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**IMPACT OF CULTURAL FACTORS  
ON PEOPLE MANAGEMENT STRATEGIES OF  
PAKISTANI-OWNED SMEs IN THE UK**

**IFTIKHAR AHMED BUTT**

A thesis submitted to the University of West London in partial  
fulfilment of the requirements for the degree of Doctor of Philosophy

**January 2015**

**UNIVERSITY OF WEST LONDON**

## Declaration of Authorship

I, Iftikhar Ahmed Butt the undersigned hereby make a declaration that the contents of this thesis are solely my original work. Except for works cited and for which credit has been duly given or the permission of the author have been granted, this work is entirely my own.

I wish to further declare that no part or whole of this thesis has been presented to any other university for consideration for an award for a PhD degree or any similar degree.

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Name and signature of Candidate:

Iftikhar Ahmed Butt .....

Name and signature of Supervisor(s):

Dr. Alastair Evans .....

Dr. Stephen Roberts .....

## **Dedication**

This thesis is dedicated to

### **Late Mother**

Who always prayed for my brilliant future

### **Late Father**

Who contributed in my academic achievements

and

### **My beloved wife**

For her sacrifices during my study in the UK

**UNIVERSITY OF WEST LONDON****Submission for consideration of Doctor of Philosophy****Candidate's Declaration Form****This form must be submitted with the thesis.****Name of Candidate:**

Iftikhar Ahmed Butt

**Title of Thesis:**

IMPACT OF CULTURAL FACTORS  
ON PEOPLE MANAGEMENT STRATEGIES OF  
PAKISTANI-OWNED SMEs IN THE UK

**1 Statement of advanced studies undertaken in connection with the program of research**

This research is based on an explorative study of cultural factors and their impact on people management strategies of Pakistani-owned SMEs in the UK. The topic of the research was investigated through in-depth literature review, case studies and questionnaire-based field survey. The triangulation approach of the study helped in offsetting weaknesses of a specific method by strengths of other methods. Because of less earlier literature around chosen area of the research, the researcher preferred inductive approach (theory building) instead of deductive approach (theory testing).

The empirical investigation discovered a range of cultural factors such as religion, values, beliefs, traditions, ethnicity, languages and communication patterns playing a pivotal role in evolving and shaping HR related strategic frameworks of Pakistani-owned SMEs in the UK. The triangulation of integrating the findings emerged out of case studies, field survey and literature review reflected a close resemblance between results of case studies and questionnaire survey; however some dissimilarity was found between empirical results and the results derived out of the literature review.

This is a novel study at PhD level in the UK around an ethnic group of companies in the area of culture and people management. The study contributed to the existing body of knowledge by furthering our substantive understanding about HRM, culture and cultural influences on HR strategies and practices of SMEs. It provided some practical lessons to SMEs in the UK in general and ethnic minority SMEs in particular. Also the study paved the way for students and researchers to conduct further research in the area to overcome any limitations found in the findings.

**2 Concurrent registration for two or more academic awards**

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**3 Material submitted for another award**

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**Date** \_\_\_\_\_

## **Abstract**

This research is based on an explorative study of cultural factors and their impact on people management strategies of Pakistani-owned SMEs in the UK. The topic of the research has been investigated through in-depth literature review, case studies and questionnaire-based field survey. The literature review provided theoretical insights to the study and empirical investigation generated a wide range of information about practical scenario of these companies. The triangulation approach of the study helped in offsetting weaknesses of a specific method by strengths of other methods. Keeping in view nature and requirements of the research topic, the researcher preferred inductive approach (theory building) instead of deductive approach (theory testing). The deductive approach is usually linked with natural sciences; whereas, inductive approach works well with social sciences. The current area of the research was purely subjective (closely linked with social sciences) requiring qualitative data through case studies and field surveys, therefore the researcher preferred interpretative philosophy and inductive approach which proved very effective in data gathering and analyzing process.

The empirical investigation discovered a range of cultural factors such as religion, values, beliefs, traditions, cross-culture imperatives, languages and communication patterns playing a pivotal role in evolving and shaping HR related strategic frameworks of Pakistani-owned SMEs in the UK. The study emphasised the role of entrepreneurs as cross-cultural mediators seeking to develop their multiple identities to deal better with their multi-ethnic employees and customers. The triangulation of integrating the findings emerged out of case studies, field survey and literature review reflect a close resemblance between results of case studies and questionnaire survey; however, some dissimilarities have been found between empirical results and the results derived out of the literature review.

The study contributes to the existing body of knowledge by furthering our substantive understanding about HRM, culture and cultural influences on HR strategies and practices of SMEs. It provides some practical lessons to SMEs in the UK in general and ethnic minority SMEs in particular. Also the study paves the way for students and researchers to conduct further research in the area to overcome any limitations found in the findings.

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## List of abbreviations

Acronyms	Meanings
ACAS	Advisory, Conciliation and Arbitration Service
APEC	Asia-Pacific Economic Cooperation
BIS	Department of Business Innovation and Skills
BERR	Department for business, enterprise and regulatory reforms
CMI	Chartered Management Institute
CIPD	Chartered Institute of Personnel Development
DM	Diversity Management
DTI	Department of Trade and Industry
DWP	Department for Work and Pensions
EMBs	Ethnic Minority Businesses
ET	Employment Tribunals
EO	Equal employment opportunities
EU	European Union
HRM	Human Resource Management
IR	Industrial Relations
LPC	Low Pay Commission
KUSBRC	Kingston University small business research centre
NESS	National Employer Skills Survey
NSDC	National SME Development Council
NMW	National Minimum Wage
MMU	Manchester Metropolitan University
ONS	Office for National Statistics
PM	Performance Management
PBUH	Peace Be Upon Him
RIBM	Research Institute for Business and Management
RRA	Race Relations Act
SDA	Sex Discrimination Act
SMEs	Small and Medium sized Enterprises
SHRM	Society for Human Resource Management
SSDA	Sector Skills Development Agency
UK	United Kingdom
USA	United States of America
WERS	Workplace Employment Relations Survey
NGO's	Non-Government Organizations



## Chapter 1 Introduction

### 1.1 Context of the study

It has been widely recognized by many authors/researchers that the small and medium enterprises (SMEs) play a vital role in the economic progress of countries around the world. These enterprises make both social and economic contributions to the overall growth of economies through mobilizing/utilizing local resources, creating jobs (in rural and urban areas), transforming/stimulating indigenous technology, fostering competitiveness and diversification of business and economic activities (Kongolo, 2010; Inyang and Enouh, 2009).

SMEs are important for the development and growth of the UK economy as well. One of the recent studies estimates that the SME sector in the UK accounts for 99.9% of all private sector businesses employing 23.9 million people and having a combined turnover of £1500 billion out of £3100 billion combined turnover of all businesses in the UK (BIS, 2012). Small businesses alone accounts for 47% of private sector employment and 34.4 % of turnover (BIS, 2012). Ethnic minority SMEs are an important ingredient of overall SME sector, actively participating in the economic development of the UK alongside mainstream SMEs. These companies (EMBs) have rapidly multiplied in the last few years. Over a quarter of a million EMBs are contributing almost £15 billion to the UK economy every year (Mascarenhas Keys, 2006). In recent years, British interest in minority businesses has increased because of the rapid growth of ethnic minority business (EMBs) as an emerging economic power of the country (Ekwulugo, 2012).

Despite the pivotal role of SMEs as growth engines in the UK economy, this sector is still under researched as reported in literature review chapter (Chapter 2). Particularly, ethnic minority sector is more deprived and reflects a lack of interest on the part of contemporary researchers. In this perspective, the researcher was inspired to conduct a piece of higher level research around this sector to fill the gap and hence ‘SMEs’ stood as the *‘first boundary and domain’* of this research study.

Another phenomenon experienced during last two decades is growing need and importance of HRM in administrative and operating structure of all types of businesses including SMEs. Human resources have been recognized as key economic resources playing an important role in the success of all types of businesses including SMEs. Their collective attitudes, skills and abilities can improve the performance of organisations by contributing to employee and customer satisfaction, innovation, productivity, and development of a good reputation within firm's community (Flamholtz et al., 2002; Ballot et al., 2006). Despite the growing role and importance of HRM in business sector of the UK, it has been seen that still a majority of SMEs in the UK do not have a formal HR department or trained HR personnel on staff. Indeed, SMEs do not use HRM policies and practices as frequently as large organizations (Kotey and Folker, 2007; Kotey and Slade, 2005).

While showing their concern about the above situation prevailing in many small and medium companies, many authors have emphasized that new and growing enterprises need to adopt HRM theory and practice to understand and resolve HR related issues faced by them (Altinary et al., 2008). Indeed, HRM has been acknowledged as one of the more vital managerial decision areas affecting the strategic growth and development of SME business sector of the UK. Therefore, SME entrepreneurs/managers need to understand, create and integrate HR policies and practices in order to develop an HRM system that works together to get the best results for an organization (Kuratko et al., 2005; Debic et al., 2011).

As emphasized by many researchers (discussed in Chapter 2), the use of formal HR practices by large organisations is generating better results for these organisations. However, despite the important role of formal HR practices in achieving better results, SMEs are still reluctant to adopt formal HR practices and most of them have been found with casual and informal ways of managing people (Cassell et al., 2002). Particularly the situation is more critical in ethnic minority SMEs. Some authors have pointed out that there are few studies that identify HRM practices in ethnic minority SMEs, and even fewer that focus on the relationship between practice and performance (Carlson et al., 2006). They are lacking enough knowledge and ability to understand value of formal HR practices in the growth and development of their companies. This dilemma for SMEs concerning the extent of formal or informal use of HR practices and lack of formal HR research around ethnic minority businesses (EMBs) pushed this researcher to conduct a formal and comprehensive research around this important

but ignored SME segment sector of the UK by the contemporary researchers (Carlson et al., 2006). This stood as the '*second boundary and domain*' of this study.

The '*third and final contextual domain and boundary*' of the study is related to cultural factors and their relevant impact on HRM strategies and practices of these companies. A number of cultural factors including ethnicity, diversity, religious practices at work, equality, work-life balance and faith friendly working environment have been reported as some of leading cultural factors which directly influence HR policies and practices of SMEs in the UK (ACAS, 2009).

The diversity effect becomes more visible when employers have to make certain adjustments to various identities while recruiting people from a broader range of ethnic and religious origins and beliefs. The way entrepreneurs deal with diversity issues determine whether it becomes a source of employee irritation and litigation or a step on the road to becoming an employer of choice to a new generation of workers (Mitchell, 2006).

To become an employer of choice and to win loyal employees, there is a need to understand and meet needs and expectations of people devoting their times and efforts for growth and development of enterprise. People of 21<sup>st</sup> century are less concerned with material needs and more concerned to spend their time according to their values, beliefs and lifestyles. They are more open about their views and feelings than previous generations and prefer to work with those organisations where they are free to express their opinions and whose organisational culture match with their cultural needs and expectations. Furthermore, today's employers need to understand rising social and cultural needs of employees. Alongside basic health and safety needs, they need to address wider concerns of people at work including work-life balance, stress at work and what termed as 'spiritual needs of people' while providing them quiet rooms to perform their religious contemplations. Indeed, caring for both the physical and spiritual health of the workforce is becoming a part of good business practice (Mitchell, 2006).

The research shows that the freedom of religious practices in workplaces is playing an important role in improving recruitment systems, employees' morale at work, employee turnover and also building a positive image of enterprises in the wider communities. It has

been suggested that those who practice a religion are more likely to have a sense of community - a quality valued in any workforce (Home Office Survey, 2004)

Contrarily, some issues have been reported in the print media about cultural trends and practices at work. For examples, to wear hijab (veil for women in Islam) in public places, (The Guardian 2006); to leave work early to reach home before Shabbat begins at sunset ; to wear a crucifix at work and requesting to opt out from duties to avoid sale of alcoholic beverages (Daily Telegraph, 2008). SME managers need to understand sensitivity of these issues and resolve them to avoid any sort of discrimination or potential conflict between employees. They should work hard to create and maintain a '*consistent ethical culture*' throughout the organisation to develop a conflict free working environment (The Times, 2007).

Despite sensitivity of cultural issues and their impact on HR practices and people behaviour at work, up until now, the researcher could not find a single higher level study (except few institutional reports (ACAS, 2009; CMI, 2008; Home Office Survey, 2004, SHRM, 2008) and limited research papers (White, 2008) about cultural factors and their impact and implications for these enterprises. Indeed, cultural factors (as discovered in this research) have emerged as the most dynamic features of ongoing HRM practices of ethnic minority SMEs. Hence these factors have constituted a leading and central part of the researcher's overall research activities.

## 1.2 The research questions

To conduct theoretical and empirical investigation around selected domains and boundaries (as stated in Section 1.1), the researcher framed the following primary questions to achieve specified research objectives:

**RQ1:** What is known about people management strategies of SMEs in the UK generally? What types of cultural factors (as reported in the literature) have shaped them?

**RQ2:** What is known about people management strategies of ethnic minority SMEs in the UK generally? What types of cultural factors (as reported in the literature) have shaped them?

**RQ3:** What are people management strategies of Pakistani-owned SMEs in the UK? What types of cultural factors have shaped them?

As contents of question 1 and question 2 reflect, these questions are related to the existing body of knowledge based upon contributions of contemporary writers and researchers. The researcher was interested to get awareness about the current state of knowledge in chosen area of research and to develop a good understanding and insight into relevant previous research and the trends and thoughts that have already emerged (Gill and Johnson, 2010). The literature review generated material around SME sector of the UK. A number of studies (as reported in literature review chapter) were found about HRM strategies of these companies; however, comparatively fewer amounts of specific data were found about the cultural effects on HR strategies of these companies. With regards to ethnic minority SMEs, a limited amount of data about cultural factors and HRM was found. Particularly, the researcher could not find any specific or organised research work around Pakistani-owned SMEs in the UK in the chosen area of research. Despite the important role of Pakistani-owned SMEs in the UK economy, this segment of SMEs remained unattended by contemporary researchers (UK-Pakistani Business Directory, 2011-2012). This gap in the research compelled the researcher to divert his attention from deductive approach to inductive approach for conducting his research study.

Research question 3: As evident by the wording of research question 3, it is related to primary data collection requiring empirical research around the topic under investigation. The objective was to see concepts and their application in the real world of Pakistani-owned SMEs in the UK. Ultimately, relating the findings with the literature to determine a real mode of relationship between theory and practice.

### **1.3 The problem area**

The problem area was related to investigate desirable and/or undesirable implications of cultural effects on HRM strategies of these companies. In other words, the researcher was interested to identify positive and/or negative effects of these factors, and the relevant role and rationale of SME managers to streamline their HR strategies. The objective was to obtain an empirical picture of ongoing state of affairs (in the view of cultural effects) and to explore the use of the HRM strategies of these companies in surviving and growing in markets.

#### **1.4 The research objectives**

- To perform a detailed literature review in the domains of cultural factors and HRM strategies of the UK-based SMEs to achieve a thorough understanding of insights and thoughts already presented by contemporary researchers.
- To have a critical look on existing body of knowledge (contributions of contemporary researchers) to identify shortfalls/gaps to place this work at right context and to determine boundaries and domains of this study.
- To conduct an in-depth empirical investigation around selected domains of the study to get the first-hand knowledge regarding cultural factors and their role in shaping HRM strategies of these companies.
- To build a new theory in the light of empirical findings and to relate these findings with the literature to identify similarities and dissimilarities between secondary and primary findings.
- To strengthen, extend and develop further, our understanding about culture and its relationship with people management strategies of SMEs.

#### **1.5 Research Design**

This study employs a research design of a mixed methodology, i.e. it combines aspects of the case studies and field survey paradigms at various steps in the research design (Creswell, 2003). This methodology takes advantages of both the qualitative and quantitative paradigms and reduces the limitations that are likely to be derived from a single methodological design (Bryman and Bell, 2007). In this research, a concurrent triangulation strategy was used in an attempt to confirm, cross-validate, or corroborate findings within a single study (Creswell, 2003).

Qualitative data was gathered through case studies. The selected cases were investigated through in-depth interviews. These interviews generated a bulk of qualitative data in response to a large number of non-standardized (open-ended) questions. In addition, structured questions generated qualitative as well as quantitative data around 50 cases, and 100 respondents across major cities of the UK. To ensure accuracy and validity of the data, the researcher recorded all interviews and composed the data as it was recorded.

