed to raise the status of the lower caste, thereby allowing equal opportunities to the people of India irrespective of their caste. But the positive discrimination policy has its own disadvantages with the higher castes developing a feeling of discrimination, and the lower castes have taken undue advantage of the policy by adhering to the policy even though their social and political standards have improved. But even with the all the problems that India has faced due to the caste system and the political policies to reduce discrimination, there have been positive effects on society as well (Daniel, 2005). In the present day, in crowded cities it is difficult to differentiate between the untouchables and the higher castes and the feeling of being rejected is minimal (Saha, 1993). In the past two or three decades India has seen major growth in its social and economic standards. With a workforce of 472 million and a large number of English language speakers India has become the hub of service providers for outsourced telecom and IT services (Pio, 2005a). The success of India can be attributed to various factors like level of education, international exposure and globalisation.

3.2.1. Level of Education

From the Vedic times education has been given great importance. The Mughals and the British maintained the standards of education set by the Indians from the Vedic period. During the British rule education was mainly provided to the Indians in order to enable them to enter administrative services in the government. The British started the legacy where advancement in the government services depended on the academic qualifications of an individual. Thus, education became the “gatekeeper” for those who wanted to advance further in their careers (Birodkar, 2005b).

After Indian independence in 1947 the government of India carried out various reforms in the field of education like adult education, education for women and schools in rural areas. The central government (i.e. the ruling government of India) along with the state government (i.e. the representative government of the people from a particular state) provides grants for establishing schools and universities throughout the country. There are 18 universities that have been funded and recognised by the Indian government. Apart from 99 institutions that are recognised by the government of India, there are an odd number of around 16,000 private schools and colleges registered with the government of India ("Higher education in India", 2006). The institutions established by the British prior to Indian independence and institutions providing higher education that were established after the 1960's have exposed the Indian population to the Western education system and values.

With the one of the biggest Higher Education systems of the world, India churns out 1.3 million graduates a year, which includes thousands of IT and engineering graduates and MBA's (Pio, 2005a, p. 3). The advancement of the education system has given rise to a new generation of Indians who are more ambitious, have a keen desire to do things faster, cheaper and better. With a large number of Indians able to speak and understand English and equipped with the knowledge of Western management values through universities, India can cater to multinationals (Pio, 2005a). Some authors believe that the Westernisation brought

about by the educational institutes has also Westernised the employees of India. But there are still questions being raised about the degree to which an Indian employee is Westernised. This idea is supported by authors such as Sinha (1995) and Singh (1990) who still believe that this Westernisation is a surface phenomenon. It is not the core of an Indian manager's or employee's personality, because, when it's time for action, individuals take a detour on the path of national culture (in this case Hindu culture) to get things done (Kakar, Kakar, Vries, & Vriгдаud, 2002).

3.2.2. International Exposure

There has been constant growth in India since independence. Growth can be seen in both social and economic fronts of the country. With the liberalisation of economic policies and relaxation of various laws related to business in the early 1990's, India managed to attract a large number of foreign investors. In the January 2006 a policy was developed, which allowed international investors to own 51% of the controlling interest in a joint venture, helping India in attracting a lot of high profile companies like Cartier, Christian Dior, Hermes, Tiffany's (Narayan, 2006). The growing economy has also increased the spending power of the population of India (Elliott, 2005). A promising middle class population of 487 million with an escalating spending power has proved to be a strong magnet for international brands that are looking for a wider and fresher market. Companies such as Benetton, Coca-Cola, Hyundai, Levis, Nike, Nokia and McDonald's have earned a few billion dollar years in the last few years (Pio, 2005a).

Apart from the influences of the international companies on the population, media explosion has had a major impact on the social life of the Indian population (Chatterjee, 2005). Media in the form of News channels, international movies and other informative channels like Discovery and National Geographic have introduced the Indian population to the outside world. International programming has been found to affect minds of youth's and open them to new ideas (Singhal & Svenkerud, 1994; Vijayan, 1996). International media in alliance with the international education system has Westernised the Indian youth to a certain extent. Indian youths who

have graduated from international universities both in India and abroad have been exposed to the Western management values that may sharply differ from the accepted Indian cultural values (O'Toole, 2000; Singhal & Svenkerud, 1994). Indian culture, because of its ancient and deep embedded values, tends to leave a strong imprint on the daily lifestyle and work values of Indians and also modern Western organisational firms functioning in India. Thus, even though an individual has been exposed to the Western values in some part of their life, they cannot do away with the Indian tradition and culture easily (Kakar *et al.*, 2002; Pio, 2005d; Thomas & Philip, 1994).

3.2.3. Globalisation

Globalisation has played a major role in the development of the world economy (Mehmet, 2002). India has also seen the effects of globalisation. India welcomed globalisation during the early 90's and today with the efforts put in the by the government, India has secured a place for itself in the global market (Balakrishnan, 2004). To keep up its charm in attracting foreign investors to India, the government has made substantial changes in its policies regarding foreign investments. At the same time it has also created a strong army of highly educated individuals to cater to the needs of MNCs interested in creating profit for both the organisation and the country ("India and the global economy", 2005). Globalisation has also helped individuals by providing them with better educational and vocational experiences. It has also provided Indians with the opportunity to work in international organisations both in India and abroad (Budhwar, 2003b).

Factors like education, international exposure and globalisation have played a major role in the evolution of the Indian workforce. The Indian population has been exposed more strongly to Western values in recent years due to educational institutions, international media and MNCs, which have provided Indians with broad minded views of the Western values of social and business life. But, due to the age old Indian culture that still remains strongly rooted in the hearts and minds of Indians (Kakar *et al.*, 2002; Pio, 2005a), it poses a challenge for the MNCs who are unaware

of the cultural differences between their country and India. On the other hand, factors like the booming Indian economy have played a pivotal role in attracting MNCs to India. The next chapter will discuss the growth of Indian economy from independence in 1947 to the present day and the opportunities it presents to the ever growing MNCs.

4. Indian Economy

India's population is estimated at nearly 1.1 billion and is growing at 1.6% a year. With a total Gross Domestic Product (GDP) of around US \$692 billion in 2004 India has become the 10th largest economy and the third largest in Asia behind Japan and China ("India at a glance", 2006; , "India profile", 2005). Even though there is a large and growing number of middle class population 320-340 million with disposable income for consumer goods, 25% of the population lives below the poverty line ("India profile", 2005; Pio, 2005d).

While the Indian economy is booming it is important to conceptualise the current growth in terms of India's economic footsteps since independence in 1947, the forming of the Planning Commission of India in March 1950 and the liberalisation of the economy to tackle the economic crisis of 1990's. These economic footsteps will help one better understand the Indian economy.

4.1. Independence 1947 to 1979

The pre independence Indian economy was predominantly agrarian. Most of the population consisted of the poor and the main occupation was agriculture. The existence of the majority of people depended mainly on either cropping their own small plots or by supplying labour to other farms. Moreover, the root causes of the structural economic problems inherited at independence were the costs associated with the partition of British India ("India's economy", 2005; Robinson, 1989).

It was in this context that, India's first Prime Minister, Jawaharlal Nehru, who implemented the five-year plans, believed that the necessary goals for the new nation were to strengthen the economic growth and measures, which would increase incomes and consumption among the poorest groups.

During the five-year plans from 1951 to 1979 (five plans) the economy grew at an average rate of 4.9% in real terms. During this period, industry grew at an average rate of 4.5% a year, compared with an annual average of 3.0% for agriculture ("Destination India - an overview", 2006). Many factors contributed to the slowdown of the economy after the mid-1960s, but economists differ over the relative importance of those factors. Structural deficiencies, such as the need for institutional changes in agriculture and the inefficiency of much of the industrial sector, also contributed to economic stagnation (Chamarik & Goonatilake, 1994).

4.2. 1980's – 1990's

India witnessed an improvement in its economic growth in the 1980's. During the 6th and the 7th five-year plans that were implemented from 1980 to 1989, India witnessed the economy grow at an annual rate of 5.5%, or 3.3% per capita. Industry grew at an annual rate of 6.6% compared to the 5.3% of the earlier plan period while; agriculture grew at an annual rate of 3.6%. A high rate of investment was a major factor in improved economic growth. Special programs were designed to increase employment in rural areas and unorganised sector so that the people could fulfil their needs ("Sixth five year plan ", 2005). Investment went from about 19% of GDP in the early 1970s to nearly 25% in the early 1980s. India, however, required a higher rate of investment to attain comparable economic growth than did most other low-income developing countries, indicating a lower rate of return on investments. Part of the adverse Indian experience was explained by investment in large, long-gestating, capital-intensive projects, such as electric power, irrigation, and infrastructure. Several special programs like Jawahar Rozgar Yojna were introduced. Industrial growth increased to 8.7% per annum and 81% of the villages had been provided with electricity by the end of the seventh five year plan ("Seventh five year plan ", 2005).

4.3. 1990's – 1999

The eighth plan gave more priority to adequate employment generation, containment of population growth, universalisation of elementary education, eradication of illiteracy, provision of safe drinking water and primary health facilities, self-sufficiency in food, generation of agricultural surpluses for export and strengthening of infrastructure ("1991-1992 review", 1992). The growth of industry was reduced to 8.5% as compared to the 8.6% from the earlier plan period. In the five-year plan of 1991, the contribution to GDP of industry, including manufacturing, construction, and utilities, was 27.4% while that of services, including trade, transportation, communications, real estate and finance, and public- and private sector services, contributed 39.8%. The steady increase in the proportion of services in the national economy reflects increased market-determined processes, such as the spread of rural banking, and government activities, such as defence spending.

Increased borrowing from foreign sources in the late 1980s, which helped fuel economic growth, led to pressure on the balance of payments in the 1990's. The problem came to a head in August 1990 when Iraq invaded Kuwait, and the price of oil soon doubled. In addition, many Indian workers resident in Persian Gulf states either lost their jobs or returned home out of fear for their safety, thus reducing the flow of remittances. The direct economic impact of the Persian Gulf conflict was exacerbated by domestic social and political developments. In the early 1990s, there was violence over two domestic issues: the reservation of a proportion of public-sector jobs for members of Scheduled Castes and the Hindu-Muslim conflict at Ayodhya (Sethuraman, 2006). The central government fell in November 1990 and was succeeded by a minority government. The cumulative impact of these events shook international confidence in India's economic viability, and the country found it increasingly difficult to borrow internationally. As a result, India made various agreements with the International Monetary Fund and other organizations that included commitments to speed up liberalization (Shah, 2002).

4.4. Growth of the Economy in the Present

India is still holding on and moving forward with market-oriented economic reforms that were introduced in 1991. Recent reforms include liberalized foreign investment and exchange regimes, industrial decontrol, significant reductions in tariffs and other trade barriers, reform and modernization of the financial sector, significant adjustments in government monetary and fiscal policies, and safeguarding intellectual property rights ("Indian economy overview", 2005). Real GDP growth for the fiscal year ending March 31, 2005 was 6.9%, down from 8.5% growth in the previous year. Growth for the year ending March 31, 2006 is expected to be between 7-7.6% ("Indian economy overview", 2005). Services, industry and agriculture account for 50.8%, 27.2%, and 22.0% of GDP respectively. Nearly two-thirds of the population depends on agriculture for their livelihood.

Even though, the figures show a bright future, there have been some barriers to the economic growth like inadequate infrastructure, a cumbersome bureaucracy, corruption, labour market rigidities, regulatory and foreign investment controls, the "reservation" of key products for small-scale industries, and high fiscal deficits (Salyards, 2000; Thomas & Philip, 1994). The outlook for further trade liberalization is mixed. India eliminated quotas on 1,420 consumer imports in 2002 and has announced its intention to continue to lower customs duties. However, the tax structure is complex, with compounding effects of various taxes.

The rapidly growing software sector is boosting service exports and modernizing India's economy. Revenues from the information technology industry reached a turnover of \$16.2 billion in 2004-05. Software exports crossed \$17.2 billion in 2004-05, and a similar growth is expected in FY 2005-06 ("India at a glance", 2006). Personal computer penetration is 9 per 1,000 persons. The cellular mobile market is expected to surge to over 70 million subscribers by fiscal year ending 2005 from the present 67 million users. The country has 54 million cable TV customers ("India profile", 2005). But, considerable dualism still remains in the Indian economy (Kumar & Mitra, 2000). Officials and economists make an important distinction

between the formal and informal sectors of the economy. The informal or unorganized economy is largely rural and encompasses farming, fishing, forestry, and cottage industries. It also includes petty vendors and some small-scale mechanized industry in both rural and urban areas. The bulk of the population is employed in the informal economy, which contributes more than 50% of GDP ("India profile", 2005). The formal economy consists of large units in the modern sector for which statistical data are relatively good. The modern sector includes large-scale manufacturing and mining, major financial and commercial businesses, and such public-sector enterprises as railroads, telecommunications, utilities, and government itself ("India at a glance", 2006).

4.5. Globalisation and the Future of India's Economy

In 1990 – 1991 India faced major economic crisis with major debts and political instability. To cope with this problem the new government came up with a policy which was popularly known as 'Liberalisation, Privatisation, Globalisation' (LPG) (Kishore, 2002, p. 119). These three concepts have been the basis of the ongoing economical reforms by the Union and State governments. The basic rules followed by the government to implement liberalisation were privatisation of the public sector, putting a curb on monopolisation, removal of quantitative restrictions on imports, reductions in tariff, allowing foreign direct investments (FDI) in most of the industries and development of the financial sector like banking, capital markets and insurance sectors (Kishore, 2002).

The three LPG concepts implemented over a decade led to some major changes in the economy of the country. A good example of this in the Social sector is that 108 million children attend primary schools in India, which makes the Indian education system the second largest in the world after China. In 2004 India became the tenth largest economy in the world with a GDP of US\$ 692 billion. India is emerging as a world leader in the information technology sector. This has led to drastic growth of the exports of services by 105% in 2004-05. In the same year 2004-05 Indian companies broke into international corporate markets making 35

global acquisitions totalling \$450 million (Basu, 2004). The Service sector which includes trade, hotels, transport, communications and finance has seen the highest ever growth of 10.9% in 2004, contributing to one half of the Services sector (Thadani & Thaker, 2005). India has flourishing prospects for itself in the future taking into considerations the economic and political reforms and the growth it has experienced over the last decade. It has been predicted that India has the potential to grow at a consistent rate of 8% or more (Kundu, 2004).

Major Business Processing Outsourcing and software companies have developed a keen sense of attraction toward the developing and growing India. This attracted a large number of foreigners to India as expatriates along with their friends and families. Taking this opportunity into consideration along with the booming tourism industry multinational hotel chains set foot in India.

5. Indian Hospitality Industry

Separated from the rest of Asia by the amazing Himalayan ranges in the North and three large water bodies touching the Eastern, Western and Southern boundaries, India stands apart on the world map. With such a diverse landscape, from abundance of mountain ranges to national parks and its sheer size promises something for everyone. Apart from the geographical diversity, India is a melting pot of different religions and faiths. This cultural diversity of India differentiates it from all the other countries of the world. Customs and traditions that form an integral part of the Indian life cross the boundaries of religion, cast and creed. The beauty and enchantment of these customs and traditions attracts tourists to this myriad land ("Customs and rituals in India", 2006). This chapter will discuss the stages from the birth of hotel industry in India to the present day hospitality industry of India. The chapter also discusses various international and local hotel chains that have captured the Indian market and are taking advantage of the booming travel and tourism industry of India.

5.1. The Basic Foundation of Indian Hospitality

Respect has been an integral part of the Indian soul. Since the ancient days, Indians have always been thought to respect their teachers, elders, parents and their guests. A traditional welcome always awaits a guest, with a smile on the face and respect in the heart. As put forth by a great Indian Emperor 'In Hindustan our manner is very respectful and our hearts are always open' ("Atithi devo bhava", 2006). India has always welcomed travellers, traders and rulers from distant lands with an open heart and no sign of discrimination. This is possible because, Indians believe in an old Sanskrit proverb '*athithi devo bahva*', which means guest are on par with god and demand the utmost respect ("Atithi devo bhava", 2006). When a guest arrives, they are humbly welcomed home with a garland of flowers and vermilion on the forehead. Keeping in pace with this tradition even the Tourism Ministry, Government of India launched the '*atithi devo bahva*' campaign in 2003, to spread the word of India's cultural heritage and the philosophy of treating tourists like God

("Customs and rituals in India", 2006). This grandeur of the Indian tradition and humbleness of Indian hospitality is portrayed by the hotels of India.

