The Indian Journal for Research in Law and Management

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Editor-in-Chief – Dr. Muktai Deb Chavan; Publisher – Alden Vas; ISSN: 2583-9896

Cross-Cultural Management: Challenges and Opportunities

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Abstract

Cross-cultural management theory assumes a single direction of adaptation: a Western manager learning unfamiliar terrain, with everyone else as the object of study. India's Global Capability Centres over 1,800 of them, generating an estimated $64.6 billion in annual revenue, increasingly setting global product and leadership strategy rather than executing it have inverted that direction faster than management practice or law has noticed. This paper traces one underlying phenomenon across two domains rarely discussed together. Management theory has no vocabulary for India-based leaders now managing culturally distant global teams, a strain visible in India's unusually aggressive return-to-office mandates and the bidirectional identity anxiety of professionals readjusting between American and Indian workplace hierarchies. Law has an analogous blind spot: the Supreme Court's 2025 Hyatt ruling held that substantive control, not contractual language, determines where a business is effectively run raising an uncomfortable mirror-image question for GCCs now exercising exactly that kind of control from India, compounded by a data protection law not yet built for centres processing non-Indian employees' data. The paper proposes a unified law-and-management response: a Substance-Aligned Governance (SAG) framework treating authority, data jurisdiction, and leadership preparation as one connected problem.

I. Introduction

In Bengaluru, the number of India-based leaders holding vice-president or global-function-head titles roles carrying enterprise-wide, not merely local, mandates roughly doubled in a single year; in Hyderabad, the same category of role grew more than fivefold over the same period.[1] India's Global Capability Centre sector generated an estimated $64.6 billion in revenue in 2024 alone, a figure industry trackers expect to reach $110 billion by 2030[2], and now employs close to two million professionals across more than 1,800 centres[3] a scale that only makes sense once you account for how much of this work has moved well past routine support. Industry commentary has started calling the shift "back office to backbone."[4]

Cross-cultural management theory has not caught up with this shift, and, as this paper argues, neither has the legal architecture surrounding it. The field's foundational assumption dating to Geert Hofstede's research inside IBM's European operations[5] produced decades of derivative practice built around a single implicit direction: a manager from the corporate centre adapts to an unfamiliar periphery. India's GCC evolution breaks that assumption cleanly. The manager doing the adapting is now, with increasing frequency, based in India, and the terrain being managed is everywhere else. This paper traces that inversion across management practice and law as one connected phenomenon rather than two separate stories, using a live 2025 Supreme Court tax ruling and a data protection law still being phased in as its legal anchors, and India's GCC leadership data as its management anchor.

The argument proceeds in four parts. First, it examines the assumption embedded in classical cross-cultural management theory, and situates this paper's contribution within an existing scholarly critique of that assumption. Second, it traces the scale and nature of India's GCC leadership inversion as the paper's central case study. Third, it turns to two legal blind spots this inversion has opened, connecting them explicitly to the same underlying question the management analysis raises. Finally, it identifies where practice is already visibly straining under the mismatch, before closing with a framework and a narrower set of recommendations addressing both gaps together.

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[1] GCC leadership hiring data (Bengaluru and Hyderabad vice-president and global-function-head roles), as reported in GCC talent and staffing industry analyses.

[2] NASSCOM, India GCC industry revenue estimates for 2024 and growth projections to 2030, as reported in industry trade press.

[3] Industry data on the number of India-based GCCs, total GCC workforce, and India's share of the global GCC workforce, as reported in trade press.

[4] Industry commentary describing India's GCC evolution as a shift from "back office to backbone," as reported in International Tax Review and related trade publications.

[5] Geert Hofstede, Culture's Consequences: International Differences in Work-Related Values (Sage Publications 1980).

This paper's contribution is threefold. It documents, with current data, a directional inversion in where cross-cultural management authority actually sits that the existing literature has not yet addressed. It identifies two specific legal doctrines permanent establishment and cross-border data governance that turn on the same question management scholars are asking, and treats all three as one analytical problem rather than three separate literatures. And it proposes a named framework, Substance-Aligned Governance, intended to be usable by both scholars extending this analysis and organisations acting on it in the meantime.