## 1.6 Contributions of the study

- This study covers a range of cultural factors and their effects on people management strategies of Pakistani-owned SMEs in the UK. The study makes a net addition to existing studies around EMBs of the UK.
- The research has made a further contribution to our knowledge about human resource practices in SME sector of the UK generally.
- Because of shared culture, the findings of the study will be especially beneficial for ethnic minority businesses with Asian background including Pakistani, Indians, Bangladeshi and Chinese to design their HR strategies to grow and succeed in the market.
- Cross-cultural mediation is an important feature of the study where entrepreneurs/owner managers of these companies are playing their role as mediators to reflect a moderate and bi-cultural image of their businesses to survive and grow in a multi-cultural market of the UK. This type of knowledge would be worthy of interest for students, researchers and entrepreneurs.
- The triangulation approach of the research has generated a wide range of separate findings through literature review, case studies and field surveys. These findings have been integrated with in the last chapter of conclusions (chapter 6) to give an integrated reflection of similarities and dissimilarities. This integration has contributed to developing a new theory and furthering substantive understanding of cultural factors and their impact in shaping people management strategies of these companies.

## 1.7 Thesis organization

This thesis is organized in the following way:

### Chapter 1: Introduction

This chapter explains why this study is being carried out and its overall definitional landscape. It places the thesis topic in a wider context and shows where it is located between the overlapping domains SMEs and related topics. It gives some introductory information about research design, research objectives, overall focus of the study and its contribution towards existing body of knowledge.

**Chapters 2: Literature Review**

This chapter examines the existing state of knowledge around chosen domains of the study (cultural factors, people management and SMEs). In this chapter, the researcher presents a detailed critical review of the existing literature on people management strategies of SMEs and relevant cultural influences on these strategies; also certain gaps have been revealed in order to identify and justify researcher's own contributions to the existing body of knowledge.

**Chapter 3: Research methodology**

This chapter provides the logic and justification of the methodological position that the researcher has adopted for this investigation. Thus, it describes the main elements of the research methodology such as research philosophy, approach, strategy and design. These approaches and their application to the existing research have been discussed with detail. Both theoretical and empirical aspects have been focused.

**Chapter 4: Case studies of selected Pakistani SMEs in Luton**

This chapter presents a range of findings derived out of the case studies. It consists of two parts. The first part of the chapter presents some findings about relevant background factors which had played an important role in strategic evolution and growth of Pakistani-owned SMEs in the UK. The second part of the chapter presents an in-depth analysis of the qualitative data and a detailed account of results/findings derived through analysis process. These findings have been listed with brief elaboration (including tables/figures) while quoting original views of respondents/participants in the study.

**Chapter 5: The findings of field survey**

In this chapter, qualitative and quantitative data gathered through the field survey have been analysed and a detailed view of derived results/findings with tables/figures has been covered. It provides both qualitative and quantitative data based upon facts and figures provided by 100 respondents/participants from 50 companies across main cities of the UK.



**Chapter 6: Evaluation and critical discussion**

This chapter mainly builds on the findings of empirical elements of the study reported in Chapters 4 and 5. It integrates the findings emanating from both the case studies and the field survey and integrates these with the wider literature. This triangulation of integrating the findings proved very helpful in formulating similarities and dissimilarities between theory and practice. The chapter is structured so as to provide an integrated and conclusive view of the research findings, highlighting similarities and dissimilarities between different sources of the findings.

**Chapter 7: Conclusions**

The final chapter presents a brief but comprehensive account of overall results/findings of the study with a clear reflection of similarities and dissimilarities found in the results of different methods of the study. It also summarises the contributions and limitations of the study. The chapter concludes with possibilities and suggestions on future research in this field of study.

## **Chapter 2 HRM and SMEs: A Review of the Literature**

### **2.1 Introduction**

As emphasised by Sharp et al. (2002); Jankowicz, (2005); Tranfield et al. (2003) and many other contemporary researchers, at the beginning of every research, a researcher needs to demonstrate enough awareness of the current state of knowledge in his subject, also its limitations and how his research fits in the wider context of previous results. In this perspective, the researcher conducted an in-depth review of relevant literature through extensive use of library catalogues, bibliographies, abstracts and internet. The main criterion was to search and locate most recent and relevant research materials with potential to answer research questions as prescribed in the research project.

This chapter presents the information gathered through secondary sources. The preliminary sections (2.1 - 2.10) provide some introductory material about the role of SMEs in the UK economy, growth of ethnic minority SMEs, subject matter of HRM and the role of HRM practices in the evolution and growth of these companies. These sections provide a broader perspective on the topic under investigation. Subsequent sections contain some frameworks and models while covering multiple dimensions of HRM and SMEs. These models have been duly discussed and analysed in detail.

The later part of the chapter presents a series of sections with detailed discussion around central components of HRM and their relevant application in SMEs. These sections provide a comprehensive account of recruitment and selection, training and development, performance management, rewards management and employment relations in these companies. This part of the chapter also covers cultural factors and their influence in shaping HR strategies and practices of SMEs. The last section offers a brief account of the findings relating to SMEs and HR practices.

### **2.2 SMEs defined**

The term SMEs stands for small and medium-sized enterprises. SMEs have been defined differently in different countries in terms of number of employees, turnover or balance sheet

total. However, it is important to clearly define SMEs in given economic and business circumstances, because definition is an important tool for implementing efficient measures and programmes to support the development and success of SMEs (DTI, 2005). The European Commission (DTI, 2005) has a single SME definition that includes micro firms (less than 10 employees), small businesses (10-49 employees) and medium sized enterprises (50-249 employees). The main factors determining whether a company is an SME are:

- 1) Number of employees and
- 2) Either turnover or balance sheet total

**Table 2-1:** Definition of SMEs

<b>Enterprise category</b>	<b>Head count: annual work unit (AWU)</b>	<b>Annual Turnover or</b>	<b>Annual balance sheet total</b>
Medium sized	< 250	≤ £30.95 million or (in 1996 £30.16 million)	→ ≤£30.397 million (in 1996 £20.13 millions)
Small	< 50	≤ £7.9 million or (in 1996 £5.53 million)	→ ≤ £7.9 million (in 1996 £3.95 millions)
Micro	< 10	≤ £1.58 million (previously not defined)	→ ≤ £1.58 million (previously not defined)

**Source:** DTI, 2005

Table 2-1 gives a brief overview of SMEs' definition as mentioned in DTI's report produced in 2005. However, as a definition for SMEs, such conceptual distinctions can be problematic (Dundon and Wilkinson, 2004). First, small firms differ in terms of what they do and who they employ. For example, a hair dressing shop employing 10-12 people would be quite large for this segment of the retail market. As Edwards et al. (2006) reminds us, many studies fail to capture for specific economic position and social norms that govern management actions in each firm. Second, the use of alternative (and mostly normative) models of HRM tends to be applied to smaller firms as though they are the same as larger organisations (Harney and Dundon, 2006). In short, SMEs are not homogenous but differ in terms of context, family and kinship, along with variable labour and product markets (Edwards and Ram, 2009). These conditions need to be recognised more fully in much of the mainstream literature surrounding HRM and SMEs.

### **2.3 Role of SMEs in economic development**

According to the Observatory of European Small and Medium-sized Enterprises, SMEs dominate each economy and employ substantial part of the private sector workforce not only in Europe but also in other developed countries (European Commission, 2003; Kongolo, 2010). According to Inyang and Enouh (2009), small firms make both social and economic contributions to the nation's development process. The social benefits include transforming and stimulating indigenous industry and technology, job creation, and redistribution of wealth and income. The economic benefits involve utilization of local resources, dispersal and diversification of economic activities, and mobilization of savings (Owualah, 1999).

The literature reveals that SMEs make up over 90 per cent of all enterprises. The percentages of SMEs account for 99.7 for the United States, 99.9 for the UK (BIS, 2012), 99 for China (Cunningham and Rowley, 2008), 96.5 for Taiwan, (Lin, 1998) and 99.2 for Malaysia (Man and Wafa, 2007; NSDC, 2009; Saleh and Ndubisi, 2006). These figures show that SMEs have a large presence in the business sector in countries all over the world. They provide more jobs than large companies (APEC, 2002; NSDC, 2009).

This concludes that SMEs play a vital role in the economic development of the UK, USA, Europe, and other countries of the world. They have weathered the current worldwide economic recession better than larger organisations, and some SMEs eventually become large organisations (European Commission, 2005). The following information provides basic statistics about SMEs and their role in economic development of the UK (BIS, 2012):

- There were an estimated 4.8 million businesses in the UK, which employed 23.9 million people, and had a combined turnover of £3,100 billion
- SMEs accounted for 99.9% of all the private sector businesses in the UK, 59.1% of private sector employment and 48.8% of private sector turnover
- SMEs employed 14.1 million people and had a combined turnover of £1,500 billion
- Small businesses alone accounted for 47% of private sector employment and 34.4% of turnover
- Of all businesses, 62.7% (three million) were sole proprietorships, 28% (1.3 million) were companies and 9.3% (448,000) partnerships
- There were 907,000 businesses operating in the construction sector - nearly a fifth of all businesses

- In the financial and insurance sector, only 25.3% of employment was in SMEs. However, in the agriculture, forestry and fishing sector virtually all employment (95.4%) was in SMEs
- Only 25.5% of private sector turnover was in the arts, entertainment and recreation activities, while 90% was in the agriculture, forestry and fishing sector
- With 806,000 private sector business, London had more firms than any other region in the UK. The south east had the second largest number of businesses with 768,000. Together these regions account for almost a third of all firms.

#### **2.4 Ethnic Minority SMEs - An Introduction**

There is an ever growing trend in Ethnic Minority Businesses (EMBs) in the UK for the last four decades. These companies have so rapidly multiplied that they now number over a quarter of a million as significant contributors to the UK's business population. It has been seen that despite reasonable quantitative development, quality factor looks uneven in with EMBs concentrated at the bottom of the value added chain and located in some of the most deprived areas of the UK. These companies, particularly 'African-Caribbean' have been facing financial problems because of their limited access to financial resources (Ram and Jones, 2008). In recent years, British interest in minority businesses has increased because of the rapid growth of EMBs as an emerging economic force of the country. Their role in the UK economy is likely to further increase since the ethnic minority population is expected to double over the next 25 years (Census, 2011). The 2001 UK census classified ethnicity into several groups: White, Black, Asian, Mixed, Chinese and Other (ONS, 2009). These categories formed the basis for all National Statistics ethnicity statistics until the 2011 Census results were issued. According to the 2011 census, the ethnic composition of the United Kingdom was as set out in Table 2-2 below.

**Table: 2-2: Ethnic composition of the United Kingdom**

<b>Ethnic groups</b>	<b>2011 population</b>	<b>2011 %</b>
White	55,010,359	87.1
White: Gypsy or traveler	63,193	0.1
White: Total	55,073,552	87.2
Asian British: Indian	1,451,862	2.3
Asian British: Pakistani	1,173,892	1.9
Asian British: Bangladeshi	451,529	0.7
Asian British: Chinese	433,150	0.7
Asian British: Other Asian	861,815	1.4
Asian British: Total	4,373,339	7.0
Black or Black British	1,904,684	3.0
Mixed: Total	1,250,229	2.0
Other ethnic group: Total	580,374	0.9
<b>Total</b>	<b>63,182,178</b>	<b>100</b>

**Source:** Sources: 2011 Census Ethnic Group, local authorities in the United Kingdom

The literature reveals that the overwhelming majority of ethnic minorities reside in the most disadvantaged areas of the UK; therefore the government has been supporting EMBs through its remit to encourage entrepreneurship in these areas (Mascarenhas-Keyes, 2006; Ram and Smallbone, 2003) They argue that liberal and flexible regulatory approach of the UK government towards evolution and development of ethnic businesses, number of such businesses is growing while creating over quarter of a million firms contributing at least £15 billion to the UK economy Studies confirm that more people from ethnic than white backgrounds are starting their own businesses (Mascarenhas Keys, 2006; BIS, 2012; Ekwulugo, 2012; Kaloosterman et al., 2005).

The research further reveals that despite numerically an impressive profile of the EMBs in the UK, these companies are decidedly less so in terms of performance. Most of black and ethnic minority enterprises are narrowly concentrated into poorly rewarded and fiercely competitive sectors - catering, clothing and low order retail sectors. South Asian companies (including

Indian, Bangladeshi and Pakistani), are more inclined towards take-aways and retailing, a majority of Chinese are involved into food trade, and corner shop retailing and hair dressing are more preferred by African Caribbeans (Ram and Jones, 2008). All of this means that the promotion of market diversification or 'breakout' by policy-makers has to be a top priority (Ram and Smallbone, 2003).

Some problems of EMBs are related to their access to mainstream market. About 32 per cent ethnic minorities are living in the UK's most deprived areas with an impoverished local customer base and in the inherent problem in raising finance and insurance (Mascarenhas-Keyes, 2006) particularly, the African-Caribbean business community finds it most difficult to access start-up capital from the capital market, a problem compounded by the shortage of informal sources from family and community networks (Ram et al., 2002). In addition, it has been argued that ethnic entrepreneurs tend to be motivationally ill-equipped; although South Asian entrepreneurialism has been persistently explained positively as a voluntary expression of 'cultural' attributes - where close relatives and friends remain willing to provide voluntary services and free of interest loans (Basu, 1999). An issue of concern among ethnic entrepreneurs is that they avoid formal sources of business support; rather they heavily depend upon informal resources to reinforce their business activities (Deakins et al., 2005).

Studies around Asian businesses reflect an expanding trend in the UK's small business sector. The cultural and business experience of managers, however, was found to have an effect on the pace and direction of the overseas expansion (Crick et al., 2002). Research reveals that success of UK based Indian, Pakistani and Bangladeshi small businesses appears to be closely related both to the share of personal capital invested at start-up and to the entrepreneur's educational qualifications and previous experience. An orientation among Asian migrants towards establishing businesses with their own capital in an unfamiliar environment illustrates their entrepreneurial spirit and professional commitment. Banks and government agencies can play an important role in strengthening these businesses to improve their contribution in the UK's economy (Basu and Goswami, 1999).

### **2.5 Evolution and growth of HR practices in SMEs**

An extensive review of literature undertaken by Heneman et al. highlighted that up until 2000, in the United States there were only 17 descriptive surveys and hardly any analysis of HR in SMEs (Heneman et al., 2000). The situation had resulted in neglect by researchers of SME sector who directed most of their research activities around internationally operating large companies (Van Riemsdijk et al., 2006).

Many other researchers expressed similar views and confirmed that until the last decade of 20<sup>th</sup> century, most of research and studies were focused on HRM in large organizations; whereas, small organizations were ignored by the researchers (Becker and Huselid, 1998; Jackson and Schuler, 1995; Lado and Wilson, 1994). It has been further commented that till the end of the 90s most of HRM researches in small enterprises were exploratory and primarily explanatory (Tansky and Heneman, 2003).

Some studies indicate the use of diverse HR practices in SMEs (Cassell et al., 2002; Hornsby and Kuratko, 1995), whereas other concentrate on individual HRM practices, for instance, recruitment and selection (Tanova, 2003), training and development (Macpherson and Jayawarna, 2007), performance appraisal (Jackson et al., 1989), compensation (Carlson et al., 2006) and employee relations (Matlay, 1999). Most of the results from the aforesaid studies proposed that the use of HR practices is relatively less in smaller firms than larger firms. Moreover, SMEs also treat HRM practices as rather ad hoc and informal due to their limited size and resource availability such as finance, time and HR expertise (Klass et al., 2000). It has been seen that despite realising the importance of HRM, still a majority of SMEs do not have a formal HR department or trained HR personnel on the staff (Kotey and Folker, 2007; Kotey and Slade, 2005).

A study conducted in the United States revealed that one of the main reasons for business failure in SMEs is - too little emphasis on human resources (Baron, 2003). Another analysis and classification of problems in small business conducted by Huang and Brown (1999) found that apart from the area of sales and marketing, low priority given to human resource management practices was the second most cause of problems for small businesses. In this perspective, a number of researchers emphasised that smaller firms need to be as sophisticated as large organizations (Bacon et al., 1996; Golhar and Deshpande, 1997;



Hornsby and Kuratko, 1995). According to the literature, use of HR theory and practice can contribute to understanding and resolving issues faced by SMEs. These firms need to take timely initiatives to acquire and deploy desirable human resources at the early development of their business instead of waiting until they have grown larger (Altinary et al., 2008; Barrett and Mayson, 2007).

## **2.6 The role of HRM in SMEs**

As highlighted by Hendry et al. (1995), much of management theory continues to emphasise large firms, despite their declining economic role in recent years (Welsh and White, 1991). Another issue is related to the lack of attention within the HRM literature that is given to SMEs (Duberley and Walley, 1995; McElwee and Warren, 2000; Heneman et al., 2000; Chandler and McEvoy, 2000). As suggested, effective management of HR is one of the most important problems faced by the SMEs, despite there being an acute shortage of research identifying the practices in use in small firms. From this perspective, it has been emphasised that small firms need all the advantages they can get, and for them HRM is a competitive necessity (Chandler and McEvoy, 2000). The views of Brand and Bax (2002) support this by noting that human resources play a crucial part in raising and sustaining the competitive advantage of small firms.