5.2. Birth of Hotels and Hospitality in India

What is a hotel? It is a name given to place, which provides lodging and usually meals and other services for travellers and other paying guests. Dating back to the ancient times temples and religious houses gave rest and shelter to travellers. In ancient India, the Vedic culture of hospitality prevailed (Monckton, 1969). When an individual reached the second stage of his life cycle '*grhastha asrama*' he was bound by the duties of charity and hospitality to guests (especially by distributing food). An individual would not eat food until he had provided food for every man, woman, child or animal in the village. This self-sacrificing and indiscriminating gesture of hospitality was a common episode in the ancient village life in India (Bhaktivedanta, 2006a, , 2006b). Indians are known for their incredible ability to serve guests invited or uninvited ("Indian cuisine", 2006).

India has an ancient civilisation with a diverse and magnificent heritage that has amassed a tremendous wealth of grandeur and majesty. For example, the ancient princely state of Rajasthan gave rise to the royal cuisine ("Indian cuisine", 2006). The hospitality of Indian princes was remarkable. Some of the guests they entertained included Princes of Wales, Czarevitches of Russia, Archdukes and Duchesses of Hungary, pretenders to the throne of France and the all powerful British Viceroys, as well as legions of Dukes and other lesser grandees. Every socialite of that time waited anxiously for an invitation because, an invitation to such an royal event would mean being treated in style and with a magnificence unrivalled in the entire world (Faithful, 2004). Not only the Hindu kings but also the Mughal rulers emphasized hospitality and open kitchens.

A blend of the Hindu and Mughal traditions formed the backdrop to courtly cuisine of the Indian sub continent. Being an exceptionally skillful set of hosts the

Mughal's used the display of imperial wealth and power to provide magnificent dining experiences. These sophisticated dining environments were used to enthrall and impress their courtiers, subjects and foreign visitors ("Mughal legacy", 2006). On the other hand, the British and other colonial powers considered India as an 'uncivilized' nation (Robinson, 1989). Most of the *memshaibs* (women from the colonial background) not only introduced their own cuisines but also made some changes to the perception of hospitality. During the British Raj (1750-1947), some minor revolutions took place in food and eating habits of the elite class of the Indian society. Eating at dining tables, the use of knives and forks and the addition of some Western goodies at the end of the meal became a common sight (Patil, 2000). It was during the British Raj that India got its first luxury hotel The Taj Mahal Palace and Tower, Mumbai ("Milestones: 1902", 2006).

5.3. Hotel Industry Infrastructure

Hotels in India can be divided into various categories like deluxe, international chains, heritage and palace hotels, tourist bungalows, traveller lodges, rest houses etc ("Hotels", 2006a). International hotels have been present in India for while, but after the 1990's there was an upsurge in the number of international hotel chains in India. The local brands like Taj and Oberoi are not too far behind from their international counterparts.

5.3.1. Domestic Hotels

The Ashok group, the Taj, the Oberoi, ITC Welcome Group and Leela boast of a unique mix of traditional Indian hospitality and modern day systems and facilities.

The first luxury hotel to be established in India was the Taj Mahal Palace and Tower, Mumbai in 1902 ("Milestones: 1902", 2006). Taj Hotels Resorts and Palaces boasts of over 100 years of experience in acquainting guests with the living heritage

of India and providing a legendary experience in hospitality. Taj Hotels Resorts and Palaces own and operate around 56 hotels in 39 locations across India. The company also own 18 hotels in the Africa, Australia, Bhutan, Malaysia, Maldives, Mauritius, Middle East, Seychelles, Sri Lanka, UK and the USA ("Company introduction", 2006). Taj Hotels Resorts and Palaces is one of Asia's finest and largest hotel chains. From world-renowned landmarks to modern business hotels, idyllic beach resorts to authentic Rajput palaces, each Taj hotel offers an unrivalled fusion of warm Indian hospitality, world-class service and modern luxury ("Taj hotels resorts and palaces acquires the Pierre from Four Seasons ", 2006). In 2004 Taj Hotels and Resorts formed a strategic cross marketing alliance with the Raffles Hotels and Resorts. This alliance focuses on cross promotion by sales information exchange, joint food and beverage promotions and benefits to guests of both Raffles and Taj luxury hotels ("Raffles hotels and resorts creates alliance with India-based Taj luxuryhotels", 2004).

Another hotel chain that India boasts of is the Oberoi Group also known as the Oberoi Hotels and Resorts was founded in 1934. the company owns and manages 30 hotels and 5 luxury cruise liners across six countries under the 'Oberoi' and 'Trident' brand ("Profile ", 2006). From the splendour of Taj Mahal in India to the stunning beauty of pyramids in Egypt or the boundless life of Mumbai – the Oberoi Group's hotels and resorts prove to be the key to a box full of delightful treasures of the world (Suchanti, 2006). Oberoi Hotels and Resorts have proven itself to be at the epitome of service, luxury and efficiency by bagging numerous accolades like, Oberoi Amarvilas was conferred with the prestigious National Tourism Award for 2004-2005 by the Government of India (Narain, 2006). When tourists whether international or local, take a halt at any of the Oberoi properties they are bound to receive a blend of the regional culture complimented with modern amenities and services (Suchanti, 2006). On the 4th of September 2003 East India Hotels (EIH) Limited (the mother company for the Oberoi Hotels and Resorts) announced its alliance with the Hilton Group of Hotels. Under this alliance all the 'Tridents Hotels' and the 'Oberoi Towers' Mumbai are re-branded as 'Trident Hilton' and 'Hilton Towers' Mumbai respectively. Also, under this alliance EIH Limited would continue to manage, operate and handle the domestic marketing of the hotels in India and,

Hilton would carry out the international marketing of the hotels ("Hilton and EIH limited sign strategic alliance ", 2003).

ITC Limited entered the hospitality business in 1975 becoming a popular name in the Indian hospitality industry. ITC Hotels consist of 60 hotels across more than 50 destinations in India. The ITC chain offers an assortment of luxury hotels, heritage palaces, havelis (heritage houses), resorts and full service budget hotels ("Hotels", 2006b). The ITC Welcome Group was among the first to form an international alliance. Upon its entry in the hospitality industry in 1975 the ITC Group formed an alliance with the Sheraton Hotels. All of its luxury hotels across India carry the name Sheraton as a suffix ("Hotels", 2006b).

The Leela Palaces and Resorts has four of India's finest deluxe hotels located in Mumbai, Bangalore, Goa and Kovalam ("Welcome to the Leela palaces and resorts", 2006). The long lasting alliance (since 1982) between the Leela Venture and the Kempinski Group (one of Europe's oldest luxury hotel chains) ("Kempinski to manage two properties on The Palm, Jumeirah", 2006), has been extended for period of four years with an addition of five more hotels in India ("Growth in India - Kempinski and Leela expand their agreement", 2006).

The Ashok Group of Hotels established in 1965 by ITDC as a stepping-stone to promote India as a favoured tourist destination. The Ashok Group has 16 hotels across 13 destinations in India ("Welcome to the Ashok group", 2006).

5.3.2. International Hotels

Liberalisation of the economy in 1990's (Shah, 2002) and the upsurge in the tourism industry (Thadani & Thaker, 2005) was a sign of welcome to international hotel chains. Apart from the domestic hotel chains that have dominated the Indian hospitality industry in the past i.e. till the 1990's, there has been an upward surge in the number of international chains that have entered the Indian market. International

hotel chains have existed in India for a while, either in tie ups or joint ventures for example the ITC with Welcome Group and Sheraton, Leela and Kempinski ("Hotels", 2006a). The last two decades have witnessed the growing presence of international hotel chains like Best Western, Hilton, Hyatt, Marriott, Four Seasons, and Shangri-La in destinations all over India (Haber, 2006). The reason for this growth as stated by Uttam Dave (Managing Director for hotel consultancy firm Panell Kerr Forster) is "*...the fact that everyone is now bullish about the Indian economy and a lot of companies reckon that China is a relatively mature market so they are now looking at India for fast growth*" (Gupta, 2003). In addition Manav Thadani (2005) acknowledges that the fundamental growth of the Indian economy and considerable reductions in the tensions between India and Pakistan have also contributed to the development of the hotel and tourism industry in India.

5.4. Tourism Industry in India

India has gained a strong foothold into the front ranks of the rapidly growing world economies due to a series of ambitious economic reforms aimed at deregulating the country and stimulating foreign investments. India has proved itself to a be rising star be it in the field of aviation, real estate, retail, banking, health care services or hospitality. Having been caught in a industrial turmoil for period of five years starting 1997 – 1998, the hospitality industry has emerged strongly in the second half of 2002 – 2003 (Thaker, 2006).

The Service sector, which includes trade, hotels, transport, communications and finance, has seen a steady growth since 1996/97. The share Service sector in the overall Indian economy has seen an outstanding growth from 37.6% of the GDP in 1983/84 to 50.7% in 2003/04. Trade, hotels, transport and communication witnessed the highest ever growth of 10.9% in 2004, constituting to about one half of the Services sector (Thadani & Thaker, 2005).

According to the estimates by World Tourism and Travel Council the demand for tourism in India is expected to grow to 8.8% i.e. INR (Indian Rupees) 7,027.7 billion in 2014, which in turn would make India the second most rapidly growing tourism market in the world. This in turn would raise the travel and tourism GDP to 7.1% and the employment in travel and tourism industry by 2.2% of the total economy employment in 2014. In 2004, the foreign exchange earnings went up by 21% ("India: travel and tourism forging ahead", 2004).

The year-end 2005 results from HotelBenchmark Survey by Deloitte showed that despite the natural disaster caused by the Indian Ocean tsunami, the revenue per available room (revPAR) for Asia Pacific saw a healthy rise of 9.2%. The city that reported the highest revPAR in the region was Mumbai with a revPAR up a staggering 26.4% (Deloitte, 2006). 2004 was the best year for the tourism industry in India.

With the foreign visitor's arrival in India at an all time high figure of 3.40 million, resulting in an international tourism income US\$4.8 billion (Thadani & Thaker, 2005). Figure 1 shows the number of arrivals in India and their contribution to the revenue.

	1999	2000	2001	2002	2003	2004	2005*
Number of Arrivals	2,481,000	2,641,000	2,537,000	2,360,000	2,726,000	3,406,623	4,258,279
Foreign Exchange Earnings (US\$ billion)	3.00	3.17	3.04	2.96	3.60	4.81	6.10
Foreign Exchange Earnings Per Visitor	\$1,209	\$1,200	\$1,198	\$1,254	\$1,321	\$1,412	\$1,411
Total Arrivals to New Delhi	32.2%	31.9%	33.7%	28.6%	30.8%	31.0%	32.0%
Total Arrivals to Mumbai	28.1%	28.3%	26.7%	25.4%	24.1%	23.5%	23.5%
Total Arrivals to Chennai	11.1%	11.3%	12.0%	11.5%	10.5%	10.0%	9.4%
Total Arrivals to Kolkata	5.2%	5.0%	4.3%	3.8%	3.7%	3.7%	3.6%
Exchange Rate US\$1.00:Rs	43.50	44.90	47.20	48.20	46.00	44.90	44.00

* Note: All figures for 2005 and all exchange rates (weighted for the year) are HVS estimates

Source: Ministry of Tourism and HVS estimates

Figure 1: Key Tourism Statistics (Thadani & Thaker, 2005)

Apart from the boost provided by the international tourist arrivals, the tourism industry has also gained immense support from the domestic travellers. The reason behind this boost is the expanding domestic market, as the thriving economy provides the middle class with increased disposable income (Deloitte, 2006). This boom in the tourism industry is credited to the strong domestic travel trends, positive economic environment, increasing foreign investment inflows and strong growth of the Information Technology (IT) sector and IT-enabled services/ Business Process Out-sourcing (Chhabra, 2005).

The development of the 'Incredible India' brand has played a key role in the rise of the tourism and hotel industry. The Incredible India campaign is backed by the plans to create 3.6 million jobs a year from tourism and boost foreign arrivals to 5.6 million by 2007 (D'Sylva & Bharadwaj, 2004). Other major issues like improved relations with Pakistan and a drop in the travelling cost due to the liberalisation of the airline industry have also benefited the performance of the hotel industry (Elliott, 2005).

5.5. Effects of the Tourism Boom on the Hotel Industry

The predictions of the growth in the tourism industry and the factors supporting it have had a major impact on the hotel industry of the country. With the increase in the number of foreign and domestic travellers in India due to the low airfares and infrastructure development, the Indian hospitality industry had to be on its toes ("Indian hospitality sector bounces back in 2005", 2006).

The increasing optimism in the developing Indian market has seen an increase in the number of international hotel chains entering the Indian market. To keep on par with their rivals (new international hotel chains) the existing hotel companies are expanding their business by going into joint ventures with local unbranded hotels and investing in new properties across the country (Chhabra, 2005; Gupta, 2003). Brands like Holiday-Inn have been in India for over 30 years,

while companies like Hyatt, Marriott, Best Western, and Hilton entered India in the last two decades. The new international entrants to the Indian hospitality market are Four Seasons, Shangri-La and Carlson ("Indian hospitality sector bounces back in 2005", 2006).

The RevPAR for hotels across India has seen a healthy growth of 29.3% in 2004/05. The occupancy rate has grown considerably for cities like Ahemdabad (16.8%), Agra (16.4%), Jaipur (14.3%) and Goa (5.9%) in 2004/05 (Thadani & Thaker, 2005). Figure 2 gives a synopsis of the growth of RevPAR in the cities that have seen growth from 1995/96 to 2004/05.

	1995/96 Rs.	1996/97 Rs.	1997/98 Rs.	1998/99 Rs.	1999/00 Rs.	2000/01 Rs.	2001/02 Rs.	2002/03 Rs.	2003/04 Rs.	2004/05 Rs.	12-Month Growth*	Compounded Growth
Agra	758	944	934	884	657	674	620	600	1,216	1,755	44.4%	9.8%
Ahmedabad	1,188	1,762	1,316	1,288	1,374	1,527	1,252	1,164	1,523	2,176	42.8%	7.0%
Bangalore	1,640	2,107	2,112	1,920	1,948	2,514	2,402	2,701	3,793	6,344	67.3%	16.2%
Chennai	2,351	2,839	2,720	2,329	2,236	2,452	1,997	1,880	2,213	2,626	18.6%	1.2%
Delhi	2,190	2,697	2,958	2,503	2,177	2,666	2,312	2,470	3,121	4,108	31.6%	7.2%
Goa	1,379	1,371	1,363	1,678	1,453	1,766	1,434	1,666	1,830	2,364	29.2%	6.2%
Hyderabad	871	879	879	1,042	1,144	1,600	1,642	1,751	2,105	2,707	28.6%	13.4%
Jaipur	792	1,072	1,279	1,155	1,182	1,596	1,424	1,225	1,752	2,422	38.2%	13.2%
Kolkata	1,980	1,988	2,442	2,247	1,949	2,326	2,264	1,908	1,897	2,233	17.7%	1.3%
Mumbai	4,161	4,547	4,028	4,257	3,651	3,589	2,565	2,653	3,036	3,587	18.2%	-1.6%

* Growth in 2004/05 (in absolute terms) expressed as percentage of the figure for 2003/04

Figure 2: RevPAR (Indian Rupees) classified by major cities (Thadani & Thaker, 2005)

Exchange rate: 1 USD = 40.80 INR

Figure 2 shows that the metro cities Delhi (21.8%), Mumbai (13.8%), Kolkata (6.4%), Chennai (10.2%), Bangalore (2.5%) and Hyderabad (2.2%) have had a steady growth in the year 2004/05. A survey carried out in 2004 by HVS International in Bangalore, Hyderabad and Gurgaon found 65 hotels under various stages of development, this means an addition of 13,500 rooms.

