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Opportunity and opportunism: The expatriation practices of Indian information technology multinational corporations

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ABSTRACT

Although effective International Human Resource Management during an international assignment constitutes a significant factor in ensuring success of an expatriate assignment, there has not been much research that studies the expatriation practices associated with the global delivery model that has come to be identified with global outsourcing. The purpose of this paper is to understand the expatriation practices of Emerging Market Multinational Corporations (EMNCs) in the Indian IT sector, by examining the experiences of Indian IT workers sent to work on international client projects in a western country. We have used qualitative semi-structured interviews with 47 Indian IT expatriates from Indian IT MNCs working at client sites in Australia. We find that there is inadequate attention paid to expatriation both prior to emigration and while workers are overseas and employed at client sites. Such human resource shortcomings may be inherent in the global delivery model that is an important feature of Indian IT business. The implications of these findings are discussed in the paper.

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1. Introduction

Indian software companies have received considerable global attention specifically within the Information Technology (IT) services sector (Birur and Muthiah, 2012; Mathew et al., 2012). Since the early 2000s concepts like Global Value Chain (GVC) and Global Production Network (GPN), used to understand the international expansion and geographical fragmentations of the supply chain, have gained a lot of popularity (Gereffi, 2001). Although these concepts were developed for the manufacturing industry, researchers have argued their usefulness and adaptability to the service sector (Feuerstein, 2013; Selwyn, 2013). The practice of onsite and offshore model also known as the global delivery model (GDM) of IT MNCs developed in a similar fashion, with potential cost savings for both labor and resources (Manning et al., 2015). This practice entailed Indian IT professionals being sent to work at client sites thereby facilitating and negotiating information with teams based in India (Sirmon et al., 2008). The model has seen rapid growth due to the strategic business savings for companies in international markets (Agrawal et al., 2012; Russell, 2009; Sudhakar et al., 2011). The present study examines this special type of skilled labor flow, originating with indigenous MNCs from an emerging economy – in this case India – and witnessing international assignments of shorter or longer duration being carried out onsite for clients who are located in the developed world.

The rise of IT production marks a new era, fundamentally restructuring the way work is organized and controlled by intensifying the standardization and fragmentation of products and services (Feuerstein, 2013; Flecker and Meil, 2010). Thus it is

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important to understand the expatriation practices of Indian IT MNCs in the context of onsite-offshore outsourcing relationships. Sending a software consultant to an overseas onsite location for work can cost an IT MNC approximately four to five times as much as conducting the work from India (Vallabh et al., 2008). To take just one example, the turnover of IT expatriates can delay client project completion, increase costs and jeopardize overall quality (Jiang and Klein, 2002). The high growth rate of the Indian IT industry, estimated for FY2015 as USD 146 billion (NASSCOM, 2015) and the huge number of software professionals – approximately 1.2 million for FY2015 working as export employees (NASSCOM, 2015) – are the major motivating factors for this study. While much has been written about IT professionals working in India, the significant experiences of Indian IT expatriates at a client site within the larger scope of international human resource management (IHRM) has largely been ignored. The challenges Indian IT expatriates encounter during an international assignment at client locations, trying to juggle living and working in a new environment, are worthy of investigation. Varma and Budhwar (2012), in their introduction to the special issue on IHRM in the Indian context, noted that Indian HRM systems continue to be somewhat unstructured and less formal compared to western models. Equally, there is a lack of empirical research to help us understand the Indian IHRM function.