Despite less attention of researchers around SMEs, and the *'bleak house'* scenario of these companies such as negative HRM, hidden conflict, instability and authoritarianism, the research around SMEs undertaken so far provide some significant material about their HRM practices (Wilkinson, 1999; Bacon et al., 1996). The studies were mainly directed to investigate differences between the use of traditional personnel/industrial relations (IR) practices and new practices associated with HRM (Storey, 1995). Storey further points out that SMEs are prepared to experiment with new practices and the track record for the success of these practices seems to be well above average.

The literature based evidence further reveals that human resource management (HRM) is typically more informal in SMEs as compared to the employment practices associated with large corporate organizations (Marlow, 2005; Marlow et al., 2010). Some other authors were of the opinion that management formality increases as the firm grows (Storey et al., 2010; Kersley et al., 2006), and faster growing SMEs made greater use of several HRM practices

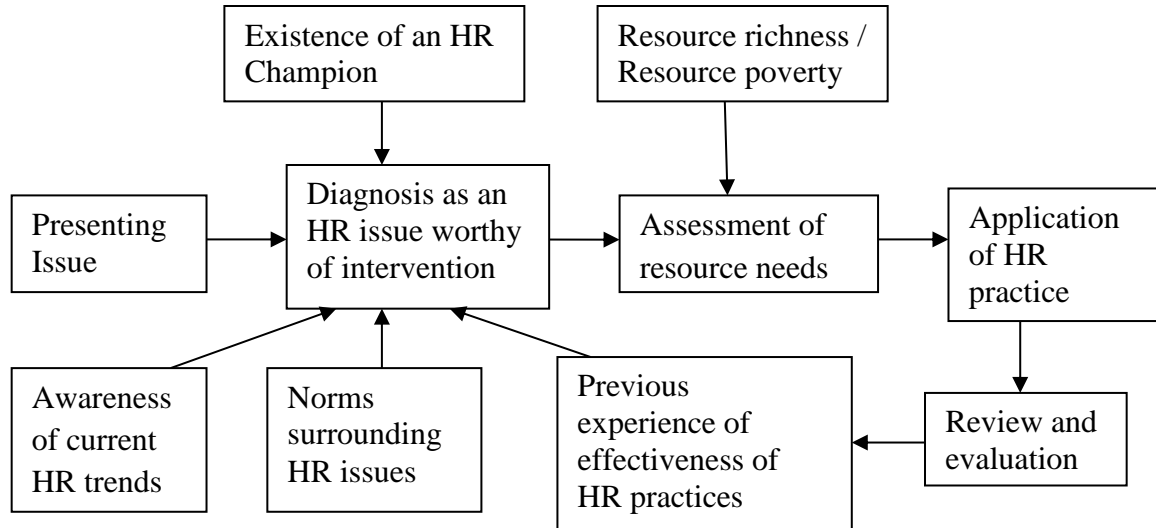
such as training and development, recruitment, performance appraisal, and competitive pay and incentive systems (Carlson et al., 2006). However application of these HR practices varied depending upon size, structure and resources of different enterprises.

### **2.7 Factors influencing application of HR practices in SMEs**

A considerable diversity has been reported in the literature in the ways in which HR practices are used by SMEs. The empirical evidence reveals that recruitment and selection are used more than any other practice. In the recruitment process, nature of the job is seen as important. The word of mouth strategy (recruiting recommended individuals) is preferred in SMEs. In the context of resource poverty, the word of mouth process saves much of the expense as needed to be incurred on lengthy recruitment procedures (Cassell et al., 2002). In this perspective the key HR practices seen in large organizations, such as EO monitoring of job applicants and formalized job descriptions and selection processes are rarely in evidence in SMEs.

Similarly, formal appraisal systems are rare in these enterprises. A considerable diversity has been found in the ways the appraisal process is interpreted and executed. In some firms the appraisal is seen as a practice appropriate for senior managers only, whereas, in some other firms it is viewed as pertinent for every employee. The empirical data about use of incentive schemes in SMEs suggests, although various types of schemes remain under consideration, the actual application of these schemes rarely happens in these firms (Cassell et al., 2002; Duberley et al., 2000).

**Figure 2-1: The factors influencing the application of HR practices in SMEs**



**Source:** Cassell et al., 2002.

The training approach being practiced in these firms was found to be in line with other approaches. Their training initiatives remain limited to certain identified needs instead of any formal or regular training activities. Overall, the most of their HR practices reflect an *ad-hoc* image instead of any strategic or systematic process (Cassell et al., 2002; Duberley et al., 2000). Figure 2-1 shows a model which highlights the key characteristics that influence whether or not a particular SME will adopt an HR practice.

The model starts with the identification and diagnosis of a specific presenting issue that an individual SME is facing. Examples of such presenting issues are: a skill shortage, a decrease in output or productivity, and/or an issue of individual performance (Bacon et al., 1996). The decision to diagnose the issue as requiring an HR response is then influenced by a number of factors, all within the context of current business priorities. These include the existence of an HR champion within the firm, an individual who is responsible for the HR function within the organization.

The second influential factor is that of the norms surrounding HR issues within the firm, for example the extent to which HR is actually viewed as being important to the overall work or

business direction of the firm. This therefore, clearly influences the extent to which a presenting issue is initially defined as an HR issue or not.

The third key factor that impacts on diagnosis is previous experience in relation to implementing HR practices, which could be internal to the company, or the experience of external peers. The fourth factor is that of awareness of current HR trends. This awareness/knowledge will impact on the extent to which a practice is implemented, used and formalised (Cassell et al., 2002). At the same time, an assessment is made of resource needs for an intervention which is strongly influenced by the 'resource richness or resource poverty' of the SME. If an issue is diagnosed as needing an HR response, then an appropriate HR solution will be applied subject to the availability of enough resources (Cassell et al., 2002). The notion of resources also has psychological connotations beyond the purely financial. An organisation may be aware that certain resources exist, but fail to recognise that they are available for HR initiatives or lack the motivation to use them in that way (Cassell et al., 2002; King and Anderson, 1995).

The key point of the model as pointed out by the authors is that rather than being driven by a strategic focus the application of HR practices is driven by presenting issues in the context of current business priorities. However, the approach to HR practices presented in the model is in a more individual manner. A further key issue within model is that of review and evaluation. It has been commented, that most of the firms do not bother to undertake any formal evaluation of the success of HR initiatives that they introduced. Obviously, how they review progress and results of HR applications clearly affects their future decisions regarding HR applications in their companies (Cassell et al., 2002). An important implication of the model is that the approach of SMEs towards HRM is reactive rather than proactive, holistic or systematic. Within previous research, the implementation of any change in reactive way has often been viewed as problematic, particularly when viewed from a systematic perspective (Nadin et al., 1998; Holman et al., 1999). The argument is that companies will introduce new practices without a thorough consideration of how that practice will impact on the overall system.

## **2.8 Open system theory: A conceptual frame work of internal and external factors influencing HRM in SMEs**

Open systems theory emphasizes system characteristics of organization and their openness to environmental influences (Wright and Snelt, 1991). In this perspective, organisations are viewed as a set of interdependent parts so that movement in any part of the organisation inevitably leads to the movement in the other parts (Perrow, 1973; Wright and Snelt, 1991). Of particular significance is the interdependence between existing internal structures of an organisation and the conditions in which it operates and complete (Jaffee, 2001: 209; Scott, 2003). The open system theory becomes paramount in terms of the appreciation of environmental influences (Way and Johnson, 2005).

With regards to the application of open system approach to HRM, Williamson and Cable (2003) suggested that social environmental factors should be incorporated into human resource management. In their opinion open system perspective recognises that small firms are embedded in social and economic networks (Edwards et al., 2003). They have less control over their environment than larger organizations (Barrett and Rainnie, 2002; Cassell et al., 2002). An open system perspective suggests that organizations are collectives that depend on and are influenced by flows of personnel, resources and information from outside (Jaffee, 2001; Scott, 2003).

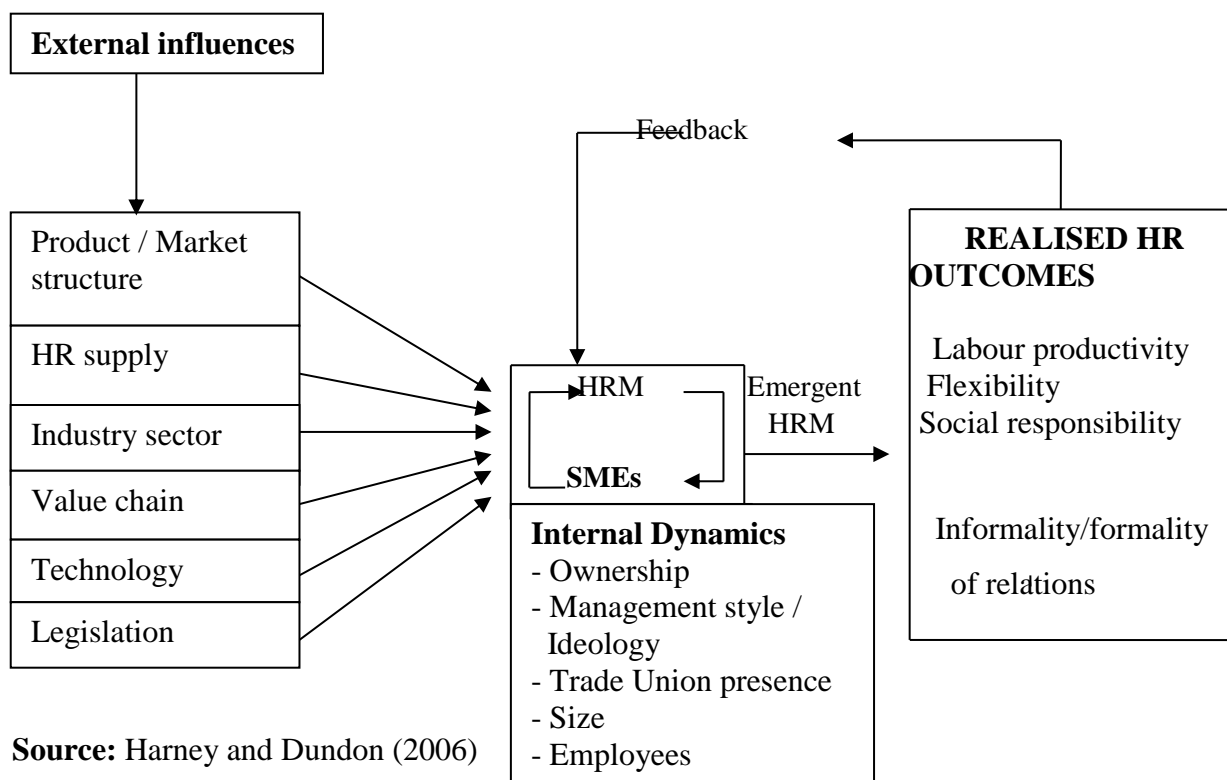
The research further indicates that an open system approach has a particular utility for analysing HRM in SMEs as a complex interaction of both internal and external factors (McMahon, 1996; Dundon et al., 1999). It has been argued that human resource issues are part of open systems and consideration is theoretically bankrupt unless placed in the broader context of organisations (Zedeck and Cascio, 1984). Application of open system approach helps to facilitate the linkage between external influences and their associated HR effects (DiMaggio and Powell, 1983; Paauwe and Boselie, 2003).

Research on HRM in SMEs has identified a plethora of mediating variables that determine the nature of outcomes of HRM (McMahon, 1996). Duberley and Walley (1995) emphasise the need for a more holistic approach that is capable of capturing the complex interplay of different influences that impinge on HRM in SMEs; however discourse of holism is not particularly evident when it comes to studying smaller firms (Fuller and Moran, 2001). The inadequacy of existing literature is that each adopts a narrow focus while very few address the whole domain of HRM in a particular context (Jackson and Schuler, 1995; Scase, 1996).

In this perspective some authors are of the opinion that research should also consider an organization and HR practices as a whole in addition to individual HR practices like recruitment, employee relations and training (Ram, 1991; Edwards et al., 2003).

The conceptual framework presented in Figure 2-2 is an attempt to develop a more holistic approach for looking at HRM in SMEs. It indicates how firm size with other factors such as labour and product market influences, ownership, managerial style, dependency and relations with customers and suppliers to shape HRM. It is important to acknowledge that while the internal and external factors identified and listed in the model are identical to those affecting large firms given SMEs' proximity to the external environment, it is 'the way in which these factors impact on small firms that makes the situation for small firms different from that of large firms' (McMahon, 1995). It is these complex factor interactions (as listed above) that have been cited theoretically weak in much of the extant literature on SMEs (Barrett and Rainnie, 2002; Harney and Dundon, 2006).

**Figure 2-2: Open systems conceptual frame work of factors influencing HRM in SMEs**



**Source:** Harney and Dundon (2006)

While the framework emphasises that external structural factors shape the parameters of HRM it suggests that the actual form HRM takes is likely to be contingent on heterogeneous

nature and requirements of different firms. This is an important qualification against the criticisms of environmental determinism sometimes directed at open systems theory (Mintzberg et al., 1998). In this way the analysis should aid in capturing complexities while developing a more integrated approach to understanding why HRM has been noted for its 'marked heterogeneity, complexity and unevenness' (Duberley and Walley, 1995; McMahon, 1996; Cassell et al., 2002). In order to explore this further, the sensitizing framework depicted in Figure 2-2 provides an integrated approach to explore and analyse applicability of HRM in SMEs in the light of internal and external influencing factors (Brewster, 1999; Truss, 2002; Harney and Dundon, 2006).

## **2.9 HR policies and practices in small growing firms**

### **2.9.1 Introduction**

According to the literature, most small businesses are the product of their owners whose personality and personal involvement dominate the overall process of human resource management. However, as these companies grew, they became aware of the need for team building and delegation within their companies. Their personal beliefs, attitudes and values of owner managers appear to have an important role in shaping their human resource ways and practices. To bring about a visible change, these-owner managers needed to develop their skills and competencies in leadership, coaching and management before effective delegation and team building could take place (Mazzarol, 2003).

For many fast growing small to medium enterprises, the main problem is finding and retaining high quality employees (Fraza, 1998). Owners of such growth companies must learn to communicate their vision, mission and values to their employees along with a clear understanding of how the firm is to achieve these goals (Barrier, 1999). As firm grows and its employee numbers increases the complexity of its HRM deepens. The owner-manager is usually burdened with variety of HR functions for which he/she is generally poorly equipped (Thatcher, 1996). What is required is the development of suitable HR policy and procedure. Ideally this should be flexible and not a mere addition to the bureaucracy (Caudron, 1993).

### **2.9.2 Delegation and team building**

Growth in small firms usually involves increasing the numbers of employees engaged within the business as well as the overall complexity of the enterprise in terms of expanding

administrative and operational activities. As the scale and scope of the enterprise increases, the owner-manager will experience pressures to delegate responsibility within the firm and to build an effective team (Heneman et al., 2000). Ideally, learning to '*step-back and let-go*' requires the owner to identify clearly where he/she wishes the business to move over the longer term, and then develop a blueprint for their business accompanied by staff training and development. This blueprint should identify the job descriptions and duties required for each employee position. Once such basic HR policy is in place the owner can set about adequately managing growth (Matlay, 1999).

The need for more formalised HR policies is likely to increase as the size of the firm grows. Greiner (1998) has proposed a five-stage model of organizational growth that suggests the firm grows via a series of evolutionary and revolutionary cycles: 'creativity', 'direction', 'delegation', 'coordination', and 'collaboration'. Revolution or 'crisis' usually precedes a transition to a new phase where more evolutionary growth can occur. For most small business owners, the key challenge is to learn how to delegate while simultaneously creating a team-learning environment within their company.