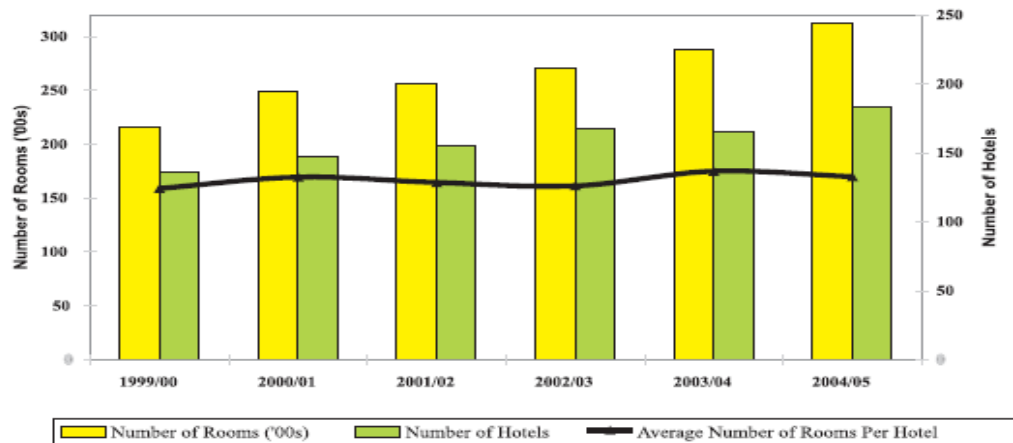


Figure 3: Increase in the number of hotels and number of rooms (Thadani & Thaker, 2005)

Figure 3 gives a clear idea of the rate at which the number of hotels has increased with a proportionate increase in the number of rooms from 1999/2000 to 2004/05. This supply is expected to increase by 85-90% in the next five years (Thaker, 2006). The maps provided in the appendix for all the major cities Chennai, Delhi, Hyderabad, Kolkata and Mumbai show the concentration of five star hotels in a small area. When looking at the maps carefully (provided in the appendix map 1-5, p.96) it can be seen that a large concentration of hotels is found in the central business district of the cities named above. For example when looking at the map 5 of Mumbai one can find thirteen hotels located in central Mumbai and around nine hotels located in south Mumbai. Similarly, in map 2 one can find more than fifteen hotels located in Central Delhi. It is found that a lot of hotels are being built around the CBD areas as they provide an easy access to businesses, entertainment and tourist destinations.

Companies within the country and outside the country are viewing India's hotel industry as an investment friendly sector. This fact has been proved with the large number of international chains that have entered India. If the trend continues with such a rampant pace, over the next three to five years India will emerge as one

of the world's fastest growing tourism markets and prove hard to ignore (D'Sylva & Bharadwaj, 2004).

India has a vast pool of skilled managerial and technical manpower that has attracted a large number of companies to out-source their services to India ("Country profile: India", 2006). This rapid transformation has lead to a complex economy, which demands sophisticated talent, global knowledge, multi-cultural fluency and efficiency to manage international organisations new to the Indian environment. The hospitality industry in India faces a threat from other industries who consider the hard working employees of the hotel industry to the dream employees for a successful organisation (Mehta, 2005). This pressurises the international hotel chains to maintain good manpower in order to sustain their competitive advantage. This brings one to the point where it is important to understand and assimilate the national culture of a host country into the organisational culture of the international companies (Marcussen, 2003; Mehmet, 2002), in order to attract the right set of committed employees and a lifetime commitment towards the organisation.

6. Culture

The Oxford Dictionary defines culture as ‘the customary beliefs, social forms, and material traits of a racial, religious, or social’ (Fowler & Fowler, 1995). As cited in Barker and Cobb (2000, pg.124), Austin Broos pointed out that culture is a formulation of two inter-related ideas ‘culture is a condition of mankind and human beings create the various cultures in which we live and thereby constantly carry with us the capacity to transform society and create new human environments’.

In a study carried out in 1981, Samovar, Porter and Jain defined culture as, *“the end result of knowledge, experiences, beliefs, values, attitudes, meanings, hierarchies, religion, timing, roles, spatial relations, concepts of the universe and material objects and possessions acquired by a large group of people in the course of generations through individual and group striving”* (Samovar, Porter, & Jain, 1981, p. 25). Hofstede defines culture as *“the collective mental programming of mind which distinguishes the members of one human group from another”* (Hofstede, 1984, p. 21). Another prominent author in this field Kluckhohn cited in (Sinha & Sinha, 1990) defined culture as *“ Culture consists in patterned ways of thinking, feeling and reacting, acquired and transmitted mainly by symbols, constituting the distinctive achievements of human groups, including their embodiments in artefacts; the essential core of culture consists of traditional (i.e. historically derived and selected) ideas and especially their attached values”*.

Guilford (1959) defined personality as *“the interactive aggregate of personal characteristics that influence the individual’s response to the environment.”* Keeping the definition of personality in mind Hofstede defined culture as *“the interactive aggregate of common characteristics that influence a human groups response to its environment”* or in simple words *“Culture is to human collectivity what personality is to an individual”* (Hofstede, 1984, p. 22). For wider understanding, all the actions performed by an individual resonate with the habits and practices of the cultural group to which they belong (Chang, 2002).

There are four basic mechanisms that ensure the smooth functioning of culture: **values** and **ethics** that form the foundations, while **knowledge** and **information** could be considered either as tools or as weapons. People play an important role in the functioning of these components and hence said they “make it up” (Marcussen, 2003).

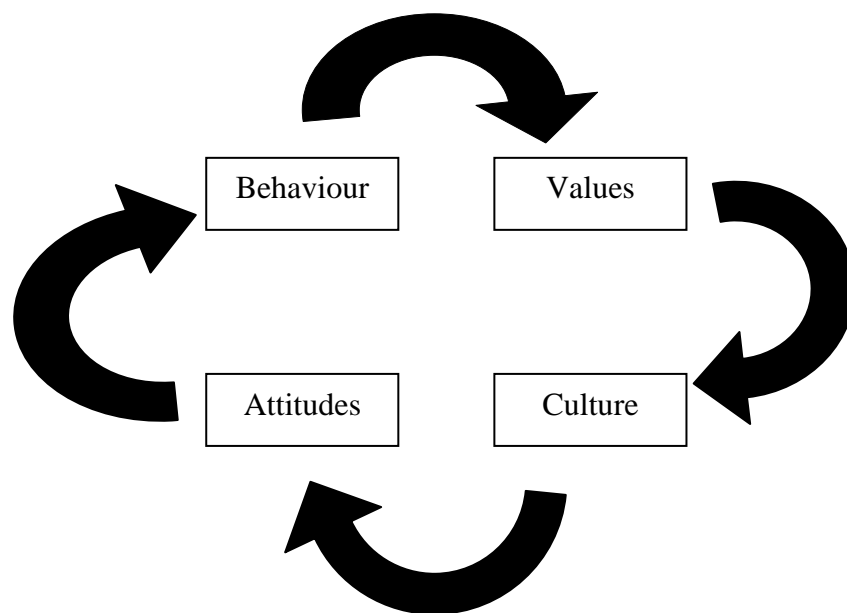


Figure 4. Influence of Culture on Behaviour and Behaviour on Culture (Adler, 2002)

The figure 4 developed by Adler (2002) shows a cyclic relationship between culture, values, attitudes and behaviour. The cyclic nature of the dimension shows that an individual gains values from the surrounding. These values, in turn, influence the way in which one expresses his or her culture. These values also determine an individual's behaviour which the individual considers appropriate in any given situation. The repetitive change in the pattern of an individual and group behaviour, in due course, influences the culture of the society thereby repeating the cycle (Adler, 2002). The behaviour of people from different cultures varies from each other as varied cultural groups hold diverse cultural values. When looked at through a lens of cultural diversity, culture is the way by which humans gain knowledge to

live with one another and with their surroundings. One of the reasons for such a vast number of cultures is the flexibility of human beings to adapt to an assortment of situations (Hooker, 2003).

6.1. Culture Crosses Paths with Globalisation

Haire, Ghiselli and Porter (1996) and Hofstede (2001) show that almost 25% to 50% of basic values evolve from culture. In addition, if one is to survive in this globalised world, knowledge of cross-cultural differences is essential (Gannon, 2004). While global enterprises have existed for centuries, today's world globalisation has left the world with a completely different mindset, which sometimes leads to the delusion that a strong organisational culture of an MNC can overpower the national culture of the employee (Tosi, Mero, & Rizzo, 2000).

Global corporations need global strategies to compete on a global level. When developing these global strategies and management practices the people (employees) and their culture need to be kept in focus (Adler, 2002). Global organisations tend to become prone to issues pertaining to culture and ethics when they establish a business in a country with a cultural background different than their own. Due to unrealistic expectations, lack of support and resistance to change, most companies fail to achieve the status of a global company (like mergers, acquisitions, expansions and introduction of new technologies). Having a higher knowledge of cultural differences is important because understanding their national and ethnic culture will help in smoother organisational functioning (Marcussen, 2003).

Becoming global has not been easy for companies. Companies have always faced tough competition from different cultures along with balancing national agendas (Loewe & Rufat-Latre, 2004). MNCs cannot operate in isolation. People and the environment surrounding an organisation contribute to the development of an organisation. To gain entry into a country and create a market for their products and services, companies form networks with the various societies and individuals in

that country. This helps in interaction and exchange of ideas of people from two different nations having their own unique cultural values (Barker & Cobb, 2000). Keeping in mind the benefits that globalisation can provide to the country, governments have started mending their ways by promoting their culture and accommodating other cultures to gain a competitive advantage over other countries (Caplan & Cowen, 2004).

Organisational behavioural patterns are an outcome of the strong influences of culture on one's day-to-day lifestyle (Adler, 2002; Butler & Earley, 2001; Hofstede, 1984). In addition, people tend to feel stronger for their core values and their inherent national culture when they immigrate to a different country or are exposed to a culture different from their own (Tosi *et al.*, 2000). Managing an MNC operating in different countries becomes a complex task due to the differences in the national culture of the home country and the host country (Barker & Cobb, 2000). Thus, cultural diversity plays an influential role in the operations of multinational and global firms, making national cultural differences a key player. When it comes to developing a strategy or building a structure or process, culture can be a helpful friend or a demoralizing foe for change (Marcussen, 2003; Rangarajan, 2004).

The literature on management has led to a common belief that 'the universal management strategies are applicable all over the world' (Myloni *et al.*, 2004a, p. 520). However, the concept of universal management strategies might not be very practical, as studies have shown that employee and managerial attitudes, behaviours and values differ across national cultures (Almond, Edwards, Colling, Ferner, Gunnigle, Muller-Camen, Quintanilla, & Wachter, 2005; Myloni *et al.*, 2004a). While, in some countries the so called universal management policies might be acceptable, in countries where fundamental values such as authority, treatment of labour, and policies concerning fair treatment are more important these policies can lead to rift between the management and employees. An example is the worldwide success of McDonalds in managing a global work force. As Rita Johnson (Staff Director International Human Resources McDonalds, Central Europe) states, "One of our guiding principles is that our restaurants should always be a reflection of the

communities they serve-not only the individuals we employ and the culture and ethnicity of those communities, but also the employment practices” (Solomon, 1996, p. 48).

Many governments are making an effort to develop a set of common trade laws, universal management practices and building supranational institutions to help multinational companies cope with the difficulties of managing a global workforce (Mishra, 2004). Myloni et al. (2004) state that there is a belief that institutions such as European Union will help in limiting cultural differences and reduce trade and human resources management problems. However, there is still a strong belief that social, cultural and political forces will eclipse the forces of globalisation originating from technological driven markets and supranational unions (Myloni *et al.*, 2004a; Rangarajan, 2004). This brings one back to the fact that social and cultural factors play an important role in formulating management practices for global organisations (Hofstede, 1984; Schneider, 1988). People and their culture form the nucleus of knowledge required to run a successful organisation. Thus, the behaviour of the people (employees or the managers) and their culture plays a very crucial role in structuring the culture and success of an organisation (Connelly, 2002; Rangarajan, 2004).

6.2. Organisational Culture

Lewis (2003) states that the objective of culture is survival and eventual prosperity. Culture moulds the attitudes of the population of a country. People from strong cultural backgrounds, where their cultures have survived for centuries become reluctant to accommodate the speedy changes set by globalisation (Lewis, 2000). Globalisation has set the wheels of a new culture in motion – the organisational culture of the global enterprises (Adler, 2000). Just as different countries have different national cultures, different organisations have different organisational culture too (Tosi *et al.*, 2000). Because of its uniqueness, a single prominent definition of organisational behaviour is difficult to find in literature. The

following are some definitions of organisational culture by renowned authors in the field of culture literature.

Hofstede et al. (1990) defined organisational culture as *“patterened way of thinking, feeling and reacting that exists in a specific organisation or its sub sectors. It is the unique “mental programming” of that specific organisation”* (Tosi et al., 2000).

Organisational culture has been defined *“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”* (Schein, 2004, p. 17).

“The way in which a cultural group goes about structuring its commercial and industrial enterprises or other types of organisations usually reflects to a considerable degree the manner in which it itself is organised” (Lewis, 2000, p. 68).

Considering, culture and its profound importance in our lives organisational culture can be defined as *“collective manifestation of human nature – the collection of human dynamics, wants, motives and desires that make a group of people unique”* (Kilmann, Saxton, & Serpa, 1986, p. 90).

Summarising the aspects of organisational culture from the definitions (Ott, 1989) one finds the following:

- The culture that exists in the society and the culture that exists in an organisation run parallel to each other.
- Values, beliefs, assumptions, perceptions, behavioural norms, artefacts and patterns of behaviour form the basic constructs of organisational culture.

- All the activities that an organisation carries out are an impact of organisational culture, an invisible and unobservable force that is a by-product of the societal values.
- Every action of the members of an organisation is influenced by this social energy.
- Organisational culture unites and mobilises the members of an organisation towards the goals of the organisation by providing them with a meaning and direction.
- Organisational culture also acts as a constabulary informally or formally permitting and barring certain actions of the organisational members.

Over the last few years, academicians and professionals have recognised organisational culture as a key player in creating a social and healthy work environment (Adler, 2002). The common misconception that many managers have is that organisational culture expunges or mellows down the effects of national culture. Adler (2002, p. 67) states *“it is a common misunderstanding that national culture plays an influential role only when dealing with multinational clientele and not while working in an organisation with culturally diverse workforce”*. However, people tend to develop a stronger affinity for their national culture when working with people from different cultures or working in a country having a different culture than theirs (Lewis, 2003). The country or the local setting of an organisation and the founder of the organisation and his/her ethnicity also plays an important role in developing the organisational culture (Butler & Earley, 2001). Where, factors like globalisation, information technology, intense competition and mass customisation are becoming constantly predominant, managing the environment in which the organisation exists is increasingly vital (Butler & Earley, 2001).

Apart from the industrial forces that contribute to the moulding of organisational culture, national culture also plays an important role. People form organisations, thus, national culture plays an apparent and broad role in shaping the organisational culture (Lewis, 2003). As cited in (Myloni, Harzing, & Mirza, 2004b), Hofstede (1984)

and Schneider (1988) also addressed the impact of national culture on the culture of the organisation when developing management practices and goals. The cultural values such as individual freedom, beliefs about the goodness of humanity, orientations towards action, power distance norms and other factors lay the foundation for building a strong organisational culture (Tosi *et al.*, 2000). In addition, two companies located in the same country with the same national culture can have a different organisational culture. This happens due to the different experiences and the differences between the workforce and management of individual companies (Butler & Earley, 2001; Tosi *et al.*, 2000). In addition, Myloni *et al.* (2004a) stated that the national culture of the home country of the MNC could affect the management decisions. This is because in their cultural settings, the organisation perceives these practices to be consistent (Rangarajan, 2004). In studies conducted by Keeton and Mengistu (1992), it was found that an individual's interpretation and reaction of and towards a certain event, determines their actions and perceptions of their own and others actions. The respect that organisational culture gains from its employees is clearly seen from factors like job satisfaction, organisational commitment and other employee behaviours (Lok & Crawford, 2001). Thus, understanding the elements that could hamper the consistency of employees' perceptions is crucial to the development of a strong organisational culture (Helms & Stern, 2001).

Organisational culture determines the way people set personal and professional goals and the way they administer their thoughts and resources to achieve the desired results (Lok & Crawford, 2001; Schein, 2004), while national culture determines the values, attitudes and beliefs of an individual. Since individuals bring their cultural background to the workplace, the employee's attitude, behaviour and expectations towards the organisation might differ. This applies both to a multi-cultural work place or a global organisation situated in a different national setting. Thus, the differences in national culture establish the way in which an organisation is structured and organised.

6.3. Dimensions of Culture

The desire to study different national cultures is not a new phenomenon. Even in the 18th century philosophers such as Hume from England, Montesquieu from France and Kant from Germany addressed questions of national culture (Hofstede & McCrae, 2001). The 20th century also saw a great deal of work put into determining national culture and the differences between various cultures by various social anthropologists around the world. Mayr (1982) stated that one of the most common dimensions used for ordering societies was their degree of economic and technological evolution, modernity or differentiation. Later on in the late 20th century academicians like Aberle, Cohen, Davis, Levy, and Sutton (1950), Parsons and Shils (1951), Kluckhohn and Strodtbeck (1961) and Douglas (1973) came up with various dimensions of culture. However, most of these studies did not have a strong background research involved and its application was doubtful (whether to a society, social category, group or an individual) (Hofstede, 1984).