II. The Old Model's Built-In Direction

Cross-cultural management traces its empirical foundation to Geert Hofstede's survey of over 100,000 IBM employees across dozens of national subsidiaries, conducted while he ran the company's personnel research department in Europe, from which he derived dimensions such as power distance and individualism-collectivism that still anchor most cross-cultural training today.[6] The GLOBE study later expanded the dimensional framework and country sample considerably, but inherited much the same orientation.[7]

What matters more than the dimensions themselves is the direction of practice built on top of them. IBM in the 1970s was a US-headquartered multinational studying its own foreign subsidiaries; the resulting industry of expatriate preparation, cultural-intelligence assessment, and country-specific negotiation guides was written almost entirely by and for managers moving outward from Western corporate centres. The person doing the adapting was assumed to be Western; the culture being studied was assumed to be everyone else's. That assumption was never universal or inevitable it reflected who was funding the research, writing the textbooks, and buying the training programs but it became close to invisible through sheer repetition.

This paper's critique is not new in kind, only in application. A substantial body of scholarship, running from Jack and Westwood's postcolonial reading of international management[8] through

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[7]Robert J. House et al., Culture, Leadership, and Organizations: The GLOBE Study of 62 Societies (Sage Publications 2004).

[8]Gavin Jack & Robert Westwood, International and Cross-Cultural Management Studies: A Postcolonial Reading (Palgrave Macmillan 2009).

Ailon's critique of Hofstede's own methodology[9] to more recent work by Boussebaa on the persistent West-centrism of management scholarship[10], has long argued that cross-cultural management theorises “culture” from a Western vantage point while treating that vantage point as neutral. Terence Jackson's distinction between “culturalist” and “institutionalist” strands of cross-cultural scholarship, developed across his earlier and more recent work[11], is useful here: culturalist work, in Hofstede's own tradition, treats culture largely as internalised values and mental programming; institutionalist work looks instead at the surrounding social and structural conditions culture operates inside of.[12] This is not to say institutionalist CCM scholarship has ignored power and structure altogether it has not, and Jackson's own category exists precisely because some scholars already take organisational and social structure seriously. What remains largely absent, even within that institutionalist strand, is sustained attention to specific legal and regulatory doctrine tax treatment, data jurisdiction, corporate governance law as distinct from organisational structure or social class more broadly. This paper makes a specifically institutionalist move within the broader critique, and narrows it further still: it uses one country's legal and regulatory institutions as the structural layer that has failed to keep pace with a documented, empirical inversion of authority, rather than treating that failure as a matter of theory alone.

III. The Inversion: India's GCCs as Case Study

Global Capability Centres began, in the 1990s and 2000s, largely as cost-arbitrage back offices: IT support, transaction processing, and routine analytics run out of India to serve a headquarters elsewhere. That description no longer fits the leading edge of the sector, and the leadership data cited in the introduction is the concrete evidence, not an isolated statistic. Bengaluru alone hosts more than 880 individual GCC units, accounting for roughly 36 percent of the country's GCC talent; Best Buy's Bengaluru centre has been described as the retailer's largest technology

[9]Galit Ailon, Mirror, Mirror on the Wall: Culture's Consequences in a Value Test of Its Own Design, 33 Acad. Mgmt. Rev. 885 (2008).
[10]Mehdi Boussebaa, Unsettling West-Centrism in the Study of Professional Service Firms, 77 Hum. Rel. 29 (2024).
[11]Terence Jackson, Culturalists Versus Institutionalists: A False Debate?, 13(1) Int'l J. Cross Cultural Mgmt. 3 (2013).
[12]Terence Jackson, Beyond Postcolonial Theory in Critical Cross-Cultural Management Studies, Int'l J. Cross Cultural Mgmt. (2025).

hub in the world, exceeding its facilities in its home market.[13] GCCs collectively now account for roughly 38 percent of India's total office space demand and, per recent industry tracking, over 40 percent of all gross office leasing nationally[14] a figure that only makes sense once the work being done inside these centres has moved well beyond routine support.