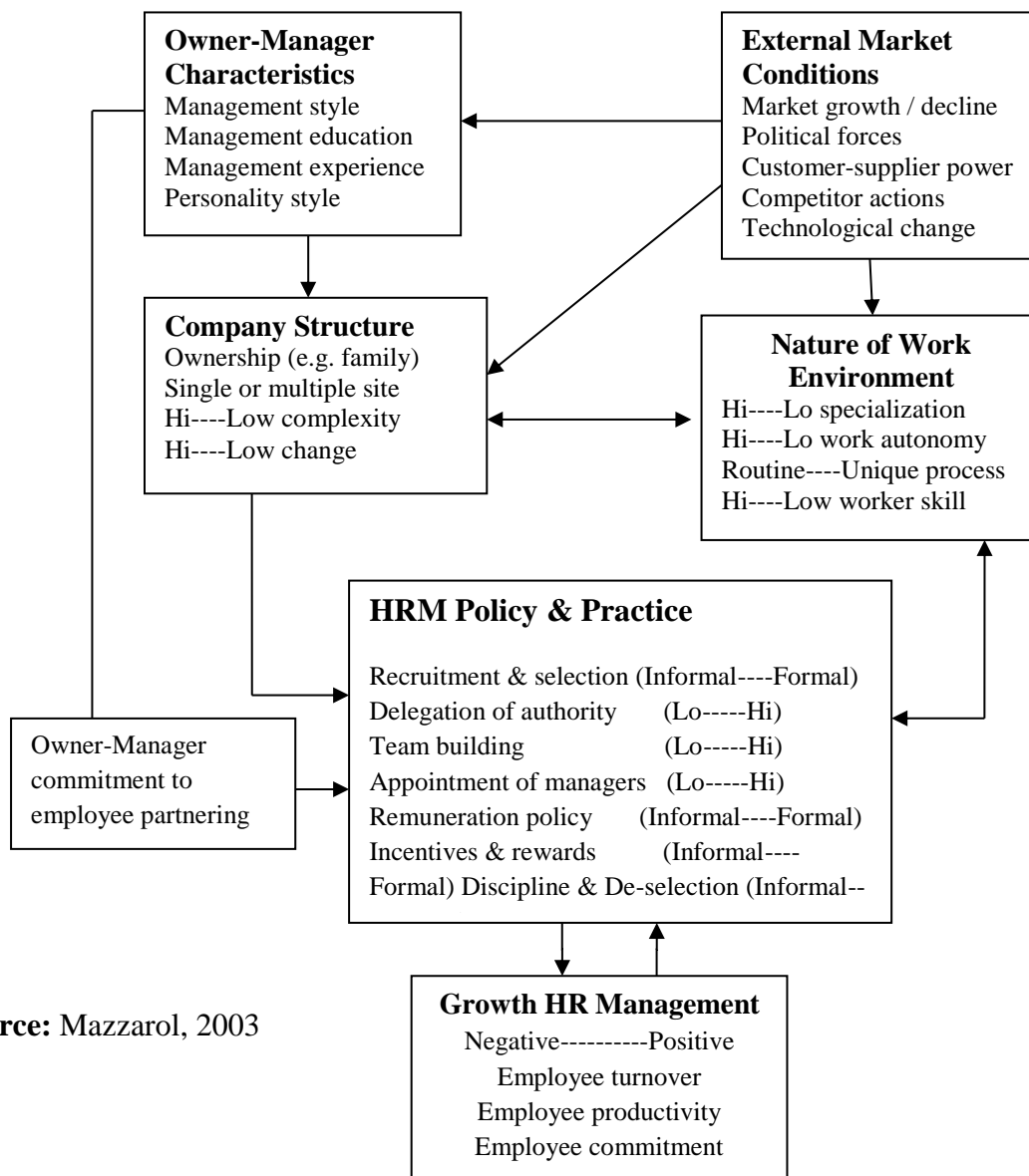
It has been suggested that if owners cannot learn to delegate responsibilities they may risk becoming overextended with detrimental impacts on their capacity to plan and successfully develop market opportunities (Cronin, 1999). According to Baker (1994) the challenge for owner-managers is to create a suitable environment in which their employees can learn to assume responsibilities (Darling, 1999).

A study by Kerr and McDougall (1990) of 130 small business owners found the most important driving force for HR development initiatives was the owner's personal attitudes towards training and development. Further, the main benefit of such HR development activity was the ability to transfer core skills between staff. The authors highlight that many owner-managers find it difficult to address the HR issues associated with their business even though a lack of formalization in this area may place the firm at risk (Wilkinson, 1999). Indeed, the small business sector is usually reluctant to allocate expenditure to employee training and development (Matlay, 1999) and there is often a concern by the owner manager over delegating critical tasks which may result in serious consequences to small firms if not handled properly.



Recruiting and retaining high quality staff is also a major challenge for small business owner-managers (Atkinson and Storey, 1994; Hornsby and Kuratko, 1995). Although formal HR procedures could assist small firms in this regard, many owner-managers remain sceptical of the merits of such formalization preferring to use what they perceive to be proven methods, but frequently without really understanding the opportunity cost of doing so (Carroll et al., 1999). Rather than adopting a formal recruitment and selection policy, the tendency is for the owner-manager to ‘muddle through’ (Williamson, 2000). Figure below highlights a range of factors with potential effects in the growth process of SMEs.

**Figure 2-3: Theoretical HR Management process of SME growth**



Source: Mazzarol, 2003

As displayed in Figure 2-3, the overall policies and practices in growing firms are influenced by four elements; namely - the owner manager's personal characteristics, the external market conditions, the nature of work environment within the company and the company structure. These variables appear to impact on the nature of HR policy and practice within the business determining the nature of HRM outcomes as the firm grows (Mazzarol, 2003). A brief explanation of the variables in the boxes (Figure 2-3) is given as follows:

- The contents of the figure emerged out of an empirical investigation conducted around four SMEs (Mazzarol, 2003) highlights the fact that the rapid expansion of the business into new markets or with a growth in existing markets place pressure on the owners and employees of SMEs. Additional employees were required in order to service the market growth. The owners also found it necessary to delegate greater responsibility to their staff and eventually seek to create a management team. The need for more formal recruitment and selection policy emerged as a critical need among those businesses.
- All the owners of these enterprises looked to their employees for assistance in maintaining a competitive advantage based on high quality product and service. To achieve this, the owners had to find ways to motivate their staff. Financial incentives were used in the form of bonuses, but these alone did not appear to be the only approach. Of equal importance was the development of a positive culture and a dynamic team-based organizational climate. The empirical evidence further reveals that owner managers of these enterprises were positive about their intention to build a partnership with key employees while giving them a status of shareholders. However, actual operation of 'true partnership basis' was limited.
- The characteristics of the owner-manager (as shown in top left box of Figure 2-3) appear to have a direct influence on the company structure as well as the nature of HRM policy and practice within the business. The decision making of the owner-manager is influenced by the external market conditions (as shown in top right box of Figure 2-3) facing the business which also influence both the company structure and nature of the work environment within the firm (Matlay, 1999; Kinnie and Purcell, 1999).

- These policies and practices of small growing seem to shift from informal to formal procedures as the company grows and the owner-manager becomes more experienced or capable of delegation, team building and transfer of authority to a professional management team. These HR policies and practices result in positive outcomes in the area of employee turnover, productivity and commitment to the company. The literature highlights the importance of the owner-manager learning to delegate responsibility, develop team work and put in place formal processes to achieve enhanced productivity, employee commitment and reduced turnover (Mazzarol, 2003).

## **2.10 Application of generic HRM functions in SMEs**

### **2.10.1 Recruitment and selection**

**2.10.1.1 Introduction:** The literature reveals that most of the previous research in the UK on employer's recruitment procedures has mainly been concerned with large organisations; however, an increasing interest in SME research has been reported during the last few decades because of inability of large companies to generate sufficient job opportunities to overcome rising unemployment. It was recognition of the role of SMEs in combating poverty, unemployment and deprivation therefore became of research interest (Blackburn and Smallbone, 2008).

With regards to management style of these companies, it has been frequently acknowledged that family culture plays an important role in determining employment relations in these companies (Ram and Holliday, 1993). This can mean that employer-employee relationships might be less formal and more negotiated than in larger and more 'rational' organizations (Ram and Holliday, 1993).

In a similar vein, other research into SMEs suggests that the 'fit' of potential workers with the culture of the firm is important to SME employers and perceptions of not fitting in can develop behaviour militating against the provision of equal employment opportunities among employers (Pittaway and Thedham, 2005). Research suggests that the existence of a personnel management or HR section might influence the recruitment process to make it less

discriminatory for people from diverse backgrounds, enabling them to be short-listed and interviewed. Contrarily, an owner as employer type of businesses with no personnel or HR sections have been found not to recruit people they perceive will not make a seamless transition into the organization (Nunn et al., 2010).

**2.10.1.2 Factors affecting the recruitment decisions of SME employers:** Despite the prevalence of SMEs in the UK economy, relatively little is known about the process of decision-making within them regarding recruitment procedures. Overall, there has been an increasing interest in SME research over the past 30 years in the UK stemming from the realisation in the 1970s that larger firms in the UK were unable to generate sufficient jobs and hence prevent unemployment from rising. The role of SMEs in combating poverty, unemployment and deprivation therefore became of research interest (Blackburn and Smallbone, 2008). This section considers, in turn, the factors which might inform the recruitment decisions of employers in SMEs.

There is broad agreement that the labour market in Britain has undergone profound changes over the past quarter century, which have affected the nature and organization of paid work (Sunley et al., 2006). A major shift concerns that from manufacturing to services and while the rise of services has partly offset industrial decline, it has been accompanied by a growth in forms of flexible work. Many jobs in services involve 'nonstandard' forms of employment characterized by part-time working, temporary work, self-employment, home working, and shift work (Felstead and Jewson, 1999; Heery and Salmon, 2000). Flexible labour markets are said to allow businesses to hire and fire staff according to the demand for products and services at different times (Floyd, 2003).

Bacon et al. (1996: 88) highlight, that HR practices can be interpreted in quite different ways in SMEs. For example, devolved management was seen by one employer as one of their staff doing 'a bit more' (Dietz et al., 2006). HR standards depend on who in the company is responsible for the policies and procedures and their backgrounds and training. There is also research to suggest that employment decisions in smaller companies are more likely to be made intuitively (Lodato, 2008). In this respect, Bacon et al. (1996) found that managers in smaller businesses could distrust psychometric tests or see them as too time consuming and less accurate than 'first impressions' (Bacon et al., 1996: 96). Some argue that intuition is 'a

gradual process of implicit learning to develop ‘tacit’ representations’ in (Hoggkinson et al., 2008), and that it constitutes in effect bottom-up learning which though implicit may become explicit. For the social factors involved this can appear to involve ‘no apparent intrusion of deliberate, rational thought’ and the outcomes can be experienced as an ‘holistic’ ‘hunch’ or ‘gut feel’, leading to intuitions being defined as ‘affectively-charged judgements that arise through rapid, non-conscious, and holistic associations’ (Dane and Pratt, 2007 in Hoggkinson et al., 2008).

Despite long standing questions about the employment interview’s validity in predicting successful work performance (Kennedy, 1994) and the onset of arguably more validated means of selection, the employment interview is by far the most frequently used employment selection and decision-making device in organisations. It is in such contexts that many organisational and business theorists would argue that inappropriate, inaccurate and even illegal decisions can occur (Kennedy, 1994).

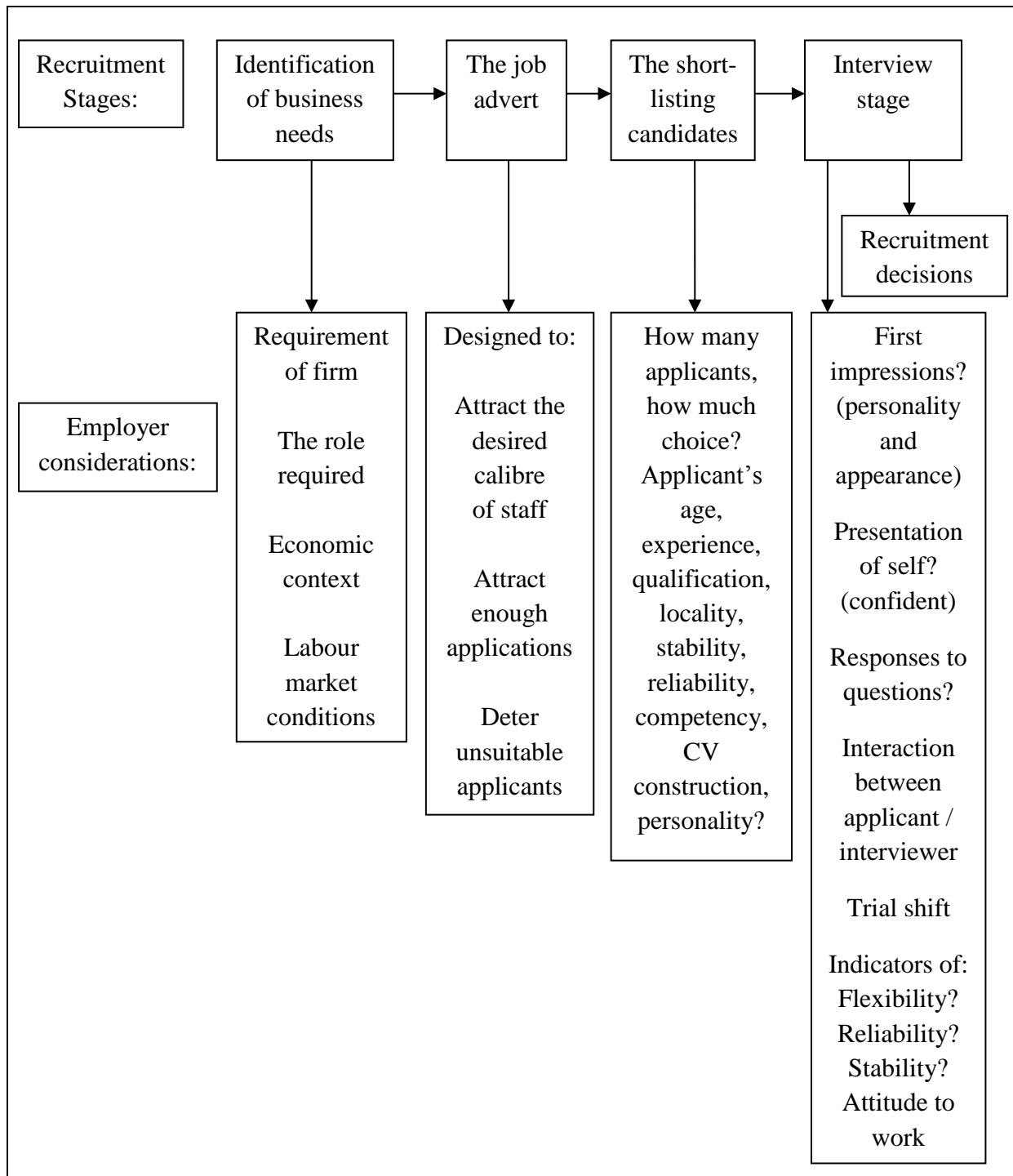
Eder and Harris (1999: 3) note that interviewer judgement can be influenced by a range of personal and political agendas. As they further state, companies can utilise employment interviews in quite different ways in the selection process, using them early on or later in the hiring process or using multiple interviews (Eder and Harris, 1999). Howard and Ferris (1996: 112) argue that the employment interview is influenced by the ‘nonverbal and self-promotion behaviours of the applicant, interviewer training, and the requirements of the job’.

Interviewers can also make ‘early impressions’ about candidates in an interview which will have little grounding in the candidate’s ability to do the job in question. Some research suggests that interviewers reach decisions within the first four minutes of an interview (Kennedy, 1994: 110). That employers have been found to make recruitment decisions in the first minutes of an interview lends weight to the thesis that recruiters can operate with stereotypes of ‘idealized successful applicants against which real applicants are judged’ (in Kennedy, 1994: 111). We might hypothesize that predetermined factors valued by employers might incorporate skills, gender, age or family circumstances, for example, which may disadvantage some candidates more than others. Some of these factors may come into play in the short-listing stage where they are discernible from an application form or CV (quoted in Kennedy, 1994).

**2.10.1.3 Recruitment decisions of SME employers:** This section separates the recruitment process into discrete components to highlight SME employers' concerns at each stage. The factors informing the recruitment decision are represented diagrammatically in Figure 2-4, which displays a summary of a research report published by the department for work and pension (DWP) UK in 2011. Findings of the report were based upon a qualitative study (exploring employer's recruitment behaviour and decisions) carried out by the University of York and the Social Policy Research Unit on behalf of the Department for Work and Pensions. The study conducted around a sample of 30 SME employers was supervised by Jacqueline Davidson a Research Fellow in the Social Policy Research Unit, University of York, working on the welfare and employment programme. Some relevant findings the report are discussed as follows.

The recruitment process as depicted in Figure 2-4 does not remain fixed and varies according to the nature, resources and requirements of SMEs. The report indicates that employers place different emphasis on the specifications of potential applicants, for example qualifications (technical and professional), skills (driving license, computer literacy) or attributes (presentable, hard-working). Furthermore, some employers prefer to specify main roles and responsibilities in their advertisements to deter irrelevant and unsuitable candidates to save the time. After generating a large pool of applications, it was found that a majority of employers in these companies used short listing procedures to screen out irrelevant applicants at initial stage of recruitment.

**Figure 2-4 SME employers' recruitment decisions**



**Source:** Davidson, (2011)

The process can begin when potential applicants phone up or arrive at the employment premises to ask for an application form or to enquire about the job, when employers can ask them some very basic screening questions, such as their current position and experience and the reasons for applying for the job. Similarly, short-listing could also happen over the telephone when candidates phoned to enquire about a position. Examples here include



employers being put off potential applicants because of their telephone manner, or lack of experience or because of their English language skills. The short listing process helps in choosing comparatively a better quality of candidates and to proceed towards final selection (Davidson, 2011).