Between the years 1967 and 1973 Hofstede (1984) carried out a study of national culture differences using a database collected by multinational corporation (IBM) and its subsidiaries in 71 countries. The questionnaire developed, tried to find out the basic employee values along with the situational attitudes. Apart from the country of origin, the factors used to determine the dimensions of national culture remained constant through the two rounds of surveys carried out over a period of four years (Hofstede, 1984). The four dimensions of culture that were interpreted after the study in IBM were power distance index (PDI), uncertainty avoidance index (UAI), masculinity (MAS) and individualism (IDV). In 1993 a fifth dimension Long Term Orientation (LTO) was added to the above four. This dimension was based on the study carried out by Hofstede using a survey instrument created with the help of Chinese managers and employees. The survey instrument that was used is called Chinese Value Survey (CVS) (Hofstede, 2003). Over the years these five dimensions have gained a lot of importance. According to Sivakumar and Nakata (2001) these dimensions are widely used in literature and are very important for understanding the effects of national culture on international ventures (Chaibong, 2004). A brief description of the five dimensions follows.

6.3.1. Power Distance Index (PDI)

Hofstede defined power distance as ‘the extent to which the less powerful members of the organisations and institutions (such as the family) accept and expect that power is distributed unequally’ (Hofstede & McCrae, 2001, p. 62). Bureaucracy, centralised decision structures, authority and the use of formal rules form the moral fibre of organisations in a high power distance society (Everdingen & Waarts, 2003). India has the highest power distance as seen in figure 5, ranking at 77 compared to the average 56.5 of the world (Hofstede, 2003). It was found that employees from countries with high power distance take superiors orders. It is very unlikely that employees from such countries would challenge the directives issued to them from their superiors (Christie, Kwon, Stoeberl & Baumhart, 2003). Kothari (1970) cited in (Sinha & Sinha, 1990) stated that Indians feel more comfortable working in a superior-subordinate environment rather than an equal environment.

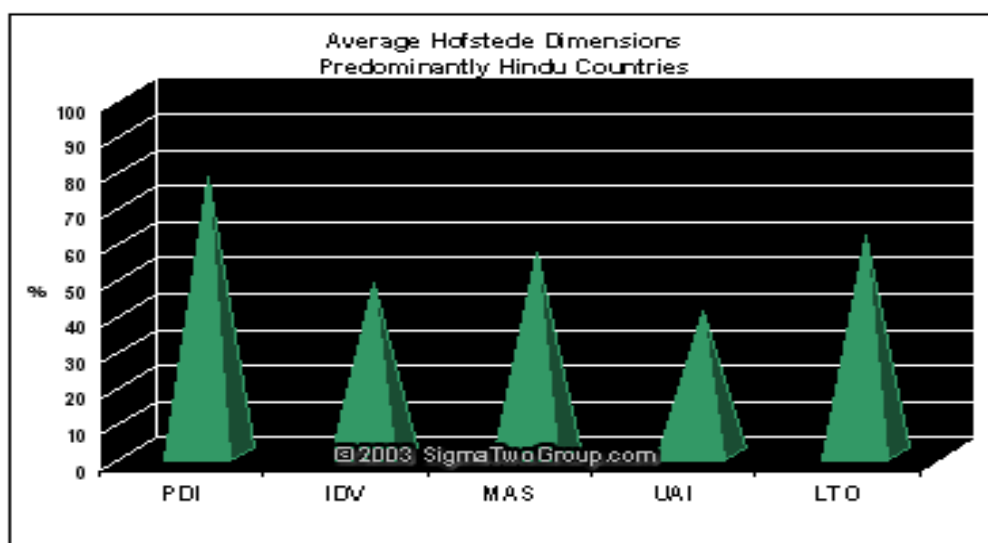


Figure 5. Power Distance Index ranking at more than 70 (Hofstede, 2003)

6.3.2. Uncertainty Avoidance Index (UAI)

Hofstede stated that uncertainty avoidance ‘deals with a society’s tolerance for ambiguity’ (Hofstede, 1984; Hofstede & McCrae, 2001, p. 62). In other words it refers to the extent to which the people of a country would feel threatened by an unknown situation (Christie, Kwon, Stoeberl, & Baumhart, 2003). Cultures with a

high uncertainty avoidance index formulate strict rules and laws, practise safety and security measures, and strongly believe in religion. They are also emotional and self-conscious e.g. India and China. India ranks 40th, the lowest in Uncertainty Avoidance Index (UAI), as seen in figure 6 more than 80% of Indians practise Hinduism there is a strong co-relation between this dimension and religion (Hofstede, 2003). On the other hand, countries with low uncertainty avoidance are more accepting of surprise and unknown situations. They have as few rules as possible and are not very strong believers of religion. Their environment stops them from expressing their emotions freely eg. USA, England (Hofstede & McCrae, 2001; Rangarajan, 2004).

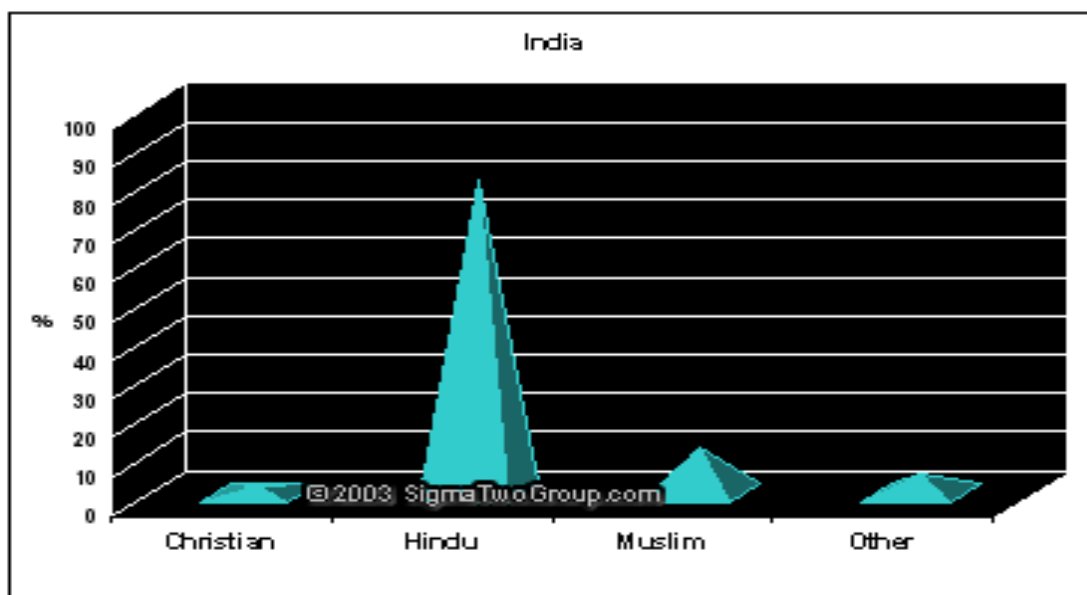


Figure 6. Relation between Uncertainty Avoidance Index and Hinduism (Hofstede, 2003)

6.3.3. Masculinity (MAS)

This dimension refers to *“the degree to which the society reinforces, or does not reinforce, the traditional masculine work model of male achievement, control and power”* (Hofstede, 2003). In other words, it is the distribution of emotional roles between sexes (Hofstede & McCrae, 2001, p. 63). India ranks third highest in the masculinity index at 51 (Hofstede, 2003). The features of masculine cultures are competitiveness, materialism and focus on performance. On the other hand feminine

cultures are characterised by modesty, caring, equality and social relationship (Everdingen & Waarts, 2003; Rangarajan, 2004).

India ranks third highest in the masculinity index at 51 (Hofstede, 2003). India is a patriarchal society (Waldner, Vanden-Goad, & Sikka, 1999, p. 524). The strong religious and traditional background that prevails in India has assigned women a subordinate role to the male members of the family. A very good example of this is, under the Hindu Succession Act of 1956; male are the sole inheritors in a Hindu United Family (Handy, Kassam, & Ranade, 2002). A study by Devi (1991) found that most of the educated women in India were attracted to more “feminine” professions like nursing and teaching. Despite the fact that women are subjected to subordination to the male population in India, traditions and Hindu culture place a strong emphasis on recognition and respect for women, and even the constitution guarantees women equal opportunity and employment. India has been among the few countries that have had a female head of state Mrs. Indira Gandhi (Thomas & Philip, 1994).

6.3.4. Individualism (IDV)

In 1980 Hofstede described individualism as ‘the relationship between the individual and the collectivity that prevails in a given society’ (Hofstede, 1984, p. 149). By this he meant that in an individualist society, the bonds between one individual and another as well as the society are loose. Everybody is responsible for him or her self and immediate family. However, a lot of consideration is placed upon family bonding, teamwork and interdependence in a collectivist society (Christie *et al.*, 2003). Lapierre (1986, p. 56) commented, *“every individual in India is always linked to the rest of the social body by a network of incredibly diversified ties, with the result that no one in this country of 750 million inhabitants could ever be completely abandoned”*. The members of a single family run most of the small organisations and quite a number of bigger ones. Hence, family members become the potential successors of family run organisations (Sinha & Sinha, 1990). India has quite a few

family run businesses, for example Reliance Industries, Tata Group, Aditya Birla Group ("The world's 250 largest family businesses", 2004).

6.3.5. Long-Term Orientation (LTO)

This dimension was formulated after conducting a study among students from 23 countries using the Chinese Value Survey by Hofstede and Bond (Hofstede & McCrae, 2001). It is also known as Confucian Dynamism (Christie *et al.*, 2003). Thrift and perseverance are values associated to long-term oriented cultures. On the other hand, short term oriented cultures give more significance to values associated with past and present orientation. Long term orientation values are also associated with respect, gratifying social obligations and saving ones "face" (Hofstede & McCrae, 2001). For instance in Hindu culture, it is customary to make an "offering" of fruits and flowers when going to worship in a temple. This action indicates submission to a superior being, asking for continued prosperity and provisions in return. Sinha (1978) stated that when this ritual takes place in organisations, it is just the subordinates showing their respect and reverence for their superiors by offering gifts and doing personal favours for them. All the Indian employees expect in return is unwavering support and protection from their immediate supervisors (Gopalan & Rivera, 1997). Countries with long term orientation pay more attention to strong work ethics where long term rewards are expected in return for the hard work put in (Hofstede, 2003).

These dimensions of culture (power distance index, uncertainty avoidance index, individualism, masculinity and long-term orientation) are determined on the basis of how strong the influence of cultural values is on an individual or a society. The cultural values depend on the factors prevailing in the country such as social structure, religion, education, language, economic factors and political factors. These factors will be discussed in more detail in the following section.

6.4. Determinants of National Culture

Various authors (Adler, 2002; Budhwar, 2003a; Chang, 2002) have recognised the fact that culture is multi layered and composed of many elements. Furthermore, it has also been stated that if culture were to be an atom then values would be the nucleus of it. Most of the research has led to the conclusion that culture is best defined with the reference to shared value systems within a unit (Gopalan & Rivera, 1997; Hofstede, 1984; Lachman, Nedd, & Hinings, 1994; Martin & Siehl, 1983). As defined by Guth and Tagiuri (1965) and Rockeach (1968) values are “*desired end states*” which “*guide actions and judgements across specific objects and situations*” (Gopalan & Rivera, 1997, p. 158). Value tends to play an important role in shaping the behaviour, interactions and aspects of human thought. Every country has some set core values that are embedded and pledged by the population of that country. These core values give an outline to the nations culture thereby shaping its personality and ethics, making it unique and different from other nations (Adler, 2000; Gopalan & Rivera, 1997; Harris & Moran, 1996; Hofstede, 1984; Martin & Siehl, 1983; Schein, 2004). Thus, the beliefs, values, ethics and behaviour of an individual are an echo of the cultural group to which he/she belongs (Chang, 2002; Rangarajan, 2004).

Culture can be determined on the basis of six factors namely social structure, religion, education, language, economic factors and political factors (Chang, 2002). Examples from India have been utilised in the discussion to present a deeper insight on how the Indian value system plays an important role in determining the national culture of India.

6.4.1. Social Structure

Society's social structure is its basic social organisation. The degree of individualism in a group or a society and the degree to which society is classified into individuals determines the differences between various cultures (Chang, 2002). For some people social order can be a set of hurdles and for some a set of shared and motivating values (Hitlin & Piliavin, 2004). Triandis (1995) stated that individualist

cultures give more importance to personal needs whereas collectivist cultures give more importance to social obligation (Chang, 2002; Hofstede & McCrae, 2001). In an individualistic society individuals are more competitive, performance oriented and self-sufficient. On the other hand, in collectivist societies more emphasis is given to group performance and goals are aligned with group members (Chang, 2002).

For example, Indian society is based on coexistence rather than organisation (Hooker, 2003). Indian culture and tradition revolves around home and family. Family, relatives, friends, co-workers, castemen etc. belong to group of which an individual is a part. There exists a personal bond between these relationships and the group or the society is given utmost importance (Sinha & Sinha, 1990; Thomas & Philip, 1994). The collectivism of Indians is characterised by their preferences for maintaining personalised relationships and high quality networking. Apart from familial ties, networking is the second mechanism that supports Indian society. The networking has both advantages and disadvantages. With their extensive network, which includes, relatives, friends and acquaintances, Indians keep themselves updated about the day to day activities that take place within their group and the whole world (Hooker, 2003). Sometimes networking through personalised relationship has negative consequences for work behaviour. For their own benefit, employees may misuse their personal connections with higher authorities of the organisation. For example, employees in a fertilizer factory were found using their personal caste connections to evict an employee of the same caste for a serious misconduct he had committed in the office (Gupta, 1999; Sinha & Sinha, 1990). Indians have become accustomed to the practice of networking, so much that whether they are living in India or abroad, Indians seldom do anything without using their influence with people in the position of power or authority. Networking can either be used to get a visa with the help of relative or acquaintance in the consulate or booking seats on the flight by calling a relative or a friend at the airport (Gannon, 2004; Hooker, 2003). In addition, the concepts of '*jati*' and '*dharma*' that exist in Indian society tend to play an influential role on relationship orientation. These concepts define an individual's position and related duties in society or in an organisation, thereby determining the levels of power distance and collectivism

(Gopalan & Rivera, 1997; Hofstede, 1984; Hooker, 2003; Saha, 1993; Sinha & Sinha, 1990).

6.4.2. Religion

Jonathan Smith is one of the most influential scholars of religion and a widely published essayist working for the University of Chicago ("Jonathan Z. Smith", 2004). J Smith cited in (Niles, 2004; Rangarajan, 2004) states that religion is a loosely shaped system fashioned by scholars for the purpose of comparison and generalisation. The basis from which the concept of religion is derived are data, human experiences, events and expressions; that are part of a particular society or in other words of a religious sect (Niles, 2004). Apart from the large number of religious groups known to exist in the world, five of them are most dominant in India. The enchanting power that religion radiates has a strong impact on the day-to-day life of every individual in India. The country encompasses six major religions in itself, which are, Buddhism, Christianity, Confucianism, Hinduism, Islam, Jainism and Sikhism ("The world factbook", 2005). India is a mosaic of different cultures, languages, peoples and religions (Pio, 2005b, p. 67).

Christianity has two divisions Catholicism and Protestantism. Protestantism places more emphasis on hard work, wealth creation, frugality and gives its followers more freedom to develop their relationship with god thus encouraging the development of capitalism (Chang, 2002; Sinha & Sinha, 1990). However, Catholicism lays more emphasis fear of God, wisdom, fortitude, and gaining of knowledge along with duties like charity, kindness, humility, loyalty, modesty and continence. Islamic religion strongly believes in the preaching of the Quran (Huda, 2003) and only welcome those international values and businesses that are consistent with Islamic ethics (Chang, 2002). In contrast to the Western culture, Hindu culture believes in concepts of community, interdependence and divinity. Working as a team, concern and providing for each other is more important in Hinduism (Hodge, 2004). Buddhism works on the line of Hinduism stressing more on spiritual achievement instead of worldly gains.

“Working in India without the knowledge of its religions is like working in the United States without knowing how to surf the Web” (Hooker, 2003, p. 45).