As noted in the Introduction, VP-level and global-function-head roles in Bengaluru and Hyderabad have multiplied at rates that only make sense if these centres now own enterprise-wide mandates. These are not country managers reporting upward through a foreign chain of command on local matters. By design, they set direction for functions spanning the whole organisation, wherever its offices happen to sit: entire global product roadmaps, enterprise-wide artificial intelligence programs, and strategic direction that used to sit exclusively at a foreign headquarters. Industry summits now describe Bengaluru explicitly as “a strategic headquarters outside headquarters,” and consultancies increasingly advise multinationals to treat their India centres as co-equal centres of strategic gravity rather than delivery arms.

This is the concrete referent for what this paper means by inversion. The classical cross-cultural management problem asked how a Western manager, moved into an unfamiliar market, should adapt leadership style and decision-making process to local expectations. The GCC-era problem runs the other way: an India-based leader, often promoted from within the centre's own delivery ranks rather than recruited for cross-cultural general management, now sets direction for teams in the United States, Europe, and elsewhere frequently without the structured, outward-facing cultural and leadership preparation their counterparts moving in the opposite direction received for decades. The infrastructure of global business moved to India considerably faster than the infrastructure for preparing anyone to lead it from there.

IV. The Legal Blind Spot I — Substance Over Form, In Reverse

On 24 July 2025, the Supreme Court of India decided a case that had nothing to do with cross-cultural management on its face, and everything to do with it in substance. In Hyatt International Southwest Asia Ltd. v. Additional Director of Income Tax, the Court considered

[13]Industry data on Bengaluru GCC unit count and talent share, and reporting on Best Buy's Bengaluru technology hub, as covered in trade press.
[14]FICCI-ANAROCK and related real estate industry data on GCC office space demand and gross office leasing share in India.

whether a Dubai-incorporated Hyatt entity had a taxable “permanent establishment” in India under the India-UAE tax treaty, arising from strategic oversight agreements it held with Indian hotel owners.[15] Hyatt argued its services were rendered entirely from Dubai, with only brief, incidental visits by its personnel to India. The Revenue argued, and the Supreme Court agreed, that Hyatt's role went well beyond advisory: through those agreements, Hyatt influenced staffing decisions, controlled financial planning, enforced brand and operational standards, and derived fees tied directly to the hotels' performance. Even without a leased office or a fixed desk, the Court held, this level of continuous, substantive control gave Hyatt “a place at its disposal” in India satisfying the first prong of the fixed-place test through which its business was plainly being carried on, satisfying the second, and together sufficient to constitute a fixed-place permanent establishment. Hyatt's Indian-attributable profits became taxable in India, at rates up to 40 percent, regardless of where its contracts said the work was formally performed.

The Court's reasoning leaned explicitly on principles it had laid down nearly a decade earlier in Formula One World Championship Ltd. v. CIT, a case about a UK entity's control over a three-week annual racing event at the Buddh International Circuit.[16] That earlier ruling established that a fixed-place permanent establishment turns on two elements a place at the foreign enterprise's disposal, and business wholly or partly carried on through it supplemented, per the tax scholar Philip Baker's formulation that the Court adopted, by a requirement that such a place display stability, productivity, and dependence. Formula One's facility was at the enterprise's disposal for only a few weeks a year; that brevity did not defeat the finding. What mattered was the degree of control exercised while the arrangement operated, not its duration or its formal characterisation.

The doctrinal principle running through both cases is substance over form: what determines where a business is genuinely being run from is the actual degree of control exercised over core functions staffing, strategy, finance not the geography specified in a services agreement or the residence of the entity signing it. Tax practitioners have already connected this reasoning to the GCC sector's own, longer-running anxiety about permanent establishment exposure. As GCCs move from routine support into owning product roadmaps and strategic mandates, the

[15]Hyatt International Southwest Asia Ltd. v. Additional Director of Income Tax, 2025 INSC 891 (July 24, 2025).
[16]Formula One World Championship Ltd. v. CIT, (2017) 15 SCC 602.

same substance-over-form question applies to them directly: if an India-based team now exercises the kind of continuous, substantive control over global business functions that Hyatt was found to exercise over Indian hotel operations, on what principled basis does the analysis run in only one direction?