The interviews and practical tests (trial shifts) are frequently used by the employers. Some employers in SMEs use interviews in conjunction with trial shifts for chefs, health care assistants or technicians to evaluate their potential employees. Trial shifts were seen as useful by some employers as they allowed an assessment of both the candidate's abilities and their potential fit with the other staff. However, trial shifts were not used at all by some other employers because training was needed before the successful candidate could undertake the tasks required for the job.

While there is a preference for informality, recruitment methods have also been shown to vary between industries and sectors. What is almost self-evident for SMEs is that because they have limited resources and fewer employees to begin with, it is extremely difficult for them to maintain or develop an internal labour market based on recruitment and career development (Taylor, 2010; Marlow, 2005). For most SMEs, recruitment of new staff is via *closed and responsive methods* (flexible and easily approachable methods such as walk-in interviews) that rely on informal networks (Carrol et al., 1999).

The implications of how SMEs recruit people can lead to potential problems of discrimination. As highlighted in the literature, very few SMEs monitor their recruitment methods related to equal opportunities (Forth et al., 2006). Further problems can arise with an *ad hoc* and informal approach to recruitment. For example, indirect discrimination can be evident when workers are recruited from the same ethnic group or from within a particular familial and social milieu (Ram, 1991; Ram and Holiday, 1993).

In pragmatic terms many owner-managers find *word-of-mouth* recruitment to be a simple and cost effective method with virtually no or little consideration given to equal opportunities implications (Holliday, 1995). According to Carrol et al. (1999), word of mouth recruitment methods are potentially discriminatory. On the other hand, given the lack of in-house expertise in human resource management techniques and the nature of labour market, it could

be argued that these methods are the most appropriate; hiring '*known quantities*' could be seen as a very effective way of reducing uncertainty in recruitment decisions.

With regards to application of generic HR functions (including recruitment, training and employment relations) a considerable diversity has been found in the ways of these practices are applied in SMEs. There is more use of recruitment and selection procedures in these companies compared to other functions. The factors such as nature of jobs, word of mouth recruitment or references play an important in the recruitment process of these companies. The use of formal applications, formalised job descriptions and selection processes are rarely in evidence in SMEs. However, some of these companies for some of their positions at higher level have been reported while using formal procedures (Davidson, 2011; Holliday, 1995).

### **2.10.2 Employee training and development**

The literature based evidence supports the role of employee training and development in the rapid growth of SMEs through teamwork, better decisions and enhanced performance (Roomi, 2013). Despite the perceived importance of training to improved SME performance, there is a general reluctance among SMEs to provide formal employee training. Employee training in SMEs is often described as informal, unplanned, reactive, and short-term oriented (Litz and Stewart, 2000). Indeed, the nature of work in many small organisations makes it difficult for them to make use of formal and off-site training provisions to enhance ability and skills of their employees (Johnson and Devins, 2008). A review of the literature by a team from the Kingston University Small Business Research Centre identified a large number of research studies and policy statements that appear to point in the same direction - that small employers provide less training than larger employers (Kitching and Blackburn, 2003).

The evidence revealed by National Employer Skills Survey (2005) indicates that training activity is significantly low in single independent SMEs employing fewer than 25 people and even more lower in smaller enterprises employing fewer than 10 people. The data indicate that in most of these companies the human resource management infrastructure and investment in employee training and development remains informal and unstructured. Compared to large and medium enterprises, smaller firms are less likely to provide external training to all grades of their employees. Much skills acquisition in SMEs occurs naturally as

part of everyday operations on the job and is informal or incidental, seldom reliant upon formal or structured training (NESS, 2005).

According to SSDA (2006), training system and structure in the UK based SMEs is closely associated with a range of internal and external factors which have been playing a vital role in determining propensity of training procedures and practices in these companies. A brief view of these factors and their prospective impact on training approaches of these companies is given as follows.

#### ***2.10.2.1 Factors influencing training practices of SMEs***

*Diverse characteristics of SMEs:* SME sector represents a large diverse group of organizations. There is large scale variation in business scope and operational structure in these companies. For examples: some compete in very local markets, others operate on the global stage; some use very simple technology, others operate at the cutting edge of innovation and technical change. Furthermore, the size, scope and nature of SMEs are changing on an almost daily basis. New firms are being created, others cease to trade, and many remain essentially unchanged for many years while others are growing and changing rapidly. These are examples of some key factors that influence propensity of SMEs to undertake training and development activities. In this perspective, a generalised training agenda is not possible in SMEs (BERR, 2006).

*Differentiated labour market contexts and employment practices:* The evidence suggests that amount SMEs spend on off-the-job training increases with firm size and the larger SME workplaces have more formalised training practices (Cosh et al., 1998; Litz and Stewart, 2000). SME training activity might also be affected by the relationship between the business and its large customers, who may insist on or help to facilitate various types of training (Hendry et al., 1995). The labour markets within which SMEs operate can be very different from those faced by larger employers. For example, the typical SME recruits new employees on irregular basis, often relying on informal 'word of mouth' methods to identify new staff. Research suggests that training is often linked to the recruitment and induction process, so it is perhaps not surprising to find that a 'typical' SME provides less training than a 'typical' large organisation that is recruiting staff on a regular and structured basis (Johnson and Devins, 2008).

Factors that might affect the likelihood of individuals and organizations undertaking formal, accredited training include: the level and mix of skills required; age structure of the workforce; extent of part-time or flexible working; staff turnover; frequency of organizational or technical change; degree of specialization of job roles; extent of job rotation; and regulatory or customer requirements for qualifications (Johnson and Devins, 2008).

*The key role of owner managers:* In many small and medium sized firms, entrepreneurs/owner-managers play a key role in designing employment activities including training and development. Evidence reveals that many of them do not necessarily have in-depth knowledge or experience of training or human resource issues (Hoque and Bacon, 2006). Similarly, in small management teams issues associated with training tend to fall within the remit of someone with responsibility for another aspect of the business such as finance or the leader of the business. Clearly, this is likely to influence their attitudes and behaviour in relation to training and workforce development, perhaps accentuating informal approaches rather than making use of formal and structured training opportunities such as those provided by Higher Education Institutions and private sector providers (Johnson et al., 2006).

*The rationality of informality in SMEs:* A majority of entrepreneurs/owner-managers in SMEs have been found to favour informal training and development activity in their companies. There is considerable evidence to support the argument that, at least from the point of view of the employer, such approaches are the most appropriate and rational responses to ensuring that employees have sufficient skills to meet current requirements and business objectives (Curran et al., 1997).

A common approach to skills development in SMEs is through direct supervision and corrective coaching of employees by an experienced manager or employee, with exception of jobs where accredited skills are necessary as a 'license to practice'. The general argument remains that informal training and assessment based on personal observation and task-specific coaching suits the purposes of many small organizations and there is little value to be realised by the business from accrediting such activity either internally or externally (SSDA, 2006).

*Cost and benefits associated with off-the-job training:* A further, well-documented factor that discourages many SMEs from pursuing formal training using external providers is the cost and disruption associated with employees needing to leave the workplace to attend courses (Keep, 2006). Training costs may be greater in smaller firms than in larger firms where economies of scale distribute the fixed costs of training over a larger group of employees. Moreover, SMEs often find it more difficult than larger organizations to make alternative arrangements to cover for absent staff (e.g., people on sick leave or leaving temporarily to deal with their personal matters) due to the small size of their workforces (Lynch and Black, 1998).

Another commonly cited issue is the fear that SME managers might have that their employees will leave their jobs for better-paid employment once they have completed their training and gained qualifications. Of course, this may apply equally to larger organizations, but the argument is that losing one key employee could be devastating for an SME whereas larger organizations expect some degree of labor turnover and build it into their workforce development plans. One exception is a study undertaken by Devins and Jackson (2003) which tracked the progress of enterprises and individuals supported by the European Social Fund programmes. This study found some evidence that policy intervention can help some small enterprises to move towards more formalized practices in relation to training, and found little evidence of large number of employees moving to new employers as a result of training received (Johnson et al., 2006).

The research suggests that SMEs are often deterred from accessing public training provision because what is on offer tends not to fit their needs, and may be too influenced by national targets which, for example, encourage providers to focus on young new entrants rather than employed adults wishing to upgrade their skills (McQuiad, 2007; Mason et al., 2005).

*Training needs of growing SMEs:* The research reveals that those SMEs undergoing a process of change related to, for example, the introduction of new technology, new products, new markets or new ways of doing things are far more likely to undertake training than those not involved in such change. Growing businesses tend to encounter the types of skill deficiencies that are likely to stimulate the need for training and they due to their attitudes

towards training and interest in skills acquisition, may be ill-equipped to respond (Johnson et al., 2006)

Despite recognising the need and importance of business and management training on enterprise performance (Roomi and Harrison, 2009), many small and medium enterprises are still operating very simple business processes and relatively restrictive work environments where there is little or no external or accredited training activity. The type of work environment limits both needs of skills acquisition and skills development opportunities. In many instances where SMEs are doing well in terms of profitability and growth of their business, they may not be experiencing skills deficiencies which required to be dealt with. As a consequence, such companies are expected to make a little use of skills development opportunities. However, as small entrepreneurial enterprises, they keep them willing to respond flexibly to the challenges that emerge in the environment (Johnson and Devins, 2008).

While summing up this discussion, it can be re-emphasised here that development of human capital provides a clear competitive edge to the companies aware of and concerned about their training needs. The process of learning that prepares employees to keep pace with organizational changes and its growth is known as development of human capital (Kirkpatrick, 2004). The SMEs undergoing a process of change related to, for example, the introduction of new technology, new products, new markets or new ways of doing things are far more likely to undertake training than those not involved in such change. A key element of that change would need to be associated with encouraging the growth and development of SMEs in order to stimulate demands for skills (SSDA, 2006). Indeed, training and development activities play an important role in the survival, growth and success of SMEs (Kirkpatrick, 2004; Stout, 2005).

### **2.10.3 Performance Management**

**2.10.3.1 Introduction:** Performance management can be defined as a systematic process for improving organisational performance by developing the performance of individuals and teams. It is a means of getting better results by understanding and managing performance within an agreed framework of planned goals, standards and competency requirements. It focuses people on doing the right things by clarifying their goals. The overall aim of

performance management is to establish a high performance culture in which individuals and teams take responsibility for the continuous improvement of business processes and for their own skills and contributions within a framework provided by effective leadership (Armstrong, 2004). The research conducted by CIPD in 2003 (Armstrong and Baron, 2004) elicited the following views from practitioners about performance management.

- We expect organizations to recognize it (performance management) as a useful contribution to the management of their teams rather than a chore.
- Managing performance is about coaching, guiding, motivating and rewarding colleagues to help unleash potential and improve organizational performance. Where it works well it is built on excellent leadership and high quality coaching relationship between managers and teams.
- Performance management is designed to ensure that what we do is guided by our values and is relevant to the purposes of the organization.

**2.10.3.2 Performance management in SMEs:** One of the more contradictory images of HRM in SMEs is the apparent coexistence of ‘informality’ with a new wave of ‘professionalised’ performance management strategies. The new agenda covers a range of practices that are similar to the ‘high performance work-place’ of larger organisations (Duberley and Whalley, 1995). Examples include devolved managerial responsibilities, cultural change programmes, team working and a range of employee involvement initiatives (Dundon et al., 2001). Downing-Burn and Cox (1999) reported on small engineering firms using various high commitment practices such as quality audits, team working, job rotation and communication techniques.

According to the literature, around one-fifth of SMEs have been found while using a range of performance management practices such as equal treatment/equal opportunity practices, union recognition, flexible working arrangements, and payment-by-results payment schemes. An increase has been reported in these practices by the passage of time (Forth et al., 2006).

**2.10.3.3 Managing a satisfied and committed work force:** The evidence from the UK Workplace Employment Relations Survey (WERS, 2004) reveals that employees in small firms report greater organisational commitment as compared to large firms (Forth et al.,

2006). Edwards et al. (2007) suggest that high levels of satisfaction and commitment in these enterprises may be due to a stronger sense of shared purpose - or even shared misery in very difficult circumstances - rather than evidence of harmonious employment relations. In respect of job satisfaction, it has been suggested that that size of the firm does appear to influence job satisfaction across a range of indicators, with workers generally most satisfied in the smallest organizations (Edwards et al., 2007).

The literature-based evidence further highlights the fact that higher levels of employee satisfaction and commitment are linked with a favourable working environment in SMEs. As reported by Truss et al. (2006) people in these enterprises find opportunities to feed views upwards, feeling well-informed and influence managerial decisions (Truss et al., 2006). These opportunities are potentially associated with smaller workplaces and close interaction between employer and employees. Similarly, in contrast to large firms, small firms have more control over their internal environment and can potentially provide more opportunities for employees - through informal mechanisms such as informal and personal communication within the organisation which creates a closer identification with the organisation (Hodson and Sullivan, 1985).

Contrary to above evidence, some authors are of the opinion that organisational commitment within organisations of the same size will vary according to both people management and operational aspects that influence the quality of the employment relationship and, in turn, perceptions of job quality within organizations. In other words, organisational commitment would be lower in SMEs with low employee satisfaction as compared to SMEs with high employee satisfaction (Saridakis et al., 2013).

Furthermore, Storey et al. (2010) found that management formality has a significant negative effect on job satisfaction and employee commitment in single-site SMEs. Contrarily, Saridakis et al. (2013) argue that in certain circumstances, it may be deemed appropriate to formalise HR practices within underperforming SMEs with low employee satisfaction. However, in SMEs with high employee satisfaction, formalisation may be viewed as both undesirable and unnecessary, and thus may have a negative effect on employees' commitment (Hutchinson and Purcell, 2003; Roberts et al., 1992).



**2.10.3.4 Performance measurement in SMEs:** There have been substantial changes in business performance measurement in the last 20 years, which has led to the development of new performance-measurement frameworks, of which the Balanced Scorecard (BS) concept is considered to be among the most popular (Tennant and Tanoren, 2005). BS is based on the principle that a performance measurement system should help managers (at all levels) monitor results in their key areas. The system forces managers to look at the business from four important perspectives (Kaplan and Norton, 1996).

- (a) How do customers see us? - Customer perspective
- (b) What must we excel at? - Internal perspective
- (c) Can we continue to improve and create value? - Innovation and learning perspective
- (d) How do we look to shareholders? - Financial perspective

The BS has been widely implemented in large organizations all around the world as a performance measurement framework and a strategy implementation methodology. The concept of BS also needs to be implemented in SMEs. The research suggests that SMEs are not aware of the BS and hence, the usage rate is very low compared to large companies. Furthermore, SMEs were found to be oriented towards day-to-day activities resulting in largely ineffective performance management of important but intangible assets such as employees, information systems, organizational learning and innovation. To improve efficiency, productivity and overall performance of their employees, these enterprises need to understand and apply the approach of BS like large organizations (Tennant and Tanoren, 2005).

## **2.10.4 Employment Relations**

**2.10.4.1 Introduction:** The topic of employment relations in smaller organisations is a contentious one and has spawned two distinct analytical outlooks. The focal point of the earlier literature to emerge on the subject was the 1971 Bolton Report, which suggested that employment relations in smaller organisations were superior to those in their larger counterparts, characterized as they were by amicable social relationships, a lack of bureaucracy, and as a consequence, cooperation and harmony. These non-material benefits of working for a small employer were presumed to compensate for aspects such as lower pay and lower levels of unionization (Bolton Report, 1971).

Subsequently, scholars challenged the validity of the methods that had been used to reach these conclusions and drew attention to the Bolton Report's superficial treatment of employment relations. Instead, it was argued that management styles and power structures in smaller firms often disadvantaged and disempowered employees, who were more vulnerable to exploitation (Rainnie, 1989). Rainnie suggested that there is 'a mounting body of evidence pointing to the fact that small is brutal, not beautiful' (Rainnie, 1989).

According to the literature, during the late 1990s, smaller organisations were over represented in ET claims. Earnshaw et al. (1998) noted that 'small employers and small establishments are the source of most unfair dismissal claims' and it is not difficult to appreciate why smaller firms may increasingly struggle to avoid conflict situations. Since the 1980s, the UK employment landscape has been characterised by a decline in the collectivized negotiation of employment conditions and resolution of employment-related disputes.

As a consequence of the above trend referred trend, individual statutory employment rights have been expanded, most significantly in the late 1990s (Kersley et al., 2006). Unsurprisingly, SMEs are particularly vulnerable to the challenges brought about by these developments, as they are less likely to have the resources available to keep up to date with and implement the changes to the employment rights framework. In particular, they often lack internal Human Resources (HR) expertise, and their owner-managers are usually responsible for a range of day-to-day functions as well as those concerning their staff. These owner-managers are, according to one source, twice as likely to seek assistance from outside as managers of larger firms (Forth et al., 2006).