Spirituality broadly defines the moral existence of Indians and religion is synchronised with the public life in India (Pio, 2005c; "The swamis; Indian spirituality", 2003). Looking at the Hindu culture through a spiritual lens Siegel, Choldin, and Orost (1995, p. 131) stated, *“Hinduism is more than a religion; it is a way of life”*. According to the Hindu principle of dharma, certain social roles and attributes are pre-assigned (for example wealth, access to education, class status etc.) at the birth of an individual in either of the four *varnas* or castes (Hodge, 2004). For example, in a textile factory Knitex located in Triupur, India National culture overlaps with the organisational culture. Organisational culture assimilates religious and traditional practices, thereby allowing practices such as *puja* (ritual worship) and women supervisors only in exclusively women’s departments (Pio, 2005c, , 2005d).

6.4.3. Education

In terms of the present international business market, the level of education in a nation determines where the nation stands in this competitive world (Porter, 1990). A pool of knowledgeable and skilled employees in a particular field contributes to the competitive advantage of the country or organisation (Khandekar & Sharma, 2005). As globalisation takes over the world, there is an increasing demand for college graduates with higher intellectual capabilities, technical skills and ethical sensibilities, which will help them, best serve the society (Ahlawat & Ahlawat, 2006). As Sen (2003, p.1) noted in his speech at the Commonwealth Education Conference, Edinburgh *“Basic education is not just an arrangement to develop skills (important as that is), it is also recognition of the nature of the world, with its richness and diversity...”*

Apart from values and beliefs that best define culture, people also use culture as an appropriate way to make better sense of the world to evaluate their options and take actions. Based on their cultural background, experiences and religious faith, people determine the best education system suited for themselves and their

families. Educational institutions not only provide academic knowledge, but also provide a wider opportunity. The country of origin shapes each institutions own unique social, cultural and moral background (Bulman, 2004; Chang, 2002). Thus, education not only provides intellectual and technical knowledge, but also, contributes to the values, beliefs and ethics of an individual.

Many Indians consider the Hindu culture or the so-called Indian culture functionally equivalent. The result of the dominant Hindu caste system and its concept of a fixed place for every individual in the social hierarchy has resulted in illiteracy and impoverishment of a vast mass of the rural Indian population ("Country profile: India", 2006; Pio, 2005d). But in contrast, as cited in (Gopalan & Rivera, 1997, p. 163) Hussain (1961) states that according to the principle of Hinduism *"action is a ranked inferior to knowledge and behaviours seeking truth, harmony and unity are given priority over focusing on practicality and reality"*. In spite of such strong ethos, India has enfolded the Western education system (Kakar *et al.*, 2002) at the same time remaining essentially social (Sinha & Sinha, 1990).

India has one of the world's largest education systems producing doctors, lawyers, scientist and engineers. A picture of urban India would illustrate this point. Educational institutions exposed to Western values has given birth to a new generation of Indians who have reached positions once reserved only for the higher castes (Kakar *et al.*, 2002; Pio, 2005d; Thomas & Philip, 1994). In the last two or three decades India has developed the potential to attract a large number of MNCs. MNCs owe most of their success in India to the large segment of ambitious middle class wage earners with reasonably good English speaking skills. In recent years, India has also become one of the biggest and the fastest growing providers of outsourced telecom (UK based Intec and US based Convergys) and IT services (IBM, Dell) such as software engineering, market research and call centres (Tejaswi, 2007). 1.3 million of superior IT and engineering graduates and MBAs graduates, graduate from the educational institutions in India every year (Pio, 2005a). The Westernisation of the education system in India has produced a new type of manager and employee who have a keen desire to do things faster, cheaper, and

better. On the other hand, some scholars, (Singh, 1990; Sinha & Sinha, 1990) still believe that this Westernisation is a superficial phenomenon and not the core of an Indian manager or employee's personality, because, when its time for action, individuals tend to rely on national culture (in this case Hindu culture) to get things done (Kakar *et al.*, 2002). Thus, organisations which can put their foot down, display confidence, patience and professionalism, can overcome obstacles created by cultural differences to reap rich profits (Pio, 2005a).

6.4.4. Language

According to Korzybski (1951) language is a medium, which allows us to communicate with others, or ourselves within its defined boundaries. Different languages differ from each other and reflect the structure of the culture in which they were evolved (Cetera, 2004). Language and society are closely related, for language vocalises the social realities. Any changes that take place in society leave an imprint on the language (Ramamoorthy, 2002). Spoken language is extremely rich in semantics and in suggestive powers (Banerjee, 2003). In a study conducted by Stephen Robins (1996), four language barriers in cross-cultural communication were identified: semantics, word connotations, tone difference and differences among perceptions (Chang, 2002). When people from different cultures come together to work, they face language problems. It becomes difficult to interpret meanings of various words and statements; even jokes can become insult. Language barriers prompt miscommunication, uncertainty, mistrust and conflict (Feely & Harzing, 2003).

Not only does India have a diverse cultural background, but it also has over 200 languages and more than 500 dialects (Thomas & Philip, 1994). The Indian constitution recognises 22 languages, Hindi being the official and main link language of India. Hindi originates from the North of India, but is a widely spoken and understood in most of the urban cities of India ("Languages of India", 2006). Even though Hindi has gained the constitutional recognition of being the official language of India, only 30% of the population uses it for day-to-day conversation. Southern

cities have turned a blind eye, and do not recognise it as the national language. South India has debated the issue of whether a language which has originated in the North, is appropriate for the country as a whole (Thomas & Philip, 1994; Weisman, 1987). The South Indian community communicates with the rest of India in the colonial language of English. The British Raj introduced English to India in the 18th century, and English has place in Indian society. Commercial, political, national and international communication continues to be carried out in English ("The world factbook", 2005). Executives of major companies and senior officers of the government have a good command over English. Primary educational institutions and universities use English as primary means of instruction (Hooker, 2003; Thomas & Philip, 1994). However, there is always an impediment; the business class of India still consists of communities that carry out their business in local languages adhering to age-old customs and behavioural patterns (Thomas & Philip, 1994).

6.4.5. Economy

There are three types of economic systems: market economies, command economies and mixed economies (Chang, 2002). In a market economy, the supply and demand chain and the price system determine the production of goods. The role of the government in such economies is to promote vigorous competition among producers and eliminate the chances of monopolisation of the market (Chang, 2002). The government owns all the businesses in a command economy. The government decides the quantity and prices of the goods to be produced, also directing the investments of the company for the betterment of the nation as a whole. This type of economy is a common feature of communist countries. A good relationship with the governments opens the market gates for businesses in a command economy (Bishop, 1964; Chang, 2002). A mixed economy, occurs where both private sector firms and firms owned by the government take part in the economic activity (Bishop, 1964).

In addition, as economic conditions differ from country to country, the conditions prevailing within the country are of particular importance. Thus, the

cultural values that govern society and in turn the constitution, may classify the kinds of organisations that are allowable in a society. This determines the types of products or services, types of ownership and rules of competition that can be produced, supplied and delivered in a country (Chang, 2002; Jamieson, 1982; Kiggundu, Jorgensen, & Hafsi, 1983; Lachman *et al.*, 1994). Academic literature has abundant proof that links economic aspects of a society to the cultural aspects of the society (Chang, 2002; Jamieson, 1982; Kiggundu *et al.*, 1983; Lachman *et al.*, 1994).

Hinduism has had a significant influence on Indian society and culture thereby creating a unique Indian identity. This identity has led to various assumptions made by the Westerners about society, community and the nature of interpersonal relationships. For example, Carstairs (1957) stated that India's economy is strongly influenced by the dominant Hindu religious beliefs and values. Authors like McClelland (1961) and Taylor (1948) have commented that qualities like a joint family system, de-emphasis of material possessions and need for achievement has starved the social and economic development of India (Thomas & Philip, 1994, p. 95). On the other hand, some studies on India (eg; Gopalan & Rivera, 1997; Salyards, 2000; Sinha & Sinha, 1990) have found that individuals with families are encouraged to pursue vocations that result in economic success.

Since independence, India has achieved remarkable progress. In recent years, it has been a challenging competitor to both developed and other developing nations. In 1991 the government of India gave a boost to its economy by liberalising its economic policies, relaxing licensing requirements and easing other regulatory controls attracting a large number of foreign firms to India (Thomas & Philip, 1994). Even though 58% of the population of India depends on agriculture ("Indian economy overview", 2005), India has also managed to become one of the fastest growing software and back-office services nations in the world today (Pio, 2005b). The Indian economy is growing, with an estimated growth of 8.1% in its GDP in 2005-06, and dominating about 80% of the low cost offshore market (Edwards & Kuruvilla, 2005; , "Indian economy overview", 2005). According to the World Bank forecast

India could become the third largest economy in the world by 2020. With the reforms and the economy continuing to progress on the right direction India is slowly becoming the Mecca for service industries such as call centres, hotels, etc both international and domestic (Budhwar, 2003b).

6.4.6. Political Factors

Political factors are based on the degree to which a country is collectivistic or individualistic and the degree to which the government is democratic or totalitarian (Chang, 2002). In collectivism, a strong emphasis is placed on the goals of the society rather than those of an individual. Society is given higher priority than the individual and any actions of an individual that would create an obstacle to the betterment of the society will be subdued (Chang, 2002; Hofstede & McCrae, 2001). Conversely, in individualism, there is a lot of emphasis on guaranteeing individual freedom and right to self-expression. At the same time, it is considered that the betterment of an individual will lead to the betterment of the society (Chang, 2002; Hofstede & McCrae, 2001). In a democracy, people chose a particular political party to form a government to represent them. The people hold the right to remove their representatives from office if they do not meet the standards and the expectation set by the people. As Abraham Lincoln said, *"democracy is a government, of the people, by the people and for the people"* ("Defining democracy", 2006). However, in a totalitarian system a single political party, individual, or group of individuals monopolises the political power in the state (Fowler & Fowler, 1995; Hill, 2005).

The political culture of a country is represented by the set of attitudes, beliefs and sentiments that enlighten political processes. In multi-cultural countries, political culture differs according to the extent to which different cultural groups are allowed to conserve their separate identities, while at the same time maintaining the expected standards of integration (Bhimaya, 1998). India is a mosaic of cultures, languages, people and religion with its national culture deeply rooted in religion, spirituality and tradition. India is not a completely Hindu state. Islamic, Christian, Buddhist and Sikh value systems can also be found in Indian society. India is a Sovereign Socialist

Democratic Republic ("Constitution of India ", 2006) and also the largest democracy in the world ("Country profile: India", 2006; Pio, 2005d)

Nevertheless, Hinduism has set the parameters and agenda for the day-to-day experiences in India (Cameron & Ndhlovu, 2001). While religion plays an important part in Indian life, it also plays an important role in Indian politics. The success of a political party greatly depends on the religion the group acknowledges (Howard, 2004). A example of a political party influenced by religion is the Hindu nationalist Bhartiya Janata Party (Ray, 2006). The influence of religion on politics can be seen in the religious holidays that are observed in one part of the country or another. Apart from the number of holidays declared by the Central government, State government declare holidays based on the majority of religious groups in that state (Thomas & Philip, 1994).

Thus, social structure, religion, education, language, economic factors and political factors form the core of national culture thereby affecting the values and beliefs of the society and an individual. Knowledge of these factors will determine the success or failure of an international venture in different cultural settings (Chang, 2002; Gopalan & Rivera, 1997; Sinha & Sinha, 1990).

The aim of this chapter was to provide a platform of literature present in the field of national culture and organisational culture. This chapter provides the reader with the basic information of India's cultural background and how these deep-rooted cultural values and traditions have moulded the various aspects of day-to-day life in India. The next chapter will analyse the complexity of the factors discussed in the previous chapters the Indian culture, labour system, economic growth, the hospitality industry of India and the cultural literature, discussed in this chapter. These factors will be analysed with the help of Kluckhohn and Strodtbeck framework and the five cultural dimensions of Hofstede, to generate a cultural profile of Indian employees.

7. The Kluckhohn and Strodtbeck Framework

National culture relates to deep-seated values which are strong and long lasting (Hofstede & McCrae, 2001) and can be learned and acquired through socialising in families, schools and society (Berger, 1967; Hodge, 2004; Pio, 2005d). On the other hand, organisational culture primarily relates to shared beliefs in organisational processes and practices (Hofstede & McCrae, 2001; Pio, 2005d). Both National culture and Organisational culture, even though they concern different entities (i.e. national culture is in terms of the country while organisational culture is in relation to the organisation) share a common element called 'values'. This idea is strongly supported by scholars from several disciplines, who conclude that culture is best defined with reference to shared value systems within a unit (Hofstede, 1984; Lachman *et al.*, 1994; Martin & Siehl, 1983; Schein, 2004) be it a country or an organisation.

Values are defined as "desired end states" (Guth & Tagiuri, 1965, p. 125) which "guide actions and judgements across specific objects and situations" (Rokeach, 1976, p. 160). It has also been stated that values shape behaviour, methods of interaction and all the aspects of human thought. A large number of values may exist in a nation, but not all of them are compelling or of equal strength (Sinha & Sinha, 1990), while there are certain core values that are deep rooted and recognised by the majority of the inhabitants of a nation. It is these core values that define the main features of the nation's culture, also shaping its personality and ethos, and providing the nation with a unique identity of its own (Adler, 2002; Hitlin & Piliavin, 2004; Hofstede, 1984). The core set of values is represented in the dominant value orientations of the nation. Kluckhohn and Strodtbeck (1961, p.10) define value orientations as *complex but definitely patterned (task ordered) principles, resulting from the transactional interplay of three analytically distinguishable elements of the valuative process - the cognitive, the affective and the directive elements – which give order and solution of common human problems.*

In the process of developing solutions for these common human problems, five categories of value orientations are commonly found in all societies (Kluckhohn & Strodtbeck, 1961). They are:

1. Human nature orientation: This category helps in solving the mystery behind the inborn human nature.
2. Man nature orientation: This category helps in describing the relation of a human with the nature and the also the supernatural.
3. Time orientation: This category helps in the understanding of the importance of time factor in human life.
4. Activity orientation: This category helps one in understanding the purpose behind the various activities in a human life.
5. Relational orientation: This category helps in identifying the purpose behind the relationship of one man with another.

With the help of the above categories, a cultural profile can be developed, which would help provide insight into the salient values of a country. This information can be used to determine the degree of similarity or cultural differences between countries (Gopalan & Rivera, 1997).

7.1. Indian Employee's Cultural Orientation Based on the Kluckhohn and Strodtbeck Framework

As the Kluckhohn and Strodtbeck framework has its foundation in anthropology, the model tends to provide a more wholesome, comprehensive and a broader range of value variables (mentioned above) making understanding of cultural differences simpler. This model has also gained a wide acceptance between cross cultural management researchers to describe a nation's culture (Adler, 2002; Adler & Bartholomew, 1992; Gopalan & Rivera, 1997). In the following section, a cultural profile of India will be developed with the assistance of the framework of five categories developed by Kluckhohn and Strodtbeck along with the five dimensions of culture developed by Hofstede. Reviewing a number of articles written by Indian and

Western authors from the field of cross cultural management and anthropology will contribute towards generating the cultural profile of India. The cultural profile developed by using the five value orientations by Kluckhohn and Strodtbeck and Geert Hofstede dimensions of culture, will help to acquire a basic idea of how traditional values impact the beliefs and attitudes of the Indian population.

India has a very ancient and a strong cultural background. The culture of India is derived from the Vedic ages, which date back 3000 years. The present day Indian culture is an assimilation of the Hindu, Islamic, Christian, Buddhist, Jain, Sikh and British culture that had found home in India. Hence over a period of time the national culture of India has transformed from one type to another as Indian society is a mix of various ethnic, religious, linguistic, caste and regional collectivities differing in historical and socio-cultural background. Over the years the Indian society has absorbed diverse languages, cultures, religions and people of different social origins at different period of time. This diversity can be seen in the patterns of life, styles of living, land tenure systems, occupational pursuits, inheritance and succession rules (Budhwar, 2003a)

7.1.1. Human Nature Orientation

According to the theory of *karma* most Indians are socialised to believe that the actions and the lifestyle in the previous incarnations determine the present nature and current state of affairs which are unchangeable (Gopalan & Rivera, 1997). Karma simply represents the payments for one's actions (Pio, 2005b).

An extensive review of ancient Indian texts and scriptures such as the *Manusmriti*, the *Arthashastra* and the *Mahabharata* reveals that Indians have always viewed human nature as bad, evil and wicked (Saha, 1992). This has resulted in practices favouring coercion and punishment to maintain social control. The British adopted and reinforced these ancient traditional patterns of thought by treating Indians as if they possessed a human nature resembling "half devil" and "half child"

(Kakar, 1971, p. 301). This attitude can still be widely found in Indian managers and supervisors towards their subordinates.