This is not a claim that any specific GCC currently has an undisclosed permanent establishment problem, nor that Hyatt's holding technically extends automatically to every India-based leadership team that is a fact-specific question the Supreme Court has not yet been asked to decide in the GCC context. Existing GCC structures are generally built with considerable care to avoid exactly this outcome, through arm's-length transfer pricing, carefully scoped service agreements, and, increasingly, advance pricing agreements negotiated with tax authorities precisely to manage this risk. Future litigation or tax assessments, not this paper, will determine how far Hyatt's reasoning actually extends into the GCC context; the claim here concerns the logic of the test and what it should mean for management design, not a prediction of how any tribunal would rule. The point is narrower and more structural: the entire body of legal and governance infrastructure built around GCCs board resolutions, delegation-of-authority matrices, transfer pricing documentation was designed for a period in which GCCs genuinely were support functions, and Hyatt confirms that Indian courts will look past exactly that kind of formal documentation once the underlying reality has moved on. Tax audits of GCCs have already intensified through 2025 and 2026 around this very question. The cross-cultural management literature's blind spot and Indian tax law's blind spot turn out to be the same blind spot, viewed from different rooms: nobody built the infrastructure managerial or legal for authority actually living where the org chart says it doesn't.

V. The Legal Blind Spot II — Data That Doesn't Know Whose Law Applies

A second, related gap sits inside India's Digital Personal Data Protection Act, 2023. The Act's core obligations, set out in its second chapter, are built around a conventional consent architecture: personal data may generally only be processed for a lawful purpose, with consent as the primary legal basis, and that consent must be free, specific, informed, unconditional, and unambiguous.[17] A data fiduciary must issue notice before processing, describing what data is

[17] Digital Personal Data Protection Act, No. 22 of 2023, §§ 4–9 (India) (core obligations: lawful purpose, notice, and consent).

collected, why, and how the individual termed a “data principal” may exercise rights of access, correction, and grievance redress. Once fully in force, breaches of these core obligations can attract significant penalties and enforcement action from the Data Protection Board of India, raising the practical stakes for exactly the kind of misaligned cross-border HR data flow this section describes. On cross-border transfers specifically, Section 16 takes an unusually permissive approach by global standards: personal data may flow to any country not specifically restricted by government notification, rather than requiring the kind of standard contractual clauses or transfer impact assessments the European Union's GDPR demands.[18] As of this writing, no such restricted-country list has been published.

Two further facts sharpen rather than resolve the uncertainty. First, the Act's substantive compliance machinery is still being phased in: the Data Protection Board became operational only in November 2025, and the core obligations around consent, breach reporting, and data principal rights do not fully take legal effect until May 2027.[19] Second, and more fundamentally, the Act's architecture assumes a relatively simple flow Indian data going out, subject to Indian oversight that does not cleanly anticipate what an India-based GCC leadership function now actually does, which is process data belonging to employees who are not Indian at all, for decisions made by India-based managers. A GCC exercising genuine leadership over global HR functions routinely handles data for workforce planning, leadership review, and compensation benchmarking covering employees across every jurisdiction the parent operates in. Compliance commentary has already flagged this as a “dual compliance architecture” problem: the same systems and the same India-based analysts may be handling a German employee's performance data and an Indian employee's performance data simultaneously, under a statute built with confident, if still-maturing, protections for the latter and comparative silence on the former.

The connection to Hyatt is direct rather than incidental. If an India-based function is now the effective decision-maker on a foreign employee's compensation, promotion, or termination precisely the kind of substantive control Hyatt treats as legally decisive in the tax context the question of which country's employment protections and data rights actually govern that

[18]Digital Personal Data Protection Act, No. 22 of 2023, § 16 (India) (cross-border transfer).
[19]Reporting on the operationalisation of the Data Protection Board of India in November 2025 and the phased compliance timeline extending to May 2027.

decision is genuinely unsettled, not merely under-documented. Even if the current transfer regime is permissive by design, the structural question whose employment and privacy rights actually govern decisions made from India about employees who are not Indian remains unresolved, and is only likely to surface more sharply as cross-border HR analytics scale within these centres. Tax law has just articulated, with unusual clarity, that substance defeats form when determining where control really sits. Employment and data regulators have not yet been asked the equivalent question, but there is no principled reason to expect the answer would differ once they are.