**2.10.4.2 Theorizing HRM in SMEs: from 'bleak-house' to 'small is beautiful':** Some of the earlier studies about employment and HRM among SMEs tended to conflate the characteristics of smaller firms along opposite ends of continuum. At one end the 'small is beautiful' view argues that informal communication flows between employees and owner - manager helps to generate commitment and loyalty. This perspective was epitomized in the findings of the Bolton Commission 1971 (as referred above) suggesting that SMEs provide a better employee relations environment than that found in larger firms. SMEs were believed to have a more committed and motivated workforce accompanied by lower levels of conflict.

The opposite end of this continuum paints a Dickensian picture of employment conditions in many SMEs (Sisson, 1993). According to this view employees suffer poor working conditions, inadequate health and safety and have less access to union representatives than employees in larger establishments. The argument posits that 'happy family' image of many SMEs hides a form of authoritarian management, with few employees capable of challenging management decisions without reprisals or workers become bound by a network of family and kinship ties that govern employment relations (Ram, 1994).

As might be expected, these polarised perspectives are the subject of much debate and criticism. While there is possibility of some truth to each extreme, in reality SMEs are best characterized by a complex web of social and familial norms, economic conditions and sector variability (Edwards et al., 2003). Informality, for example, cannot be automatically associated with harmonious work relations (Ram et al., 2001), nor should be formalisation of management techniques indicate a measure of the substance of HRM within the smaller enterprise (Gunnigle and Brady, 1984).

Empirical evidence has been mixed, with employees in small firms regularly reporting higher levels of job satisfaction (Forth et al., 2006), while other studies have reported a range of poor HR outcomes in SMEs, including high levels of applications to employment tribunals, job insecurity, skill shortages, lower pay, fewer career development opportunities, and a need to develop more effective people management practices (Hoque and Bacon, 2006). Barrett et al. (2009) refer to this the 'paradox of happy workers in small firms', given that on many measures workers in small firms appear to enjoy fewer benefits than their counterparts in large organizations (Forth et al., 2006; Kersley et al., 2006). The bleak/beautiful typology therefore lacks explanatory power, suggesting instead a dichotomy whereby employment practices in SMEs essentially cover the entire spectrum of labour management possibilities.

Most problematic is the lack of utility in explaining the specific contextual factors that may influence and shape employment relations processes and outcomes. Important factors shaping firm and management actions may include ownership structure, strategy, technology, labour/product market conditions and economic position (Edwards et al., 2003; Wilkinson, 1999).

**2.10.4.3 Evidence of ‘Small is beautiful’ scenario in small enterprises:** Some recent research findings confirm that organisational commitment is higher in organisations with high employee satisfaction which posits a link between happiness and performance (Fisher, 2010; Saridakis et al., 2013). These findings provide some support for the ‘*small is beautiful*’ perspective, which suggests that small firms offer some highly valued non-material benefits such as variety of work, involvement, face to face relationship, and a ‘community’ or familial environment which are difficult to replicate in large firms (Holliday, 1995; Wilkinson, 1999). Other facts may include a sense of equity, achievement and mutual trust and friendship (Sirota et al., 2005).

Some recent theories have attempted to avoid sweeping generalisations and oversimplifications, arguing that employment relations in SMEs are neither ‘beautiful’ nor ‘bad’ (Blackburn, 2005), but rather that they are highly complex and that the sector cannot be made sense of using a single economic logic or rationality (Ram, 1994; Holliday, 1995). This point relates to the more fundamental recognition that the term ‘SME’ cannot be deployed as a blanket term in the context of any meaningful discussion about this heterogeneous sector. Finally, it is important not to lose sight of the bigger picture: employment relations within SMEs are shaped by, and should not be considered in isolation from the wider economic, political, social and cultural context (Scase, 2003; Forth et al., 2006).

Interestingly, the data from Workplace Employment Relations Survey (WERS, 2004) conducted in 2004 indicate that employees in small firms are overwhelmingly more satisfied than their counterparts in larger organizations, perceiving themselves to be treated more fairly by their employers, to have a greater degree of influence in decision-making, to work at a lower intensity and to have a higher commitment to their job than those working in firms with 250 or more employees (Forth et al., 2006).

Recent empirical research (involving around 15 UK-based SMEs as case studies) has been conducted under supervision and sponsorship of ACAS, to investigate employment relations in SMEs. A close resemblance has been found between ACAS and WERS findings (2004). As reported in ACAS findings, the respondent employees were found very keen to emphasize that they were working with good people and fair employers. Moreover, they were frustrated by what they felt were grave misperceptions about moral character of SME employers which

too often branded them as the exploitative ‘villain’. As the respondent employees observed, there were fundamental differences between the management of employees in SMEs and the practices of larger firms (ACAS, 2012).

The ACAS research report (2012) further reveals that most of the HR responsibilities in SMEs are performed by entrepreneurs/owner-managers. Their primary task is to make sure that everyone is doing what he is supposed to be doing; however, they are supported by other members of staff usually co-directors or managers, or by junior staff members. In cases where the assistance was provided by administrative staff, it usually consisted of more mechanical tasks such as managing the payroll, whereas senior staff tended to be more involved in decision-making, and analysing and finding solutions to problems.

**2.10.4.4 Informality or formality of HR practices in SMEs:** Notwithstanding the heterogeneity of SMEs, people management practices in SMEs are generally characterized as relatively informal compared with employment in large corporate organizations (Forth et al., 2006; Marlow, 2005; Taylor et al., 2010). Informal employment relations are mainly based upon unwritten customs and the tacit understandings that arise out of the interactions of the parties at work (Ram et al., 2001). Formal HRM may be viewed as stifling and bureaucratic, and therefore inappropriate for small entrepreneurial firms or as a potential threat to workplace creativity, innovation, trust and flexibility (Bartram, 2005).

Ram’s (1994) study of small clothing firms suggests that informality can be viewed as an ongoing process of negotiation and accommodation between employers and workers which is dynamic and context-specific. Moving beyond deterministic beautiful/bleak stereotypes, the argument is that employees are not passive recipients of employer actions, and employers are not omnipotent. Rather, both sides are highly interdependent, especially as small firms are often extremely vulnerable to economic conditions. As a result, an acceptable ‘negotiated order’ must be reached through a pragmatic process of adjustments on either side, resulting in a relatively stable position once a mutually acceptable agreement is achieved.

As firms grow, limitations of informality may become apparent in key HR areas such as communication, recruitment and training (Forth et al., 2006) as well as in terms of requirements to comply with employment law (Ram et al., 2001). Saridakis et al. (2008) for example, highlight how, in the case of employment tribunals, informality may not only

explain why small firms are more likely to experience more claims than large firms, but also why they are more likely to lose such claims. Such factors may result in a desire to professionalise and formalise HRM practices in SMEs (Marlow et al., 2010; Bartram, 2005).

Limitations of informal HR practices are also linked with low level of employee satisfaction at work. It has been argued that in single-site SMEs with low employee job satisfaction, the formalisation and professionalization of HRM policies and practices may create a greater sense of substantive fairness, procedural justice and involvement, in a way in which the vagaries of informal HRM had failed to achieve. However, the impact of formality was negligible when implemented within small organisations with high employee satisfaction (Saridakis et al., 2013). In this perspective, it is not possible to draw a hard line about relevant application of formality or informality of HR practices in SMEs; as Marlow et al. (2010) state, informality and formality must be thought of as a dualism rather than a dichotomy. As suggested by a number of authors, interplay between both tendencies is crucial in accordance with a given situation (Barrett et al., 2009; Hoque and Bacon, 2006).

### **2.10.5 Reward Management**

In relation to pay and incentives schemes of SMEs, the literature reveals that despite having some formal schemes (fixed pay schedules, computerised pay slips, bank transfers, etc.) of pay and bonuses, the real application of formal procedures is comparatively less in these companies, particularly in small companies (Duberley et al., 2000). Furthermore, pay and rewards tend to be lower in SMEs compared to large firms. The research commissioned by the low pay commission in the UK found that overall small businesses had adapted well to the introduction of the National Minimum Wage (NMW), although with some sector variation. As reported by LPC (2000), in the sectors of 'security and cleaning' the introduction of NMW had actually improved competitiveness and protected employment. The National Minimum Wage has protected employment and encouraged companies to tender for contracts on the basis of the service they can provide rather than how little they pay their staff (LPC, 2000).

The role of collective bargaining or negotiation is limited in SMEs. Only a small proportion of employees (5%) in these companies have their pay determined by collective negotiation (Forth et al., 2006). Around 20% of SMEs utilise a performance or incentive-based system for employee remuneration (Forth et al., 2006: 61). However, these have also proved to be

difficult for SMEs, with a desire for more informal approaches overriding formalised variable pay schemes (Cox, 2005). Much more common are *ad hoc* wage payment systems' which lack transparency about what other employees earn, even in the same firm (Gilman et al., 2002). Arguably, pay determination in the context of an SME is often based on managerial '*gut instinct*', 'prejudice' by owner managers or 'market pressures' at a given moment in time (Dundon et al., 1999).

Overall, pay remains lower in smaller firms, even though many report a higher rate of satisfaction than their counterparts in larger organizations (Forth et al., 2006). It is also important to be critical of wide-sweeping generalizations, as a great deal can depend on the precise occupational category or sector in which employees work. For some owner-managers in SMEs, the statutory instruments such as the NMW have limited their freedom to impose unilateral decisions. In other SMEs, variable pay schemes have been implemented, although they are not without difficulties when they formalize an established informal routine (Cox, 2005). Moreover, many variable pay schemes in smaller firms seem to be based on managerial '*gut instinct*' rather than clear systematic and objective performance criteria (Gilman et al., 2002).

### **2.11 HR and diversity management in SMEs**

The research reveals that in most of SMEs in the UK, HR practices of equal opportunity (EO) and diversity management (DM) are dealt with by owner-managers because of the desire to become "an employer of choice" (Doherty, 2004). Thus DM is more likely to be influenced by external pressure of increased labour competition as well as internal business needs for a competitive edge. This is supported by the research conducted by Hwang and Lockwood (2006), who argue that diversity management has moved from being internal organisational strategy to respond to external pressures. As such SME managers need to consider DM as valid people management practice because they depend on human resources.

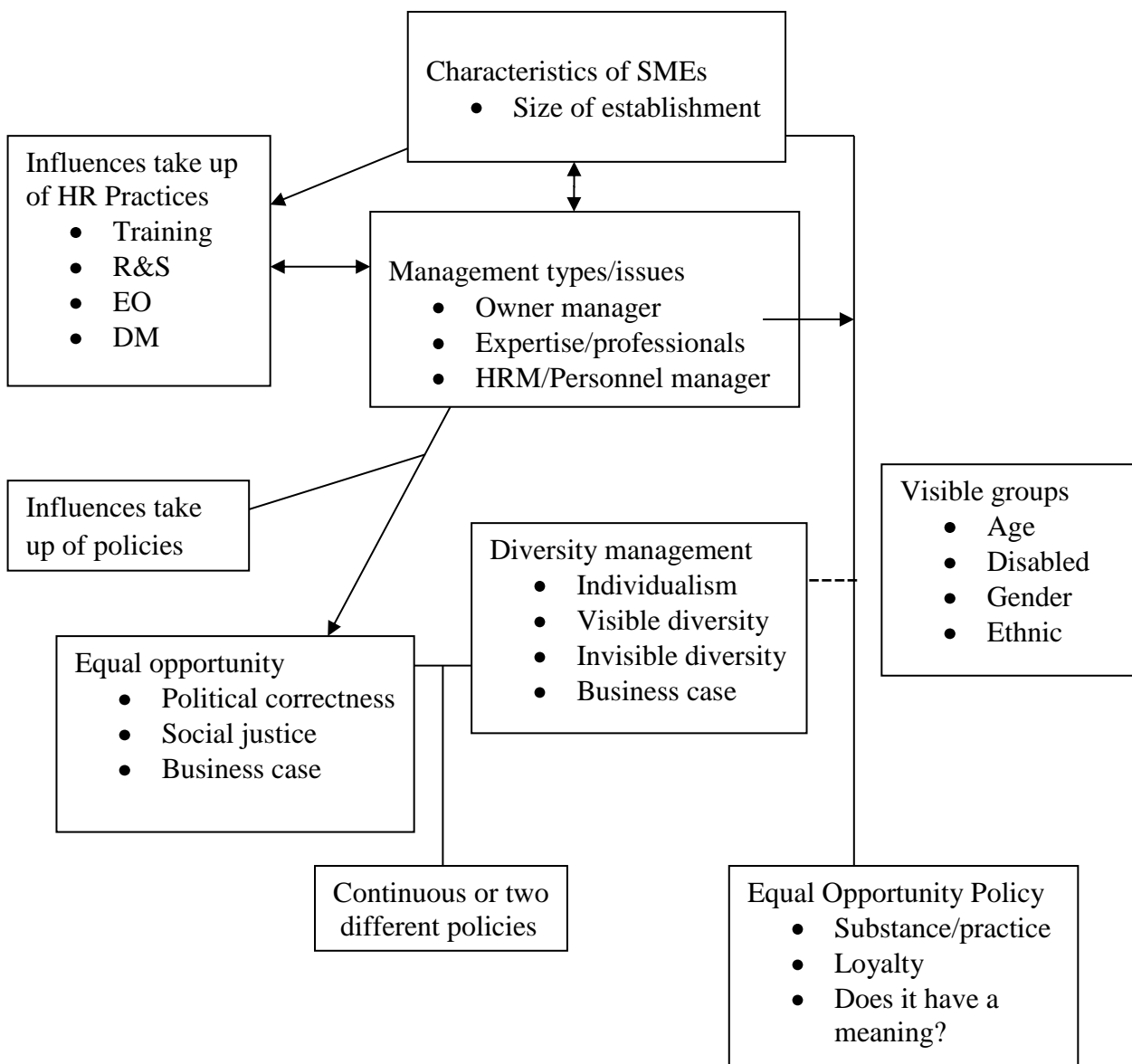
In theory, diversity seeks heterogeneity whereas in practice, human resource systems permit similarity or homogeneity (Ferris et al., 1993). According to Ferris et al. homogeneity is criticised for encouraging segregation of opportunities and restriction of perspectives and ideas. For instance the fact that SMEs are less likely to use formal recruitment procedures creates the

potential for discrimination to arise. Recruiting the best people for the job, regardless of their ethnicity, age, gender or disability is regarded as promoting fairness.

Some researchers have emphasized the importance of providing necessary training to employers and employees enabling them to understand diversity management policies. It is expected that participants receiving diversity training improve their attitudes towards each other. It has been observed that diversity training is not always underpinned with prescribed procedures or guidelines from valid social research. It is mostly prescribed from one organization to the other. Every SME has different cultures and systems. Therefore, the way and method used to implement and sustain diversity management policies is varied (Schmidt, 2004)



**Figure 2-5: Conceptual framework of equal opportunity/diversity management policies**



R&S: recruitment and selection
EO: equal opportunity
DM: diversity management
SME: small and medium enterprises
HRM: human resource management
HR: human resource

**Source:** RIBM (2007)

With regards to application of DM policies, as indicated in lower right box of Figure 2-5, SME managers are lacking clear understanding of diversity management, and therefore, the actual issue is related to '*substantive practice*' (tangible and solid presence) of these policies as claimed by these companies. It has been recognized that policy does not always translate into practice; therefore, these companies are still behind to achieve objectives of DM policies (RIBM, 2007).

Diversity issues confronting SMEs, like large organisations, include legislative requirements of equal employment opportunity and anti-discrimination. Equal employment legislation can be costly for employers when breached. These laws redress injustice and inequality to protect vulnerable members of the society and to ensure more and more '*social justice*' within organizations and wider society. The laws include the Race Relations Act 1976 (RRA), aimed at promoting equality. The Sex Discrimination Act 1975 (SDA) aimed to reduce gender discrimination (Equality Act, 2010). The general picture portrayed supports the argument that size and nature of SMEs has an influence on its workforce (Wilkinson, 1999). The behaviour and attitude of organisations towards DM issues vary widely. If an organisation adapts EO to redress racial or discrimination issues, attention is mainly drawn on the '*substance*' (the real application) (Hoque and Noon 2004) of the policies. Policies are adopted to evade litigation or to abide by governmental rules and regulations (Kirton and Greene 2005). Figure 2-5 displays a conceptual framework of EO/DM policies and practices in SMEs.

The literature based findings further demonstrate that medium firms take up a formal written EO policy. This was expected because EO practices are likely to be found in workplaces with a formal policy. However, (as mentioned above) there is also evidence that many of the policies lack '*practice and substance*' (Hoque and Noon, 2004) because they are not

supported by management. Most medium firms lack special procedures to assist ethnic minorities or disabled people in getting jobs. The picture contradicts the notion that organisations take up EO policies for its business case or social justice (Kirton and Greene, 2005).