As the current Indian culture has existed for almost 3000 years, social customs have become stronger with time supporting the idea that quality and personality traits of an individual are ascribed to the particular caste into which they are born. Noble and good qualities are associated with people of the higher castes e.g. *Brahmans* and *Kshatriyas*. On the other hand, people born in the lower castes e.g. *Shrudras* and Untouchables are considered to be evil and perverted in nature (Saha, 1993). According to the laws of *karma*, birth into a higher caste is dependent on the actions of the previous life. However, if an individual belonging to a higher caste fails to perform the duties assigned to them they will be reborn to lower castes in the next life (Gopalan & Rivera, 1997).

Thus, Indians believe that irrespective of the quality of the effort one puts in to refine the personality and current socio-economic position is not enough, and change can only be accomplished in the next life. This has resulted in a peculiar Indian attitude that lacks concern, widespread fatalism, and an overall lower degree of empathy relative to other cultures (Gopalan & Rivera, 1997). Indian value orientation causes many individuals to adopt a passive and cynical outlook towards life. To the contrary, some Americans believe that change is possible and desirable, and charitable endeavours can help in easing human suffering and misery. Adler (2002) and Saha (1992) noted that Indians put less effort into improving one's present situation and accept pain, suffering and poverty with a certain impassive and impersonal outlook.

7.1.2. Man – Nature Orientation

India is the birthplace of four of the world's great religions: Hinduism, Buddhism, Jainism and Sikhism (Pio, 2005b), and spirituality forms a major part of

the Indian culture (Hodge, 2004). Indians believe that the events that take place in the day-to-day life are predetermined and controlled by supernatural forces.

Indians follow the tradition of *Bhakti* or devotion (loyal service or worship). All the aspects in which the Supreme Being is considered to be present for example, statues, deities, pictures of holy beings, temples, holy rivers, certain trees and some animals (cow, snake) are treated with honour and devotion (Pio, 2005b). The doctrine of *ahimsa* or non-violence reinforces the relationship between humans and nature by discouraging bloodshed and killing of any kind and promoting positive kindness to all creation (Gopalan & Rivera, 1997).

India is a high uncertainty avoidance country (Hofstede, 2003). Countries with high uncertainty avoidance have strict rules and regulations by which they attempt to control every unknown and unexpected event (Hofstede & McCrae, 2001). This can be very clearly seen in the Indian traditions with set rules and regulations like the doctrines of *karma* and *dharma*. Countries having a strong religious background correlate very strongly with Hofstede's (2003) dimension of uncertainty avoidance. Indians have developed a sense of respect not only for the Supreme Being and all of its aspects like idols, sacred animals and birds etc. but also for other human beings elder or younger. Indians strongly believe in the doctrine of *karma* which advocates that all the events taking place are destined and not subject to human control ("Religion - India", 2000). They also believe that the future is largely uncertain and all depends on nature, unlike the western belief of mastery over nature and control of destiny (Hodge, 2004). Such a strong belief in nature has adversely affected the overall levels of persistence, ambition, and work ethic of the Indian population (Gopalan & Rivera, 1997).

7.1.3. Time Orientation

Indians believe that time is an infinite entity and is part of the vast cosmic cycle. As per the doctrine of *karma* the past plays an important role in the life of an

individual. Hinduism places heavy emphasis on the “cycle of rebirth” (Hodge, 2004). The previous life of an individual demands the same level of importance as an individual’s present life. Indians view time as a vast cosmic cycle wherein unfinished transactions in one’s present life are considered to continue into one’s future life. Thus, in contrast to future oriented societies like New Zealand where a lot of emphasis is placed on planning, compartmentalising, scheduling time and sense of urgency, these factors seem to get neglected in India due to a different time orientation (Gopalan & Rivera, 1997; Pio, 2005b).

Additionally, according to Indian tradition, time is divided into four periods of several thousand years each in duration, and arranged in order of gradual social progress from savagery to barbarism to civilisation (Saha, 1992, p. 5). The present time period is called the *Kal Yuga*, which is considered one of the worst periods of the four (*Satya Yuga*, *Treta Yuga*, *Dvapara Yuga* and *Kal Yuga*). Evil and immorality are considered to dominate this period. This may be why Indians have a pessimistic and cynical view towards human nature. The earlier three periods were considered as the “golden age” of Indian civilization. This has resulted in extensive documentation of these three periods, thereby having a profound influence on the current Indian civilisation (Hooker, 2003). This has affected the attitude of most Indians where they tend to lean more towards the past experiences and have a sceptical view towards future (Saha, 1992).

Indians are pressurised to conform to traditional practices and beliefs, as past time orientation is given much importance. A vast majority of Indians believe that planetary movements impact their lives for example: the widely followed ancient Indian tradition of astrology (Lewis, 2000). Tradition dictates life to such an extent that activities like marriages, engagements, business deals, vacations and all other important personal and professional activities are planned according to the planetary movements.

7.1.4. Activity Orientation

The ultimate objective of human existence according to the Indian culture is the achievement of salvation. According to the traditional laws salvation can be only be attained by displaying an ascetic non-worldly lifestyle and by performing appropriate activities consistent with one's role in life (Gopalan & Rivera, 1997, p. 163).

The purpose behind achieving salvation or *moksha* is to escape from the endless cycle of rebirth. According to the Indian tradition an individual is discouraged from pursuing economic objectives and being involved with the material world, as this can distract an individual from achieving salvation. Living a simple and non-worldly life is given more importance than living a materialistic life (Hooker, 2003; Saha, 1992). Over the years this has resulted in less attention being given to the social, economic and technological development of India to satisfy human needs and wants. A trend which can still be seen in the attitudes of Indian employees, is that heavy work is looked at with a sense of disrespect whereas leisure is given more value (Gopalan & Rivera, 1997).

In Indian culture more respect is bestowed over “thinkers”, “contemplators” and “mediators” rather on “doers”. Knowledge, behaviours seeking truth, unity and harmony are given priority over action, practicality and reality (Gopalan & Rivera, 1997, p. 163). The concept of *dharma* refers to the righteous duties that are supposed to be performed by an individual based on his or her social class and stage in life. The role of an individual in society determines the type of work he or she can perform (Pio, 2005b). For example an individual is allowed to pursue activities that contribute to the accumulation of wealth if he or she is the head of the family and is working for the requirements of the family and not personal gains. If an individual is not considered a householder he or she is discouraged from engaging into activities of accumulating wealth. Thus, with the exception of the householder stage in his or her life, an Indian is restricted by his or her *dharma* to engage in activities leading to the accumulation of wealth or material goods. Therefore,

according to the traditional Indian values work is regarded as stepping stone to reach the objective of betterment of the family and not the objective itself (Mullatti, 1995). Some researchers such as Myrdal (1968), Nair (1962) and Weber (1958) have commented that the Indian traditional values are not supportive of change and development in India. While, there are others such as Srinivas (1972) and Sinha (1990) who state that individuals with families are encouraged to be hard-working and pursue an occupation which in turn results in economic success for the country. They also add that individuals can carry out such activities as long as they are responsible and committed to the betterment of the family.

The Indian work ethic is heavily influenced by the Hindu traditional values, wherein an individual is allowed to work to satisfy the needs of the family. Indians also believe there is a possibility for poor and illiterate people to gain divine favour by the intensity of their devotion. Thus, one can achieve *moksha* or salvation even by doing one's ordinary day-to-day tasks with devotion. This is also one of the reasons why Indians often consider their work place as *Shram mandir* or temple of work (Pio, 2005b, p. 68). However, according to the American work ethic dominated by the Protestant values places more emphasis on individual achievements, accomplishments, accumulation of material wealth and economic activity are given more importance (Salyards, 2000; Sinha & Sinha, 1990).

7.1.5. Relational Orientation

It has been found that Indians prefer a certain amount of structural inequality in relationships. In management literature such behaviour is mostly found in high *power distance* societies (Hofstede & McCrae, 2001). According to Hofstede (2003) India has the highest power distance ranking of 77 in comparison to the world average of 55. This ranking is indicative of the high level of inequality of power and wealth in the society. The Indian society accepts this inequality as a cultural norm rather than a condition forced upon them.

Social life in India is based on the caste system and joint family system that influence Indian relational orientation. The caste system or the *varna system* traditionally categorises the Indian population into four main castes along with several sub castes (Saha, 1993). Depending on to which caste an individual belonged his/her occupations were set. Occupations were a hereditary and inter caste marriages were prohibited (Saha, 1993). During the British rule, people belonging to higher castes were promoted to work in government offices, increasing the gap between the higher and lower castes (Birodkar, 2005b). In an effort to discourage discrimination, recent governments in India have developed the policy of positive discrimination, which allowed certain quotas favouring members of the lower castes in government jobs and educational institutions. Instead, this policy intensified the differences between the different castes (Budhwar, 2003a; Daniel, 2005).

Attitudes towards members of the out-group (non family members and those from other caste) can range from suspicion to outright hostility and violent clashes have been witnessed between members of different castes (Daniel, 2005; Saha, 1993). A large number of successful businessmen are from the *Vaishya* caste as trade and economic activity has been their traditional domain. Until today, the members of this caste have managed to maintain their monopoly and dominance over business in India, through strong mutual support and knowledge sharing within the caste (Saha, 1993). The joint family system has managed to survive even in modernised and busy urban cities of India. These joint families are educational institutions for the young members of society, teaching them traditional Indian values such as respect for authority and family. Behaviours displaying conformity, dependence and approval seeking are valued and rewarded over those showing initiative, creativity and independence (Mullatti, 1995). The needs and wants of the family are given more importance to that of an individual. The family, not the individual, is considered the unit of the social system (Gopalan & Rivera, 1997; Sinha & Sinha, 1990, p. 165). These behaviours closely relate to Hofstede's dimension of Long Term Orientation and Individualism. Indian values such as thrift and perseverance, respect for elders mark India as a long term oriented country.

Also, the prevalence of strong family values, interdependence and networking make India a collectivist country according to Hofstede's dimensions (Hofstede, 2003).

The value orientations discussed can impact on various management practices and ideologies. The result of the impact of value orientations is stronger when foreign culture is introduced in a country with a strong and deeply embedded cultural setting. In recent years India has seen growth in the foreign investment sector. A very good example of this is the large number of international hotel chains that have established their ground in India in recent years and intend to keep doing so in the coming years such as Hilton, Marriott's and Hyatt.

The international hotel chains that are present in India come from a different cultural background to that of India. The following section addresses how the two cultural settings of India and the MNC differ from each other, and the problems that are caused due to these differences. Some of the salient issues that an expatriate manager should consider when dealing with Indian employees in an Indian environment are also discussed.

7.2. Indian Culture and International Organisational Culture

7.2.1. Team Composition and Groups

As discussed in 7.1.5 as, India is a collectivist country where much importance is laid upon family values, teamwork and interdependence. Indian employees are more comfortable and productive when working in a team environment (Sinha & Sinha, 1990), in contrast to Westerners who prefer working as individuals (Hofstede, 1984). Due to the strong affiliation of extended family relationships (such as wife, children, parents, friends and relatives) Indian managers tend to let their job related decisions be influenced more by interpersonal considerations than by task demands (Budhwar, 2003b). Also, due to the dominant

presence of the caste system in India, Indian employees tend to bring the caste feelings and beliefs into organisational settings (Gopalan & Rivera, 1997).

Therefore, when MNCs like international hotel chains operate in India they need to be aware of the existing social and caste relationships when assigning individuals to teams and group projects (Saha, 1993). Sinha (1990) observed that individuals tend to cooperate and work in a more unified manner when working with family members or individuals belonging to the same caste. On the other hand, members belonging to different castes may be seen as adversaries resulting in a strong feeling of distrust, friction and conflict. Hence, when forming work teams in India, international organisations and expatriate managers may benefit from addressing skill levels, the task and occupational requirements as well as caste affiliations of employees.

Indians in the urban cities of India who have been exposed to Western values through educational institutes and the media, do not give much importance to the caste system but emphasise family values and interdependence (Gopalan & Rivera, 1997). Thus, the Indian population is divided into two groups (1) people from the rural part of India who strongly believe in the caste system, family values and interdependence and (2) people from the urban area, who do not follow the caste system strictly but at the same time strongly believe in family values and interdependence. Therefore, depending on the location of operation (rural or urban), if an international organisation wants to succeed in India they need to give emphasis to teamwork and group formations.

7.2.2. Leadership Styles

The joint family system and caste system also socialise Indians to prefer hierarchically based superior subordinate roles (Gopalan & Rivera, 1997, p. 167). Indian employees are found to be more sensitive to their relationships with their superiors than with their work goals and productivity. Working in a family environment where the leader has a nurturing role helps Indian employees to

develop a sense of loyalty and commitment towards the leader and in turn to the organisation. Indians prefer a leader who is involved with his or her subordinates on a personal level, cares and shows affection towards them and above all is committed to the growth of his or her subordinates. Indian employees expect to be rewarded in terms of warmth, affection and close relationships with their leaders in contrast to the expectations of material rewards by Westerners (Hofstede, Deussen, Mueller, & Charles, 2002; Sinha & Sinha, 1990).

Managers from America and other Western countries, which are low power-distance countries, prefer a democratic approach towards employees when soliciting work related ideas and suggestions (Adler, 2002). On the other hand, Indians may view this approach as a sign of weakness and incompetence of the manager (Lewis, 2003). Due to the traditional emphasis on hierarchy, Indian employees are socialised to be dependent and conscious of their lower status in relation to management. Indian employees look for strength and security in the power exuded by their leaders (Saha, 1992; Sinha & Sinha, 1990). They expect their leaders to set tasks and goals for them to achieve, and if they fail to achieve the desired results they are open to the idea of being punished by their leaders. On the other hand, in Western management employees prefer to sit down with their managers and discuss their future goals and objectives, while at the same time being open to the idea of failure and possible improvement (Garg & Parikh, 1986; Gopalan & Rivera, 1997).

7.2.3. Preference of Personalised Relationship

Traditional values are deeply embedded in the Indian society. Indian employees look up to their leaders for guidance, judgement and affection in both their work and personal lives. Indians employees are also willing to carry out personal favours with a completely unselfish motive for their superiors. Western managers might find this inappropriate behaviour, unethical and unprofessional due to different culturally defined attitudes (Hooker, 2003).

The reason for such behaviour towards their superiors by Indian employees can be related to the religious rituals of the Hindu religion. Hindus make offerings to God when visiting temples; this act shows that Indians believe in the superior status of God and feel the need to ingratiate themselves with a higher spiritual being for continued prosperity and sustenance (Gopalan & Rivera, 1997; Lewis, 2000). Indian employees tend to carry this act to their organisations where they show their respect for their superiors by offering them gifts and by doing personal favours. In return, the subordinates expect unwavering support and protection from their immediate superiors. In contrast, Western thought is exchange oriented, and a person accepting a gift is obliged to return an equal or greater favour (Sinha & Sinha, 1990).

When dealing with situations such as gifting the superiors and culturally defined actions of employees international organisations and expatriate managers have to understand the hidden meanings in Indian culture. Although in some cases there might be a hidden agenda behind gift giving behaviour, the vast majority may simply reflect employee regard and consideration.

7.2.4. Motivational Aspects

Western (particularly American) organisational theories propose that employees are motivated if they are given a greater degree of autonomy, responsibility and control over their work (Herzberg, 1968). Also, individuals needs for self-esteem and self-actualisation need to be given more priority over safety and social needs. This thought is more prevalent in individualistic countries and is influenced by the Protestant work ethic (Maslow, 1948).

In contrast to Western culture, in collectivist hierarchical countries such as India (Hofstede, 2003), work is considered as a duty, which is performed to meet the needs of family, friends, and relatives; virtues such as self-sacrifice are valued over personal achievement (Hooker, 2003). Indian employees tend to perform various kinds of jobs, be it laborious work or formal office job displaying high levels of

commitment, job satisfaction and productivity as long as they are able to cater to the needs of their family and friends (Saha, 1992). Young Indian employees are motivated by factors such as pay, promotion, relationships with one's superiors and peers, working conditions and job security. On the other hand, mature Indian employees are motivated by factors like recognition and autonomy (Gopalan & Rivera, 1997; Sinha & Sinha, 1990).