V-A. The Common Question: Where Is Control Actually Exercised?

It is worth stating plainly what the preceding three sections have been circling: tax law, data law, and management theory are, in this specific context, asking the same underlying question through three different vocabularies, and answering it in isolation from one another.

Permanent establishment doctrine, as Hyatt confirms, asks where substantive control over core business functions staffing, strategy, financial planning actually sits, regardless of what any contract claims. Data protection law, imperfectly and not yet fully in force, implicitly asks a parallel question: whose data is this, whose rights attach to it, and which regulator has genuine oversight of the decision being made with it. Cross-cultural management theory, for its part, has always needed to ask who the real decision-maker for a culturally mixed team actually is, and whether that person has been prepared for the role a question the field has answered only for one direction of authority, because for most of its history only one direction existed in practice.

A short illustrative scenario makes the point concrete without claiming to prove it a composite, not an actual case. An India-based global head of HR, reporting formally to a US-based chief executive, uses a single people-analytics dashboard hosted in Bengaluru to decide promotions and compensation adjustments for teams in Germany, the United States, and India simultaneously. Under Hyatt-style reasoning, where is the substantive control over these staffing decisions actually being exercised? Under the DPDP Act, whose employment and privacy rights govern the German and American employees' data flowing through that dashboard? Under classical cross-cultural management theory, has this leader been prepared to manage the specific cultural and communication expectations of three different national teams, or only the Indian one? No existing framework currently asks all three questions of the same person at the same time. That, in miniature, is the misalignment this paper has been describing throughout.

VI. Where Management Practice Shows the Strain

If the three domains above ask the same question in isolation, everyday management practice should show the same misalignment and it does, in two live, ongoing tensions.

The first is India's unusually aggressive return-to-office posture. While large parts of the global technology sector settled into hybrid arrangements after 2022, major Indian IT services firms TCS prominent among them pushed toward full, five-day in-office attendance, citing culture, mentoring, and control considerations.[20] Read against the GCC leadership data, this looks less like a routine post-pandemic policy debate and more like high power distance an Indian corporate cultural preference for visible hierarchy and in-person oversight now being exported from India onto organisations that increasingly manage globally distributed teams, rather than the traditional direction in which a foreign headquarters' preferences were imposed on an Indian office. Cross-cultural management theory has no well-developed vocabulary for this direction of cultural assertion, because it was never designed to anticipate it.

The second is a genuinely new, individual-level anxiety visible in recent reporting on Indian professionals currently working in the United States. Facing tightening immigration pathways and technology-sector layoffs, many are searching for roles back home while simultaneously expressing real apprehension about readjusting to a more "hierarchy-driven" domestic work culture, after years inside flatter American workplace norms.[21] This is not the classical expatriate-adjustment problem cross-cultural literature is built to address, which assumes a person moving toward an unfamiliar culture for the first time. It is a bidirectional re-adjustment problem, faced by people fluent in both directions of a relationship classical theory only ever imagined running one way itself a product of the same inversion this paper has traced throughout.

[20]Reporting on Tata Consultancy Services' return-to-office policy relative to global technology-sector hybrid work norms.
[21]Reporting on Indian technology professionals in the United States considering a return to India amid immigration and labour-market pressures, and their attitudes toward domestic workplace hierarchy.

VII. What Should Change

Before turning to recommendations, it is worth being precise about what this paper is and is not claiming. Its aim is narrower than a definitive legal determination: to surface a structural misalignment between where authority has empirically relocated and where the governing infrastructure assumes it still sits, and to propose a framework for addressing that misalignment across management, tax, and data domains together rather than separately. The management examples in the preceding section are illustrative, not representative, and the composite scenario above is a device for clarity, not evidence. Testing these claims empirically mapping actual signing authority inside specific GCCs, surveying India-based leaders directly about their preparation for outward-facing roles, or comparing how other jurisdictions' permanent establishment and data doctrines would treat equivalent facts is necessary future work this paper does not itself undertake.