Despite significance of HR practices of SMEs with regards to EO and DM as discussed and depicted in Figure 2-5, it is not possible to draw out generalisation about actual practices of SMEs at their respective work places. Indeed, SMEs (micro and small groups) workplaces are complex varied and influenced by a range of factors. Therefore, simple categorisation of SMEs does not adequately capture behaviours within the workplaces (Carroll et al., 1999). There is dearth of formal written policies in most of these companies; however, some medium-sized firms have formal written equal opportunity policies even though they might not be applied in practice (Hoque and Noon, 2004).

### **2.12 Balancing work and family life**

The concept of work-life balance is no longer only a western phenomenon. Though the majority of research in this area is focused on western contexts, it is also spreading to the eastern culture due to globalisation which has greatly influenced the organisational settings worldwide (Rehman and Roomi, 2012). The literature reveals that many authors have emphasised the need of balancing work and family life to retain key employees within organisations (Camuffo and Comacchio, 2005). In other words, allowing employees, irrespective of their age and gender, to combine their work and personal roles and responsibilities (Feldstead et al., 2002) is increasingly significant. It has been argued that imbalance of work and non-working life leads to conflict between personal and family life and generates so many problems for individuals (Moen et al., 2008). Indeed, work and family conflict are a great source of psychological distress for employees, families and organisations (Lourel et al., 2009).

SMEs have been found more vulnerable to this challenge as compared to large companies. According to the literature, if key players in SMEs performing at top and middle management are not satisfied by the system and structure of the company in terms of balancing their personal and work life, they will prefer to leave for a better opportunity elsewhere (Van Gils, 2005; Camuffo and Comacchio, 2005). The research highlights that SMEs remain at constant

risk of losing their key managers to larger firms that offer improved pay and better working conditions (Hjalager, 2003).

Higher turnover rates have been reported because of unfavourable WLB conditions in many organisations (Beechler and Woodward, 2009). Consequently, retaining talent has emerged as a great challenge for these companies (Beechler and Woodward, 2009; Tarique and Schuler, 2010). In this perspective, contemporary HR practices need to be focused on maintaining work-life balance to improve employee quality of life and, as a consequence, to win satisfied, motivated and committed employees (Hughes and Bozionelos, 2007). Because of vital importance WLB in HR practices, academics and researchers have termed them 'family friendly practices' in organisations (Fleetwood, 2007).

To promote WLB among their employees, SMEs need to implement a number of HR practices including flexible working hours, spatial flexibility (teleworking, video conferences), time reduction (part-time and shared work), special leave (maternity and paternity leave) in excess of the statutory amount, career breaks and employee assistance and counselling (Dex and Scheibl, 2006). Some authors are of the opinion that large firms offer WLB practices to their employees to a greater extent than SMEs (Dex and Scheibl, 2001). These differences are mainly associated with personal characteristics of managers, the existence of different motives for the introduction of WLB practices, the costs associated with these practices, economic dependence on the working hours of other businesses and formalisation of WLB practices (Cegarra-Leiva et al., 2012).

As far as characteristics of managers are concerned, in large organisations managers are more conscious of the need to implement WLB practices than in SMEs. The low levels of training and qualifications of managers in SMEs restrict the development of WLB practices in their firms. In small companies, it has been found that WLB practices are mostly introduced informally as a result of employee demands to make reciprocal adjustments (Dex and Scheibl, 2001).

Furthermore, compared to large companies, SMEs have been found reluctant to introduce WLB practices because of financial constraints (De Kok et al., 2006). For instance, a study conducted in the UK by Dex and Scheibl (2001) found that SMEs had not implemented work

place nurseries nor career breaks due to the high perceived costs of nurseries for a small workforce or the difficulties in coordinating the organisation's work during long absences or career breaks. Similarly, because of fierce competition in the market, small businesses cannot afford to introduce flexible work arrangements that reduce the availability of staff to clients and customers (De Kok et al., 2006).

It has been further reported that alongside differences, there seem to be some commonalities between large firms and SMEs. For instance both, large and small firms aim for an organisational culture that values the WLB of employees (Lambert, 2000; Poelmans et al., 2003). Many academics have argued that the formal WLB policies have less impact on organisations and employees than informal organisational support (e.g., allowing an employee to pick and drop his school going children during working hours) for WLB (Anderson et al., 2002; Behson, 2005). It has been emphasised that organisations need to create a positive and supportive WLB culture in organisations (Fleetwood, 2007; Harrington and Ladge, 2009).

### **2.13 HRM and Ethnic Minority SMEs**

A dearth of knowledge and understanding is noticeable in ethnic minority SMEs. Some authors have pointed out that there are few studies that identify HRM practices in ethnic minority SMEs, and even fewer that focus on the relationship between practice and performance (Carlson et al., 2006).

While exploring the HRM dimension of ethnic minority SMEs in the UK, it has been found that there is extensive use of familiar and co-ethnic labour recruited through informal and co-ethnic networks in these companies, especially amongst South Asian enterprises (Ram and Smallbone, 2003). Indeed, informal co-ethnic networks are considered a 'pool' from which essential resources are mobilised (Fadahunsi et al., 2003; Deakins et al., 2005). For South Asian entrepreneurs in particular, these networks place emphasis on the importance of familial labour, the role of the community, cultural values, inter-firm linkages and other competitive assets. Alongside some considerable advantages of familial and co-ethnic approach of employing people, this approach is generating some problems for these companies. As highlighted by a number of researchers, the recruitment of family members and to a lesser extent, co-ethnic labour can in certain circumstances prove to be a constraint

upon the management of the business (Cromic and Adams, 1997; Westhead and Cowling, 1997).

From an ethnic perspective, ethnic minority enterprises enjoy more flexibility of operational activities compared to mainstream large companies. It has been argued that family and extended family employees are prepared to work longer hours, are easier to control and are cost effective and can be relied upon to help out. However, in some instances, due to cultural obligation, ethnic firms are more likely to employ a family member, an employee's family member and family friends regardless of their ability or skills (Wheelock, 1999). Here entrepreneurs cite the fact that outsiders are 'not interested' and cannot be trusted. Particularly South Asian entrepreneurs have been found reluctant to recruit lower and higher staff from external sources (Fletcher, 1998; Janjuha and Dickson, 1998).

Another important dimension of employment is related to gender role in these companies. From South Asian context, because of certain cultural influences, males are preferred to that of females. It has been noticed that majority of staff in EMBs consists of males, and they tend to occupy key positions, manage the external affairs of the business, deal with leading clients/suppliers and manage financial matters (Dhaliwal, 2003; Metcalf et al., 2000). In other words, men perform at managerial level and women perform at operational level. The South Asian belief that 'men manage' and 'women work' has some authors to suggest that the role of joint family women is one of a 'silent contributor' in the business (Phizacklea and Ram, 1995). However, by the passage of time, a small but noticeable literature indicates a shift in direction. To overcome some of the constraints faced by family-owned and controlled enterprises, the emerging second-generation ethnic entrepreneur is moving away from the reliance on familial and co-ethnic labour obtained via informal networks to a more formal approach to recruitment, selection, and employee development (McCarthy, 2007).

### **2.13.1. Formal or informal HRM practices in SMEs**

There is consensus among writers and researchers that effective HRM practices and procedures contribute in transmitting benefits for all types of the organizations including SMEs (Dobni and Luffman, 2000; Mavonda et al., 2004). In their opinion, it is not sensible to view employees in a strictly 'cost-centric' way as it happens in smaller business settings; instead firms should look at their workforce from the stance of a human capital management

while regarding them an asset for them (Durgin, 2006; Pratten and Lovatt, 2005). As such, an asset-based view requires an integrated approach HR functions, policies, procedures and programmes as part of the overall business strategy (Hayton, 2003).

It has been further pointed out that un-skilled workforce is unlikely to be treated as 'strategic human asset' given that such workforce is easily available because of its less demand and more supply in the market. These employees enjoy little involvement and participation in managerial or decision making process of the organizations. Contrarily, innovative enterprises (having able and skilled work force) encourage employee involvement; afford them high levels of discretion, and where employees trust the labour process (Bacon and Hoque, 2005). While agreeing above comments, it has been noted that effectiveness of recruitment, selection, induction and retention of employees in SMEs and minority businesses highly depends on the quality of HRM practices and the success in implementing them (Nehles et al., 2006).

In the perspective of this discussion, it has been argued that the significance difference between HRM practices in SMEs (including ethnic minority SMEs) and larger firms is not in which practices are adopted, but how they are adopted. Here the levels of formality and informality are important to explain the dimension of how HRM practices are adopted in these enterprises (Kotey and Slade, 2005).

The level of formality reflects identifiable rules, written policies, criteria and systems, presence of personnel specialists, legitimate process and sources of recruitment. Contrarily, the level of informality does not contain written rules, policies and procedures; the decisions are made on personal, case by case basis (Marlow, 2006; Marlow and Patton, 2002). The extents of formal or informal HRH practices are directly related with size and growth of the firm. Here the authors suggest that as EMBs increase in size, they move from informal procedures and practices to more formal HRM structure, systems and control mechanisms. It has been observed that small enterprises are more formal than micro enterprises, and medium sized enterprises are more formal than small enterprises (Kotey and Slade, 2005; Hornsby and Kuratko, 1995).

It is necessary to understand that the employment relations in the context of a smaller social setting and to understand the differences in HR practices between small and large firms (Dundon et al., 2001). The literature around strategic frameworks of ethnic minority SMEs in the UK highlights the importance of formal HR practices for these companies. It has been suggested that productivity and survival of these organizations may be enhanced if they adopt human resource management (HRM) practices. Furthermore organisations have to make them clear about people they need to compete effectively and the strategy to attract, develop and keep these people with them (Armstrong, 2009). They need to be up-skilled through training and development initiatives, which are a core to HR practice and policy. Consistent with other HR systems, reward management is also perceived to be a key driver for HR strategy; as such it is directly linked to employee performance, productivity and outputs (Deb, 2006).

The CIPD are also advising small firms to invest more time and energy into their recruitment and selection process if they are to select most suitable person for the job. Indeed, recruitment and selection is the foundation of all other human resource activities. In this perspective, SMEs need to be concerned to adopt effective HR practice and policy to have a workforce enabling them to achieve their objectives while managing a competitive edge in the market (Roberts, 2005). The CIPD recommends that SMEs should have a small selection of policies and procedures, which should be added to when the organization grows or amended as and when necessary. In other words, HR policy and practice is essential but the degree to which it is used can very dependent upon the size and nature of an organization, though it must be noted that it is a necessity within all firms (DTI, 2007)

## **2.14 Cultural influences on HR practices in SMEs**

### **2.14.1 Hofstede's Cultural Value Dimensions**

The research using a variety of frameworks has shown that national cultural values are related to workplace behaviours, attitudes and other organizational outcomes (Hall, 1977; Hofstede, 1980a; Trompenaars, 1993; Schwartz, 1997; Ronen and Shenkar, 1985). Perhaps the most influential of cultural classifications is that of Geert Hofstede. Over two decades have passed since the publication of 'Culture's Consequences: International Differences in Work-Related Values' (Hofstede, 1980a), inspiring thousands of empirical studies.



Since the publication of the influential book by Geert Hofstede on culture's consequences (Hofstede, 1980), most of the research on culture has focused on identifying the core cultural values that differentiate cultures (Hofstede, 1980; Schwartz, 1997) and their implications for work behaviour. Similarly, many other studies have also paid attention on cultural differences in cognitive, in co operational styles (Gelfand and Dyer, 2000), in motivation (Erez, 1997), and practices in human-resource management (Aycan and Kanungo, 2000). The relation between cultural characteristics and management practices was considered to be an important factor in successful implementation of management practices (Aycan et al., 2000; Erez and Earley, 1993).

Hofstede (1980a: 25) defined culture as 'the collective programming of the mind which distinguishes the members of one human group from another'. His framework was developed using data from over 116,000 morale surveys, over 88,000 employees from 72 countries (reduced to 40 countries that had more than 50 responses each) in 20 languages at IBM between 1967 and 1969 and again between 1971 and 1973. He later expanded the database with 10 additional countries and three regions (i.e., Arab countries and East and West Africa). Based on a country level factor analysis, he classified the original 40 countries along four dimensions. The first is the contrast individualism/collectivism (IND-COL), with IND defined as 'a loosely knit social framework in which people are supposed to take care of themselves and of their immediate families only', while COL 'is characterized by a tight social framework in which people distinguish between in-groups and out groups, they expect their in-groups to look after them, and in exchange for that they feel they owe absolute loyalty to it' (Hofstede, 1980b: 45).

Individualistic cultures are universalistic, assuming their values are valid for the whole world. They also are low-context communication cultures with explicit verbal communication. In collectivistic cultures, people are 'we'-conscious. Their identity is based on the social system to which they belong, and avoiding loss of face is important. Collectivistic cultures are high-context communication cultures, with an indirect style of communication. In the sales process in individualistic cultures, parties want to get to the point fast, whereas in collectivistic cultures it is necessary to first build a relationship and trust between parties. This difference is reflected in the different roles of advertising: persuasion versus creating trust.

High individualism implies a preference for an insecurely knit social framework within which people are supposed to take care of themselves and their immediate families only. Collective, on the other hand, indicates a preference for a strongly knit social framework within which individuals are emotionally integrated into an extended family or other in-group that will protect them in exchange for unquestioned loyalty. In individualistic cultures, this self-orientations, or “I” consciousness, results in an emotional independence of the individual from organizations and institutions; an emphasis on individual initiative, achievement and rights; and a universalistic feeling that values standards should apply to all. Collectivistic cultures are characterized by a “we” consciousness that translates into the emotional dependence of the individual on society; a felt need to belong; the willing subordination of individuality and a private life; and, furthermore crucially, particularistic belief that values standards differ for in-and out-group members.

The second dimension is power distance (PD), defined as ‘the extent to which a society accepts the fact that power in institutions and organizations is distributed unequally’ (1980b, 45). Less powerful members accept and expect that power is distributed unequally’. In large power distance cultures, everyone has his or her rightful place in social hierarchy. The rightful place concept is important for understanding the role of global business. In large power distance cultures, one’s social status must be clear so that others can show proper respect. The power distance cultural dimension of also characterize that, in a society of a high-power distance, power holders are allowed to get privileges deprived of the powerless; coercive and referent powers are emphasized; others are viewed as a threat to one’s power and rarely are to be trusted; and convert different characterises the relationship between the powerful and the powerless. A society with low power distance people at the different power level feels less threatened and is likely to have mutual trust and existence of latent harmony between the powerful and the powerless due to emphasised of lawful and expert power. Based on the rigid structures and relationships characteristic of high-power distance cultures, the relative unwillingness of the powerful to value what less-powerful others bring to the economic table and the intrinsic acceptance by its victims of his systematic discrimination have their influence on economic progress.

Third, uncertainty avoidance (UA) is defined as ‘the extent to which a society feels threatened by uncertain and ambiguous situations and tries to avoid these situations by

providing greater career stability, establishing more formal rules, not tolerating deviant ideas and behaviours, and believing in absolute truths and the attainment of expertise' (1980b: 45). It is argued that people of high uncertainty avoidance are less open to change and innovation than people of low uncertainty avoidance cultures. This explains difference in the adoption of innovations (Yaveroglu and Donthu, 2002; Yeniurt and Townsend, 2003).

The fourth dimension is masculinity (MAS)-femininity (FEM), with MAS defined as 'the extent to which the dominant values in society are "masculine" – that is, assertiveness, the acquisition of money and things, and not caring for others, the quality of life, or people' (1980b, 46) and FEM defined as the opposite of MAS. 'The dominant values in a masculine society are achievement and success; the dominant values in a feminine society are caring for others and quality of life'.

In brief, Hofstede's typical masculine society is characterized by a relative emphasis on achievement and competitiveness; a money and "things" orientation; the independence ideal; and sympathy for the strong and for the successful achiever. Importantly, it is also one in which sex roles are sharply differentiated. Men are expected to compete and to behave assertively and act powerfully. Women are expected to care for the softer, emotional side of life.

Hofstede's (1980a) work has been criticized for: reducing culture to an overly simplistic four or five dimension conceptualization; limiting the sample to a single multinational corporation; failing to capture the malleability of culture over time; and ignoring within-country cultural heterogeneity (Sivakumar and Nakata, 2001). In spite of criticism, researchers have favoured this five-dimension framework because of its clarity, parsimony, and resonance with managers. Yet, even given the proliferation of studies incorporating the framework, there have been few attempts to summarize the empirical findings it has generated. Thus, a pressing and practical need in the literature at this time is comprehensive review and discussion of way to improve the use of Hofstede's framework.