Training, education and development are terms, which are sometimes overlooked by Indian organisational cultures, as some of the population believes that change in human nature is impossible and cannot be accomplished in this lifetime (Gopalan & Rivera, 1997). On the other hand, there is another part of the Indian population that has been exposed to Western values through educational institutions, overseas experience and international media. This section of the Indian population adheres to Western values to a certain extent, who believe that performance has to be job related and it can be measured; and the individual who achieves his or her objective will be rewarded and everyone treated fairly and impartially. But in a country such as India, impartiality and objectivity in rating and rewarding employees have not been practised traditionally. Everyone receives incentive irrespective of the effort put in; promotion is based on seniority regardless of the quality of the performance. Family members or members of the same caste tend to draw more favours regardless of their performance. Monetary rewards and job security are given more importance in India over the other type of rewards (Lewis, 2000; Saha, 1992, , 1993).

International organisations might find that factors that motivate employees in their country may have to be changed substantially to function more effectively in the Indian setting (Myloni *et al.*, 2004a). This means that when international organisations enter India they need to put in plenty of effort to know the culture specific work outcomes that are valued in the Indian environment.

7.2.5. Human Resources Management Practices

Values and attitudes that prevail in the socio-cultural setting of a country, which influence factors like motivation and leadership also pose a challenge to Human Resource Management (HRM) practices (Myloni *et al.*, 2004a) such as recruitment, selection, training, performance appraisal, compensation and employee labour activities.

When compared to the way HRM practices are followed in western countries, HRM practices in India are completely different. The HRM of America has developed over a period of 200 years into a profession with a vast amount of literature, training institutions and extensive government regulations. HRM has not found its way completely into the Indian organisational system, thus restricting the effective functioning of organisations through its Human Resource Management practices. HRM practices in India are greatly influenced by the strong prevailing cultural and traditional background (Adler, 2002; Budhwar & Khatri, 2001).

7.2.6. Selection and Recruitment

International organisations and the expatriate manager need to be aware of the socio-cultural practices prevailing in India when it comes to recruitment and selection practices in India. Hiring of employees in India takes place through a “known circle” of relatives and friends (Gopalan & Rivera, 1997, p. 171). If the upper management level of an organisation is occupied by members of a certain caste then the industrial and the blue collar workers may also be recruited from the same caste (Saha, 1993). International organisations must try and gain knowledge of the caste system in India and the influences it has on the people of India, to ensure smooth functioning of the organisation. They must also have a good knowledge of the government policies, which have been in use since the independence of India.

7.2.7. Training and Development

As the theory of *karma* restrains one from believing that changes can be achieved (Gopalan & Rivera, 1997), the Western management training policies are not very well absorbed by Indians. On the other hand, in India more respect is accorded to thinkers than doers, this traditional value has been found to be of importance in problem solving activities by various Western management gurus (Saha, 1992; Yadapadithaya, 2001). Indians from the urban parts of India are more open to Western training methods, because they have been educated in English in schools and colleges. Additionally a large number of Indians who have been educated overseas (especially American universities) return to India and hold responsible positions in organisations (Budhwar & Khatri, 2001; Yadapadithaya, 2001). Most Western researchers believe that modern society is concerned in professionalism and traditions slow the process down. This attitude towards tradition might prove to be costly in a country like India. The challenge that awaits MNCs management in India is to merge the conflicting strains originating from culture, religion, Western ideas and current managerial practices, in order to develop theories that would help in the better training Indian employees.

Also as Indians look up to their leaders for motivation and support, MNCs could aim for training programs for managers and middle managers. As Indian employees tend to follow the example of their leaders, managers and leaders could be trained to lead from the top and by example (Sachdev, 1994). Various experiential learning exercises have been developed over the years to aid training and development. Programs that deal with behavioural simulation, to enhance interpersonal skills and decision-making skills for example "The Looking Glass", will be useful in the Indian context (Gopalan & Rivera, 1997). Although, if a training of this type is to be applied in India, it should begin with an examination of the values underlying the material being taught. Moreover, the fact still remains that any training that needs to be administered by an international organisation to its employees should be altered to match the local conditions.

7.2.8. Performance Appraisal And Compensation

In a country such as India, which has a high power distance culture, collectivistic orientation; paternalism and dependence are valued and work is viewed as a matter of duty and is primarily carried out to achieve the betterment of the family and not necessarily personal gains. Unlike in America where there are rules and regulations pertaining to performance appraisal, traditional laws overpower government laws in India. Even though, there are government laws concerning performance appraisal in India, traditional laws of relational orientation, where loyalty to and dependence on one's superiors may factor into a favourable performance rating. In Western organisation performance appraisal and compensation are closely related to the performance reviews of an employee. However, in India seniority and experience demands more pay than effort or skill.

It is of importance for international organisations operating in India to understand these traditional and value orientations that have been functioning in India for centuries. Considering the cultural vastness and prevalence of traditional values in India it is best to assume that there will be many hurdles to be faced when setting up a business in India. Crossing these hurdles would become easier if one tries to understand questions like how does an international organisation cope in a new country which has a completely different national culture in comparison to the organisational culture of that organisation? Also, how does the conflict that is raised between the national culture and the international organisational culture affect the functioning and the attitude of employees working for that organisation? During the course of the literature review it was found that majority of the management models and practices are based on the Western socio-cultural context, thus MNCs might find that the relevance and applicability of such practices is very limited in a country like India. Therefore, if a foreigner wants to cook an Indian meal for an Indian family, it would be of utmost importance that he familiarises himself/herself with the ingredients commonly used in Indian cooking and the Indian style of cooking. In a similar fashion if a MNC wants to set up a successful business in India, it not only needs to understand the local market but also needs to get accustomed with the local culture settings and work ethics of the local workforce.

8. Limitations of the Study

8.1. Globalisation and Its Effects on National Culture

As globalisation increases a question that lingers is, are the colours of national culture fading away? (Myloni *et al.*, 2004a). Evidence has been found in literature that national culture affects the way in which Human Resource Management practices get implemented in different cultural settings. Some authors argue that technology, markets and global awareness will tend to play a crucial role in an organisation rather than societal values (Myloni *et al.*, 2004a). To make international trade easy international bodies like the European Union and the Commonwealth will try and introduce common legislation and agreements between countries. These actions will lead to uniformity and synchronization of trade laws and HRM practices across countries (Myloni *et al.*, 2004a).

Studies have been conducted on leadership behaviour, job commitment, satisfaction etc. but there is still a large scope for studies on the effect of cultural differences on these factors interacting with each other.

Technological advancements will play an influential role in shaping human behaviour in the coming years. Exposure to the Internet and international media like movies and news is becoming a part of the daily routine for most individuals. The Internet and real time media like CNN have the power to overshadow traditional thought and thereby affect relationships between foreign policies and public opinion ("Globalization and changes in the world order", 2004). These technologies will also educate and enlighten individuals of one country about the traditions, culture, language, education and work ethics of another country (Chamarik & Goonatilake, 1994).

The idea of technology taking over national culture may sound very convincing but many authors have refuted it. They believe that the social, political

and cultural forces from a country will overtake the forces of globalisation originating from technology and supranational agreements (Myloni *et al.*, 2004b). This shows that there is a need to study the relationship between technological globalisation and its effects on national culture (Rangarajan, 2004).

8.2. Western Literature

Geographically America and the European Union are the biggest trade areas as they are economically more well developed than other countries (Agarwal & Teas, 2002). These factors make it easy to compare the data of America and European countries with data from other countries. As America is a very culturally diverse region this provides the researchers with a large number of cultural groups to conduct their study. Since most of the studies have been done considering American employees, the findings are consistent to American values (Budhwar & Khatri, 2001). Asian countries like China, Japan, and Hong Kong have also received great attention from researchers. These studies show that there has been very little attention given to Arab countries (Robertson, Al-Khatib, & Al-Habib, 2002), South East Asian and African countries. At the rate at which India is capturing the global market an enormous effort is required to explain the cultural orientation and its influences on Indians. This will help international organisations to be better prepared when they enter India.

8.3. Literature Review

A vast amount of research has been carried out in the field of cross cultural management and MNCs considering various aspects of employee behaviour like job satisfaction, commitment, rewards and communication. The studies of these factors are done using sets of groups basically from America, European countries and Asian countries like China and Japan. Thus the results and outcomes from such studies would be constrained to the cultural settings of the researched countries (Rangarajan, 2004). But the question here is whether the study carried out in

particular locations like America, European countries and Asian countries like China and Japan, still maintains its validity and practicality in different cultural settings like India? It is evident from literature that perceived control systems would have different effects in different cultural settings. Also, these will depend upon the organisation structure, design of management systems and process (Awasthi *et al.*, 2001). Many management practices have been set up for MNCs in the literature. But proper implementation of these practices would depend on how the subsidiaries will behave in the host country (Myloni *et al.*, 2004a). Thus the factors that will determine the formulation of adaptable practices for MNCs subsidiaries will be the home and the host country cultural and governing environment, the strategy of the firm, organisational culture and control, how closely is the subsidiary linked to the parent company (Myloni *et al.*, 2004b).

The location from where the majority of literature originates is not the only important factor in this study. The study has evolved by reviewing a database of around 300 articles, which includes literature from cross cultural management, anthropology, fact sheets, newspaper and magazine articles. The study did not involve any personal interviews or any quantitative methods of research like surveys, questionnaires and tests. Therefore the results of this study may have limited relevance. On the other hand, reviewing such a vast database provides a holistic view of the topic and a comprehensive understanding of the data thereby allowing logical arguments. Nothing is constant in this fast paced world where science and economy grow ten fold every day. In this case, the study becomes vulnerable to changes that are taking place in the world on a continuous basis. In regards to the pace at which India is growing and getting Westernised, some points mentioned in this study might sound out of date. Thus, there is always scope for further studies to be carried out in relation to Indian culture, the changing work values and MNCs trying to establish themselves in India.

9. Conclusion

As the world moves towards more globalisation, companies should start thinking out of the square. This means that global companies, apart from considering their home cultural values as the foundation of their management practices, should, start considering the host country's culture for it can have some drastic effects on their management practices. MNCs will have to catch up with the pace of globalisation in order adapt to changing marketplace scenario (Rangarajan, 2004).

Over the years research has been carried out in America and other European countries in the field of management. But considering the rate of globalisation and knowledge of managing multi ethnic workforce, researchers began to include countries like Japan and China with different cultural settings than from America and European Union. This research contributes towards most of today's management practices followed in MNCs. During the course of this study, it was found that India did not enjoy much attention from researchers up until the beginning of the 1990's.

India's emergence as an industrial power is economically attractive to international organisations. To document the cultural values of India is a very daunting and challenging task. To make the concept of India more understandable and approachable to the readers, the study traces back to the birth of India, its civilisation, its culture and its people to the present day India. The study also looks into the fast growing travel and tourism industry in India which has seen a steady rise in the number of hotels being opened in different cities of India. The growing Indian economy has a seen an increased influx of multinational companies wanting to establish their foothold in India. As discussed in the literature in the preceding chapters it was found that when international organisation set foot into a new country they bring with them an organisational culture which is a reflection of their national culture. Differences between the culture of the host country and the multinational organisations question the sustainability of the organisation in the host country. It also raises questions as to how will the new organisational culture affect the attitude

and functionality of an employee, who has been raised in a completely different cultural background.

An attempt has been made to answer the above questions with the help of the Kluckhohn and Strodtbeck (1961) framework combining it with Hofstede's dimensions of culture. This helped in developing a cultural value profile of a country like India with a vast cultural background. This study, aims to provide a brief insight into the cultural orientations of India, helping expatriates, managers and students to enhance their knowledge on managing people from different cultures in varied cultural settings. This study will help expatriate managers and international companies to increase their success rate when dealing with Indian employees and subordinates in both urban and rural settings. This study helps in understanding that the complete application of Western management tools in a country can lead to chaos. One of the main challenges faced by Western managers while managing in India is that they can expect to face similarities and differences in the Indian and Western management practices; where the differences would have a greater probability to outweigh the similarities. As most of the management models followed by international organisations are developed in a Western socio-cultural setting, their application and relevance becomes very limited in the context to developing countries such as India (Adler, 2002).

This study sought to prove that differences between the national culture and organisational culture can lead to management challenges in a country such as India, which is a collection of deeply embedded ancient values and traditions and at the same time a growing global market.

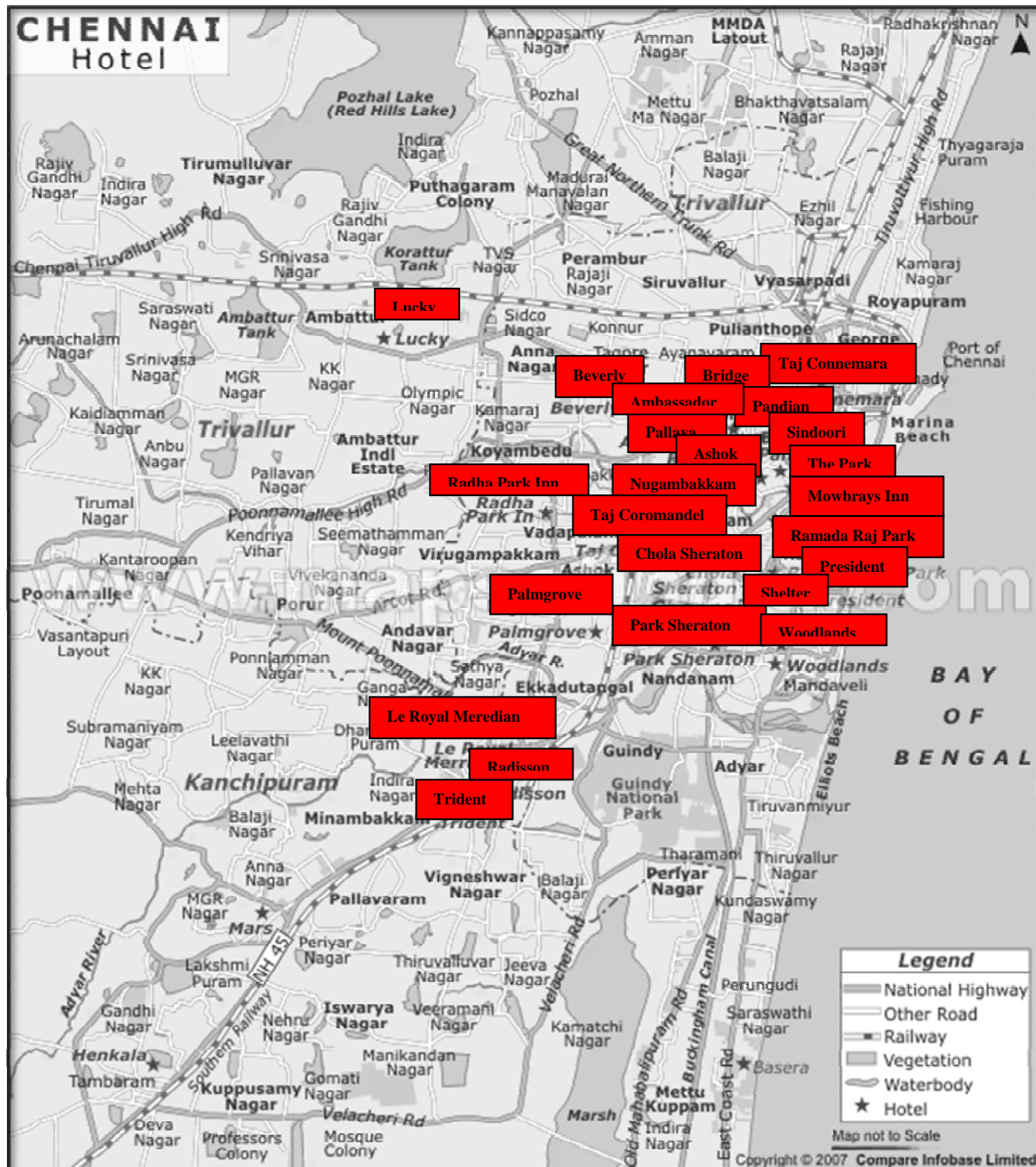
10. Glossary

- *Ahimsa*: Non violence
- *Aazaans*: In Islam the first call to prayer.
- *Athithi devo bhava*: Guest is god.
- *Ashramas*: The four stages of life
- *Brahmans*: Superior most in the caste system. They were considered to be the direct link between the supernatural (God) and humans.
- *Dharma*: Duty
- *Grhastha asramas*: Grhastha, or householder life (grha - household), is the second spiritual stage (asrama) in the varnasrama system. Other duties of the householders are charity and hospitality to guests (especially by distributing food).
- *Guru*: Teacher
- *Jati*: Sub castes
- *Karma*: The fruit of ones actions; as one sows so shall one reap.
- *Kshatriya*: The second class in the hierarchy. Basically comprised of kings and warriors.
- *Memsahib*: Indian salutation for British women during colonisation.
- *Moksha*: Salvation
- *Raj*: Indian word for 'rule'
- *Sholka*: Hindu prayer or hymn of praise
- *Shrada*: Devotion
- *Shram mandir*: Temple of work
- *Shudra*: The lowest class in the caste system. Born to serve others. Later in the course of history they came to known as untouchables.
- *Thirthankara*: Spiritual leaders of the Jain