To address this gap in the literature a major contribution of this research is an understanding of the IHRM, in particular the expatriation practices of Indian IT MNCs, based on the GDM, and their impact on the experiences of IT expatriates at client sites in a developed country. Moreover, this study will explore and broaden Black et al.'s (1991) framework for expatriate adjustment and its relevance to include this cohort within the GDM. The research will provide empirical data that will increase both the practical and theoretical understanding of the adjustment experiences of Indian IT expatriates in Australia, drawing on Perceived Organizational Support Theory (POS). This theory provides researchers with the means to understand the experiences of IT expatriates based on the IHRM expatriation practices of MNCs that govern the behavior of expatriates at the client site. To this end, this research serves to extend the existing IHRM literature by focusing on a relatively new expatriation experience that originates with MNCs that are headquartered in the developing world and with highly skilled employees who find themselves “leased” out to client firms at the centre of the global economy. In addition, the findings of the study are relevant for other fast growing industries in India and other developing countries. Interview data from the Indian IT expatriates who stayed on the assignment will reveal their perceptions of the impact of the IT business model (GDM) on their international work assignments.

2. Theoretical background

2.1. Indian IT global delivery model and HRM

Overall, much has been written about the history and growth of the Indian IT industry and outsourcing (Agrawal and Thite, 2006; Bhatnagar and Madon, 1997; Nanda and Khanna, 2010; Sharma and Loh, 2009; Vallabh et al., 2008). Some researchers (Bhatnagar and Madon, 1997; Nanda and Khanna, 2010; Sharma and Loh, 2009), for example, have looked at emerging trends in the outsourcing of IT services and leveraging for higher value activities, while Vallabh et al. (2008) have evaluated the financial cost structure of the onsite-offshore model, and Agrawal and Thite (2003), Pereira and Malik (2015) and Thite et al. (2014) have identified some of the human resource issues and challenges in the Indian software industry. Until the 1990s, the concept of spatial relocation of work overseas was exclusively centered on manufacturing industries; it was only with changes in technology and work organization that service work became tradable (Feuerstein, 2013). The development of global sourcing of business processes in the 1990s within the service industry in India (Manning et al., 2008) began with the ICT sector capitalizing on the availability of a large low-cost pool of skilled and English-speaking IT professionals (Feuerstein, 2013), as well as exploiting labor arbitrage effects (Manning et al., 2008). Compared to an earlier era when people were sent to clients as a means of body-shopping and client set-up offshore locations, many MNCs headquartered in India are now providing specialized services to clients around the globe (Sirmon et al., 2008). One of the drivers of these changes has been the challenge and complexity involved in managing global outsourcing and the establishment of global delivery models (GDM) by IT MNCs (Manning et al., 2015).

Within the GDM, international clients send their work offshore to low-cost countries like India. While part of the work gets done at offshore locations, a number of members from the project team are sent onsite to client locations to work with the client, define project requirements, coordinate with the offshore team and also attempt to secure more business from the clients (Agrawal et al., 2012; Upadhyaya and Vasavi, 2006; Woodard and Sherman, 2015). GDM has been known to have significantly contributed to the cost effectiveness for the Indian IT MNCs. Doh (2005) argues that the growth of offshore outsourcing is not purely based on cost motivations but rather on more value added and the strategic deployment of labor. This has meant that there is a shift in the balance of power in global strategy, leading many Indian MNCs to develop their global capabilities (Levy, 2005). In particular, the commoditization of IT workers and growing competition for global client projects (Manning et al., 2008) has meant that the role of HR within the Indian IT MNCs is more of a strategic partner rather than an employee advocate. One of the major challenges facing IT MNCs from India is the shortage of suitably qualified personnel (Budhwar, 2004) to be sent to work at international locations (Collings and Scullion, 2006). Moreover, the IT workers sent to client sites have a critical role to play as they have to work effectively within a new host location and a new organization. If their assignment fails, substantial financial as well as reputational costs are involved for them and their employing IT organizations. This brings IHRM challenges for the Indian IT MNCs.

The limited research conducted on Indian IT industry to date (Agrawal et al., 2012; Lakha, 2009; Mathew et al., 2012; Pereira and Budhwar, 2015; Thite et al., 2014, 2012; Upadhyaya and Vasavi, 2006) suggests that HR systems and practices in the software industry in India are perceived as being inadequate by IT workers, due to the unique structure and rapid growth of the Indian IT sector. For most Indian IT workers, an international assignment is an incentive for working in an IT industry, especially the notion of working

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