Executive Report

Internationalization & HRM strategies in Multinational Corporations from Emerging Economies – Case Study of Indian Multinationals

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Executive Summary

With the rapid rise of multinationals from emerging economies, there is a need for better understanding of the deployment and diffusion of managerial strategies from their perspective. This study focuses on Indian multinationals to provide insights and guidance into the motives, strategic opportunities and constraints in cross national transfer of international management policies and practices in a multi-polar world. Using interview data of over 90 senior managers in eight Indian MNCs across their subsidiaries in both developed and developing markets, the study finds that they follow a unique approach to their international growth & people management that is grounded in their Indian heritage. They adopt a wide range of differentiation strategies underpinned by innovation and an overarching corporate philosophy. They predominantly follow an ‘adaptive approach’ to managing their subsidiaries in developed markets whereas it is highly localized when it comes to managing developing market subsidiaries. Their HR strategies closely mirror their business strategies and focus on employee growth and engagement.

Key Findings

Indians have been quick learners in internationalization both in scale and speed. One of the core strengths of Indian firms is to extract maximum value from even ailing businesses by applying innovative and cost effective methods that they have developed over the years in an extremely resource constrained and uncertain domestic environment. Their unique approach to international growth, which we label as ‘compassionate capitalism’ manifests in several ways, such as a preference for sustainable growth without compromising core values, long-term commitment to their businesses despite economic turbulences, faith in the management team of the acquired overseas companies and commitment to employees in terms of job security and investment in training. The ‘fire in the belly’ attitude of emerging multinationals is evident in the way they are pushing the top management in the companies that they have acquired abroad to stretch their goals.

Indian MNCs do face multiple hurdles in furthering their internationalization strategies. For example, despite their growing global reputation, they still face problems recruiting talent at higher levels due to poor perception of their employer brand. Our case study sites show clear signs of an ‘adaptive
approach’ in managing subsidiaries in developed markets. While their management philosophy is grounded in Indian heritage that focuses on social mission and employee welfare, they have adopted several best practices from developed markets, such as metrics driven performance management. However, unlike Western multinationals which tend to adopt an ethnocentric approach to managing subsidiaries in developing markets, Indian multinationals seem to adopt a highly localized approach as reflected in their staffing and decision making process.

With regard to HR strategies and practices, Indian multinationals are clearly focused on linking HR strategy to business strategy and harnessing the potential of intellectual capital by creating an environment of trust and transparency, adopting a long-term vision in managing performance and business cycles, investing heavily in employee training, providing internal growth opportunities, empowering employees, integrating people, culture and systems, and being a good corporate citizen by working with and for the local communities. They recognize that to become a truly global corporation, they need to develop a global mindset and employee base. While this vision is being somewhat hampered by the liabilities of country of origin, foreignness, newness and smallness, they are steadily acquiring the critical mass to differentiate themselves as innovative global players.

Implications for Practice

While Western MNCs have traditionally taken their domestic strengths ‘outward’ to the rest of the world, the Indian MNCs in the services sector have typically grown first in the developed markets by leveraging on their skills and domain expertise. Most of their overseas growth has occurred in the last decade and in a very short span of time, they have spread their global network, mainly via setting up 100% subsidiaries or acquisitions. Despite attempts to localize their workforce in different geographies, their global management team is still predominantly Indian but increasingly their systems and to some extent their management mindset are becoming global.

Increasing investment by emerging economies in developed as well as emerging markets, particularly via mergers and acquisitions means that there is a greater need for management practitioners to understand the ways in which MNCs from emerging economies strategize and act in diffusing and coordinating management practices. For too long, international HR management literature and practice have been embedded in Western thinking and concepts with little cross-pollination. Accordingly, reexamining the management approaches and practices of MNCs from newer industrialized and developing economies such as India that facilitates ‘travel of ideas’ is likely to remain a key research issue for the next decade, given the speed of economic development and the increasing influence and numbers employed by such companies.

Study Methods

Between 2008 and 2010, we conducted over 90 extensive interviews with the CEOs, business heads, country heads, HR heads and other senior managers of eight Indian multinationals not only in their Indian headquarters but also in their subsidiaries in both the developed and developing markets. We tracked their global footprints in order to ascertain their corporate and international business strategies and how they differed from Western multinationals. We captured not only the corporate strategic intent of these companies but also how it is executed in the world markets they operate.