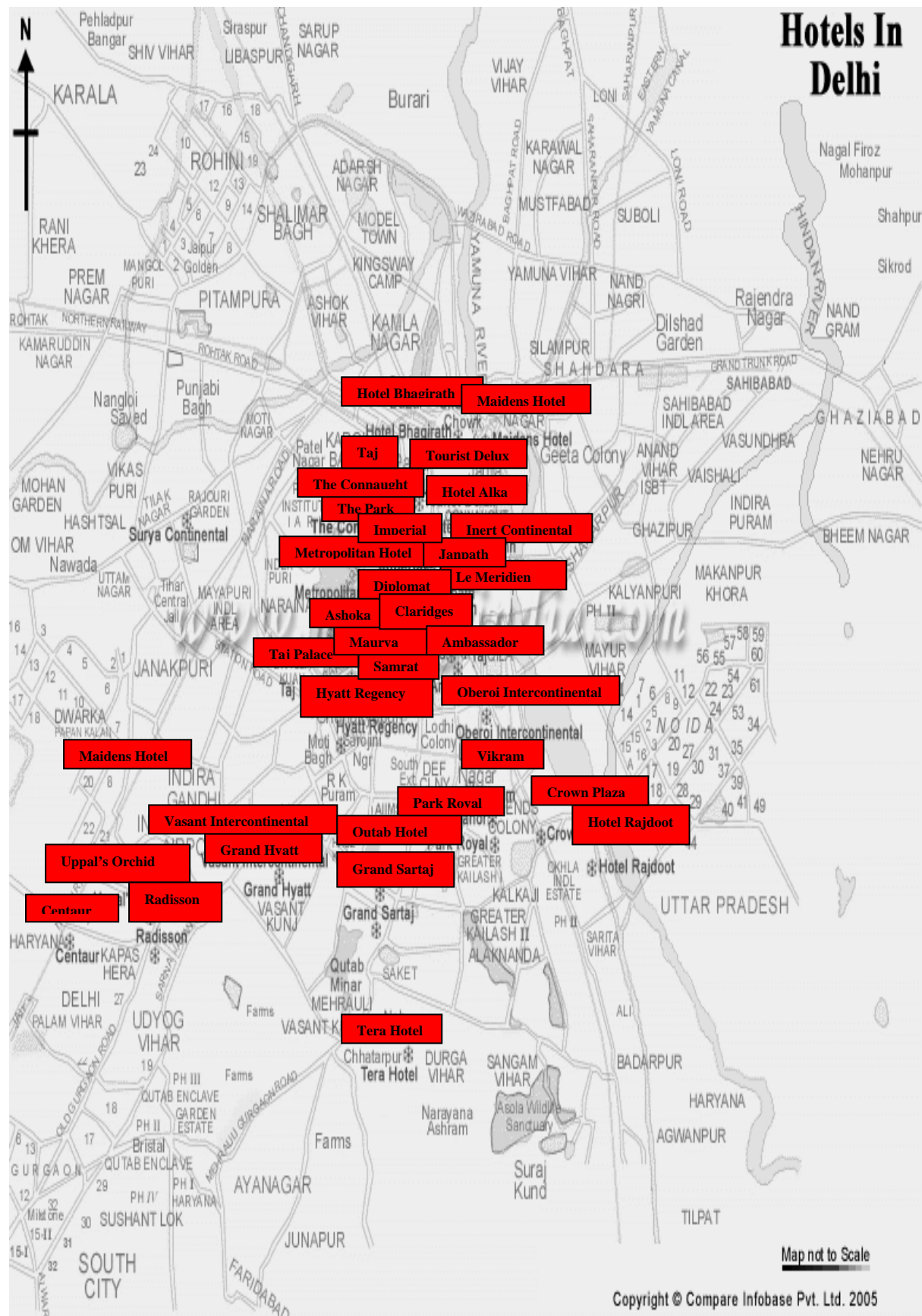
- *Vaishya*: The third class in the caste system. This class comprised of people engaged in agriculture, cattle rearing and business.
- *Varna*: Colour in Sanskrit. The Hindu society was divided into 4 sections based on the occupation of an individual. They are the Brahmins, Kshatriya, Vaishya and the Shudra.
- *Vedas*: Hindu holy books. Rigveda, Samaveda, Yajurveda, Atharvaveda.

11. Appendix

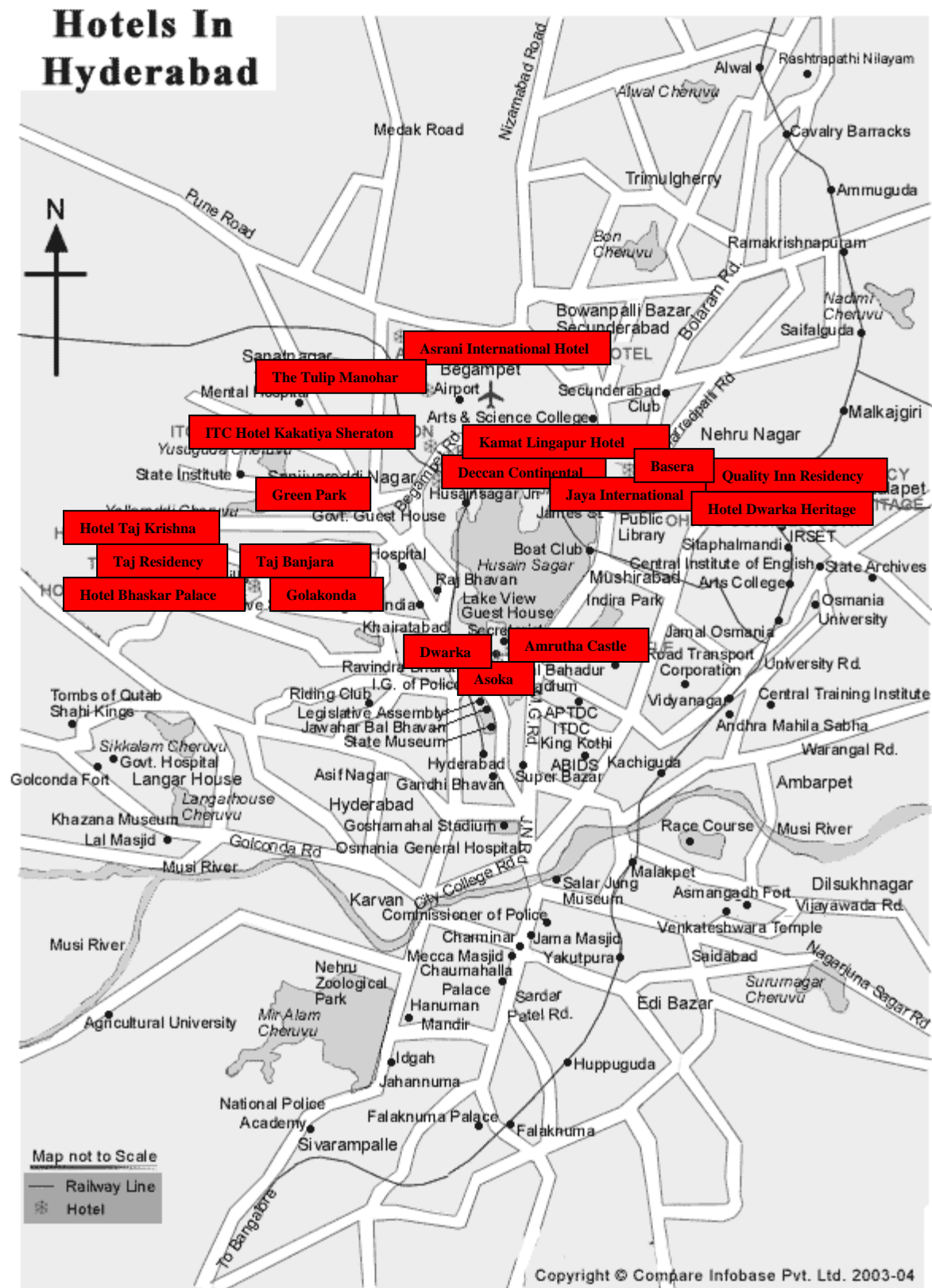
11.1. Chennai



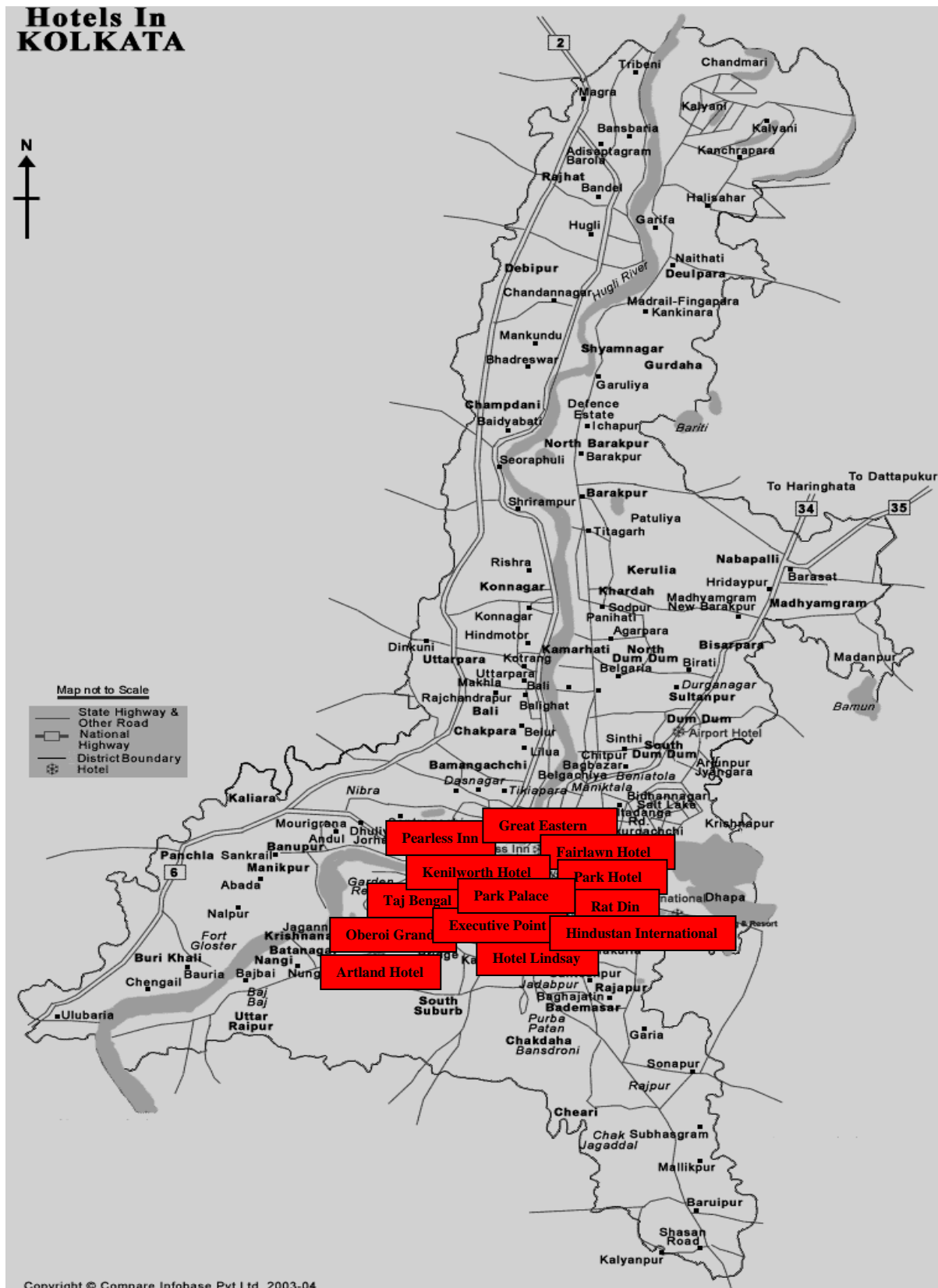
11.2. Delhi



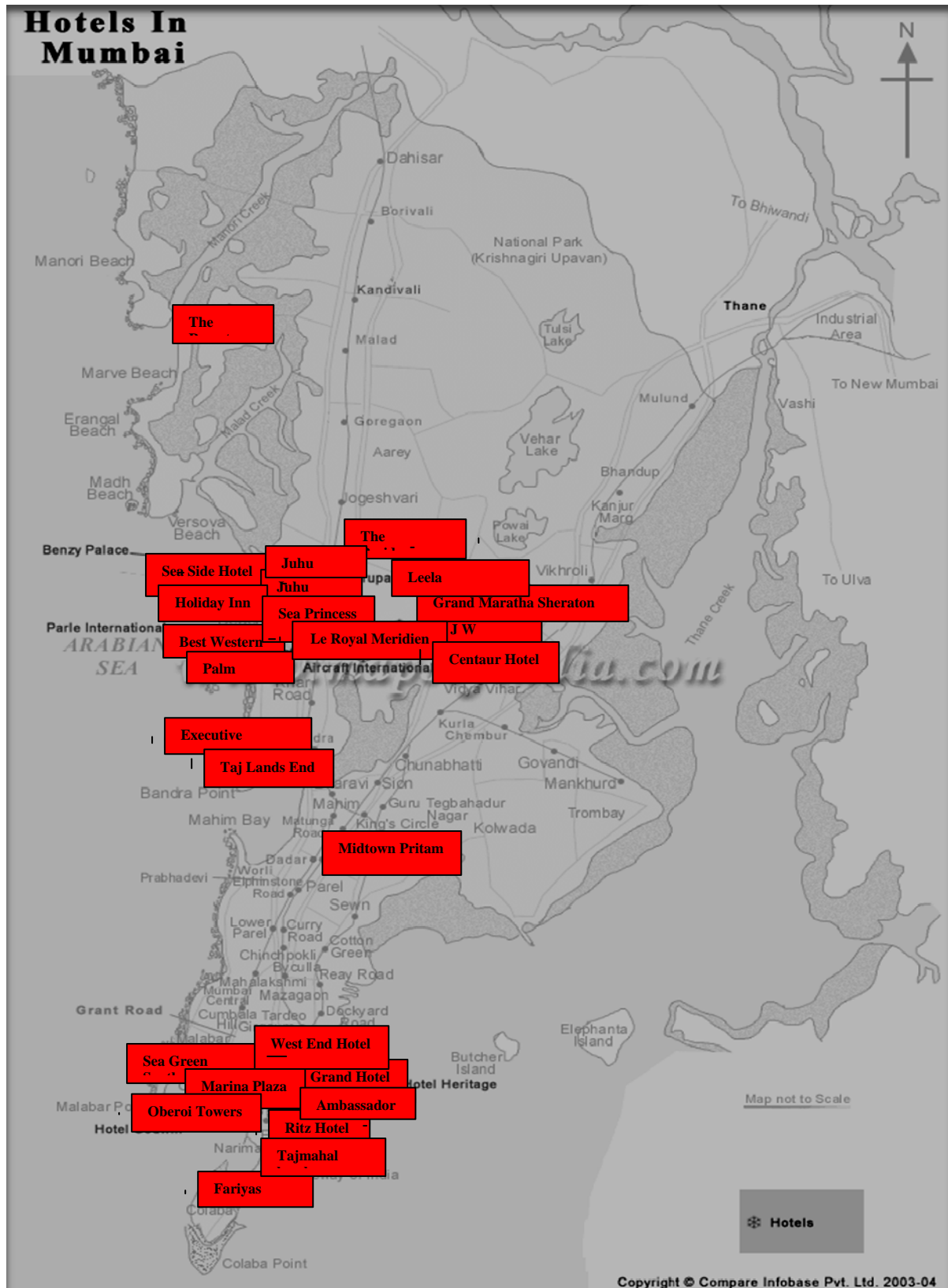
11.3. Hyderabad



11.4. Kolakata



11.5. Mumbai



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