With that scope in mind, this paper proposes a Substance-Aligned Governance framework “SAG” built on the same principle Hyatt articulates for tax purposes: that formal documentation should track substantive reality, not the reverse. The practitioner takeaway is straightforward even before the framework's three layers are spelled out: tax, data, and leadership-development decisions about GCCs are currently designed in silos that never speak to one another, and that siloed design is itself a source of the misalignment this paper describes. The framework's three layers, and the recommendations below, map onto that takeaway directly.

The authority layer asks whether board resolutions, delegation-of-authority matrices, and signing powers actually reflect where strategic decisions are being made. First, companies operating GCCs with genuine global-function leadership should conduct a formal governance-authority audit against this layer not only as legal hygiene in light of Hyatt, but as the necessary step toward giving India-based leaders the formal authority that already matches their real responsibility, rather than leaving them to exercise substantive control without the institutional backing that should accompany it.

The data-jurisdiction layer asks, for every cross-border HR data flow, which country's employment and privacy regime actually governs the underlying decision being made — a question DPDP compliance alone does not answer. Second, GCCs handling data for employees outside India need a governance framework built specifically for that dual-nationality reality, documenting not just whether a transfer is technically permitted under Section 16, but which jurisdiction's substantive protections apply to the decision itself a question that will only grow more urgent as India's government begins issuing the country-specific notifications the Act contemplates.

The leadership-preparation layer asks whether India-based managers now leading global teams have received anything like the structured, outward-facing cultural training their Western predecessors received for decades. Third, cross-cultural leadership training needs to be redesigned for this direction specifically negotiation style, feedback norms, conflict resolution, and communication expectations across the particular cultures a given leader now manages rather than expected to develop informally through delivery-track promotion alone.

None of these recommendations ask organisations to slow India's GCC evolution, which is, on the evidence, a genuine opportunity rather than a problem to be managed away. They ask that the institutional infrastructure managerial and legal alike catch up to a shift that has already happened.

For scholarship specifically, three directions follow from this paper's approach rather than its conclusions. Empirical work could map actual decision-making authority inside GCCs directly, rather than inferring it from title and headcount data as this paper has done. Comparative legal scholarship could examine how other major economies' permanent establishment and data-protection doctrines would treat equivalent facts, testing whether the Hyatt-style substance-over-form principle is a peculiarly Indian development or part of a broader global convergence. And cross-cultural management theory itself would benefit from models that build legal and institutional constraint into the analysis from the outset, rather than treating culture as a purely behavioural variable operating independently of the regulatory environment it sits inside.

VIII. Conclusion

The statistics that opened this paper VP-level roles in Bengaluru more than doubling in a year, an India GCC sector already worth some $64.6 billion and headed toward $110 billion by 2030, GCCs increasingly owning entire global product roadmaps describe a genuine achievement, not a problem. The problem, such as it is, sits one layer down: in the gap between how quickly real authority has relocated and how slowly the surrounding infrastructure, managerial and legal alike, has noticed. Cross-cultural management theory was built for a world in which the person doing the cultural adapting was reliably Western and the direction of authority was reliably one way. India's Global Capability Centres have made that assumption obsolete faster than either the management literature or, as the Supreme Court's Hyatt ruling inadvertently illustrates, the legal doctrine built around foreign control has caught up.

This matters beyond the specific companies involved, and quite possibly beyond India specifically: the same underlying pattern authority relocating to an emerging-market hub faster than the surrounding legal and managerial infrastructure adjusts plausibly extends to other countries hosting comparable capability centres, a question this paper leaves open for comparative work. Every multinational deciding how much genuine authority to vest in its India centre is, whether it recognises this or not, making a decision with real tax, data-governance, and leadership-development consequences that current frameworks were not built to anticipate together precisely the gap the Substance-Aligned Governance framework proposed above is meant to close. The opportunity in this moment is not simply that India has become a cost-efficient location for global work. It is that India is now positioned to be the place where the next generation of cross-cultural management practice and the legal doctrine that has to accompany it gets written, rather than a place that continues importing frameworks built for a direction of authority that no longer describes what is actually happening there.

The real cross-cultural management challenge of this decade is not teaching outsiders to understand India. It is building the institutions managerial and legal for a country that is now expected to lead everyone else.