#### **2.14.2 A view of Schwartz and Trompenaars work on cultural values**

Schwartz (1990) suggests that the individualism-collectivism bifurcation has enjoyed great appreciation in cross cultural thinking, but all together it has concealed important differences

amongst some values which are usually associated with it. He presents an alternative concept of the structure of cultural beliefs to that developed by Hofstede (1984). Cultures can be tested for by seven fundamental cultural values (Schwartz, 1997). These values highlight the status quo and politeness, and try to evade actions by individuals that attempt to modify the traditional recognised order (social order, respect for tradition, obedience, self-discipline, and family security). The following are the types of seven cultural values that formulated in two bipolar directions of superior order:

1. **Autonomy versus Conversation:** This type circled with individualism and collectivism (Kagitcibasi and Berry, 1989; Schwartz and Ros, 1996; Triandis, 1990, 1994). The principle which manages the specific bipolar dimension is the opposition between values that especially favour the individual and those of self-promotion, as opposed to the achieving values that mostly favour at the collective level than those of self-escalation.
2. **Hierarchy and Competency versus Egalitarian compromise and Harmony:** The former legitimated the personal pursuits or the interests of group even at other cost, and later it required sacrificing the personal interests and to perpetuate the material and social surroundings. Hierarchy and Egalitarian are clearly opposed in the particular of scenario of scenario of whether all persons are equal or they should be treated as equals. Competency and Harmony are opposed more categorically in the aspect of change vs. Adaptation to the social ambience.

Ros and Schwartz, (1999) Emphasize the conceptual proposal of the different dimensions of the some cultures with respect to individual and collective values, and by doing this, it is considered for the first time that cultures do not have to describe to a limited individualist and collective structures. The data collected by Trompenaars also yields a two-dimensional cultural theory of values (Smith and Dugan, 1996; Trompenaars, 1993). Trompenaars' Egalitarian Commitment means a preference for Universalist relations and status based on achievement, with low scores indicating preferences for personal and particularism relations and ascribed status; the second dimension, Utilitarian Involvement, sets preferences for family loyalty and collective responsibility against an emphasis on negotiated social relations and personal responsibility. The cultural value egalitarianism based on assumption that

people can and should take individual responsibility for their actions and make decisions based on their own personal understanding of situations.

### **2.14.3 Compliance of ethics at work places**

**2.14.3.1 Differentiated ethnic and religious backgrounds:** It has been suggested that employees from diverse religious and ethnic backgrounds work ‘more comfortably with each other’s in small business settings (SHRM, 2008). By the passage of time as these businesses expand, they need to recruit staff from a broader range of ethnic and religious origins; however, how they deal with people from different backgrounds can very well determine whether it becomes a source of employee irritation and litigation or a step on the road to becoming an employer of choice to a new generation of workers (Mitchell, 2006). As commented by Allen White (Senior Advisor at Business for Social Responsibility), without recognizing the influence of cultural and spiritual traditions, company leaders may face unwelcome surprises that could jeopardize consumer and investor confidence in a company’s management acumen (White, 2008). According to Griffiths (2007), today’s business organisations, be they small or large, need to be aware and take due care about values and beliefs of the people working with them. People convinced and committed to their faith and culture are more comfortable and loyal to those organisations whose organisational culture match with their cultural needs and expectations.

**2.14.3.2 Employee well-being:** It is generally accepted that an active employee ‘wellness’ programmes can generate beneficial outcomes for organizations. Small and large both types of the organizations are used to introduce some incentives in addition to the agreed pay packages for their employees. Traditionally these programmes were limited to health and safety issues, but with the passage of time and also because of emerging social and cultural realities, they are being extended to address wider concerns such as work/home balance, stress at work and what are termed ‘spiritual’ needs of people; thus the provision of ‘quiet rooms’ for religious contemplation is no longer confined to chapel at airports and hospitals - they are increasingly found in the workplace. It has been suggested that strong moral and worker contentment often translates into higher productivity and more customer-friendly attitudes. Contrarily, job performance can suffer if a worker’s emotional well-being is neglected. Indeed, caring for both the physical and spiritual health of workforce is becoming a part of good business practice (Mitchell, 2006).

**2.14.3.3 Religious practices and employee characteristics at work:** The literature around SMEs reveals that employers and employees who follow religious values at work place are significantly more likely to be trustful and participate in civil activities by formally or informally volunteering. Certain independent socio-demographic variables including religion, educational attainment and household size showed a consistent relationship with trust and participation in formal activities. It has been suggested that those who practice a religion are more likely to have a sense of community - a quality valued in any workforce (Home Office Survey, 2004; CMI, 2008).

**2.14.3.4 Faith friendly working environment:** It has been suggested that a *faith friendly company* be it large or small, needs to declare a clear policy on the subject which includes guidance on religious holiday leave, dress code, food provided in staff cafeteria and religious practices in the workplace e.g. decoration of office space during religious holidays. The empirical evidence reveals a *frame of mind* among entrepreneurs of small and medium enterprises in which people strict on religious values, beliefs and traditions are appreciated rather than just tolerated (Miller, 2006). A classification of the characteristics of faith friendly organizations produced by the Princeton University faith and work initiatives includes:

#### **2.14.4 Issues associated with cultural practices at work**

A number of issues/controversies have been reported in the print media about cultural trends and HR practices in small and large organisations at work. Some examples are quoted as follows:

- An employee's insistence that she should be able to wear hijab (veil for women in Islam) in public because it is part of her religious belief (The Guardian, 2006).
- An employee wishing to leave work early on winter Friday in order to reach home before Shabbat begins at sunset (The Guardian, 2006).
- An employee asking to be allowed to continue to wear a crucifix at work (Daily Telegraph, 2008).
- A nurse being suspended after offering to pray for patient (The Guardian, 2009).

- Requests to opt out from duties that offend against strongly held beliefs, for instance the sale and distribution of alcoholic beverages (The Times, 2007).

As indicated in the above examples, employees of smaller enterprises have been found with firm commitment with their religious values and beliefs; therefore, it is important for employers to recognize religion as integral part of their lives (Roomi and Harrison, 2008). Responsible employers understand the sensitivity of above listed issues and would wish to avoid conflict of interests between personal and corporate values. They should work hard to create and maintain a consistent ethical culture throughout the organization to develop a conflict free working environment by implementing the following (Miller, 2006):

- Welcoming, inclusive, affirming of all faith traditions.
- Recognizing and affirming the constructive role faith can play as an ethical anchor.
- Welcoming the whole person, body, mind and spirit
- Supporting an integrated, holistic life.

In addition to faith friendly guidelines and initiatives, the encouragement of networks as a means of promoting understanding is being increasingly regarded as good practice. These faith and inter-faith networks in the work place act as a channel to bring concerns to the attention of management, as well as an additional way of supporting individuals who have work, personal or family difficulties. It is pertinent to mention here that in US the growth in the faith and work movement has been significant (Miller, 2007).

#### **2.14.5 The ACAS guidance and application of employment equality at workplace**

The ACAS guidance on the application of the employment equality (religion and belief) is the most comprehensive review of the topic so far issued by a UK government agency. With regards to cultural observance in the working environment of SMEs, ACAS (2009) suggests the following elements of good practice:

- The employers should implement their policies, rules and procedures free of any direct or indirect discrimination among employees.
- A request for holiday should be considered sympathetically where it is reasonable and practical for the employee to be away from work.

- To fulfil specific dietary requirements of the people belonging to different religions, mutually acceptable solutions will need to be found to dietary issues.
- Employers should duly consider how they can relax or accommodate those employees who believe with extended periods of fasting. Similarly, they should arrange quiet place for prayers to the followers of the religions requiring certain times to pray during the day without causing any problem for other workers or the business.
- Where organizations adopt a specific dress code, careful consideration should be given to the proposed code to ensure it does not conflict with the dress requirements of some religions.
- If organizations have a policy of wearing jewellery, having tattoos or other markings, they should try and be flexible and reasonable concerning the items which are traditional within some religions or beliefs.

### **2.15 Summary/conclusion**

This chapter presents a detailed review of the literature around chosen area of the research. A wide range of texts, journals, internet and other published sources were consulted to get a thorough understanding of visions and thoughts contributed by the contemporary researchers. The main criterion was to search and locate most recent and relevant research materials with potential to answer research questions as prescribed in the research project. The preliminary sections of the chapter provide some introductory material about role and importance of SMEs in the UK economy, growth and development of ethnic minority SMEs, subject matter of HRM and role of HRM practices in the evolution and growth of these companies. These sections provide a broader perspective on the topic under investigation.

Subsequent sections contain some frameworks and models illustrations while covering multiple dimensions of HRM and SMEs. The models/frameworks - including ‘SME employers recruitment decisions’ by Davidson, 2011; ‘The factors that influence the application of HR practices in SMEs’ by Cassell, C. et al. 2002; ‘Conceptual frame work of the factors influencing HRM in SMEs’ by Harney and Dundon 2006; ‘Theoretical HR Management process of SME growth’ by Mazzarol, 2003 and ‘Conceptual framework of EO/DM policies’ by Research Institute of Business Management (Manchester Metropolitan University) provide a detailed analysis of the internal and external factors influencing HR



strategies and practices of SMEs. However, the role and importance of the cultural factors in shaping HR strategies of these companies is missing in these models.

The later part of the chapter presents a series of sections with detailed discussions around central components of HRM and their applications in SMEs. These sections provide a comprehensive account of recruitment and selection, training and development, performance management, rewards management and employment relations in these companies. This part of the chapter also covers cultural factors and their influence in shaping HR strategies and practices of these companies. With regards to cultural factors, a special account of Hofstede's work on 'cross cultural communication' and Schwartz and Trompenaars work on 'seven value dimensions of culture' has been presented. These authors present a relationship between cultural values and human behaviour with special reference to individualism, collectivism and power distance in organizations. The last sections offer a discussion on the role and importance of ethics in shaping overall working environment in SMEs.

## Chapter 3 Research Methodology and Design

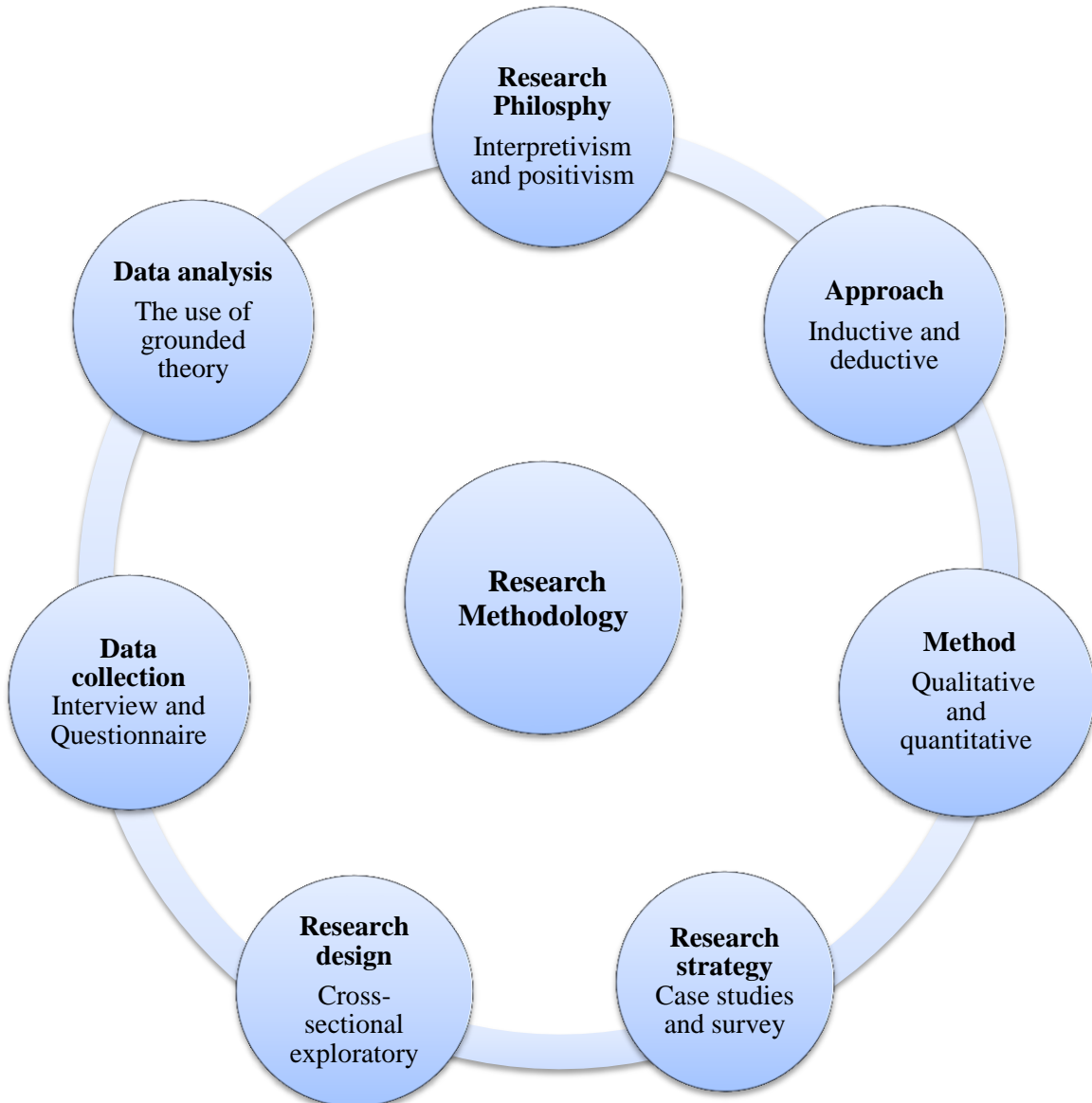
### 3.1 Introduction

This chapter gives details of the research design and the methodology applied to the conduct of the empirical part of the research. The research rationale, the components of research design, the order in which they were selected, and the logic behind selection of different methods will be discussed. Collectively, the selected research methods represent an overall view of the study and approach adopted during the course of this investigation. The ultimate goal of this chapter is to understand and to apply the research methodology to deal with the relevant research questions.

The following sections describe the research philosophy, research approach, methodological choice, research strategy, research design, data collection methods, data analysis techniques and reliability and validity issues. The structure of the chapter is mainly based on the '*research onion*' of Saunders et al. (2007) and the 'research design' of Sekaran (2003). Figure 3-1 displays the choices made according to the nature and requirements of the research. The details of these choices are given in the following sections. The chapter concludes with a summary of the discussion.

### 3.2 Research Philosophy

The research can be categorized according to its purpose, process, logic and outcome (Hussey and Hussey, 2003). The research philosophy is more concerned with the development of knowledge and the nature of the knowledge (Saunders et al., 2007). It underpins how a researcher perceives and believes to operate on his research project. While having a clear mindset behind his research, he determines a particular strategy to go ahead to initiate his research activities. A review of literature reflects that two research philosophies are widely recognized and used by many researchers - positivism and interpretivism (Saunders et al.,

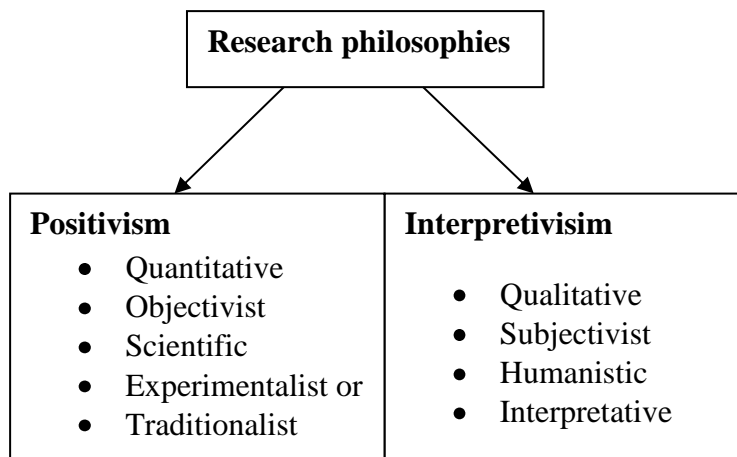
**Figure 3-1: Research methodology adopted for the study**

2007). While adopting the philosophy of positivism, a researcher prefers to work with an '*observable social reality*' - leading law-like generalizations based on facts rather than impressions. He believes to use existing theory to develop hypothesis tested and confirmed (in a whole or part) or refuted leading to further development of theory which then may be tested by further research (Remenyi et al., 1998). Positivist research methods include

experiments and tests, that is, particularly those methods that can be controlled, measured and used to support a hypothesis.

Contrary to positivism, interpretivism is a philosophy that emphasizes a need to understand difference between social actors (people) and objects (TVs, computers, cameras, etc.) while conducting research. Humans, unlike objects, see and interpret the social world around them in their own way. Therefore instead of giving his own meanings the researcher has to understand and interpret the social world of his research from their point of view and to make certain adjustments to his own conclusions accordingly. This approach is highly appropriate in the case of complex, unique and ever-changing world of business organisations (Saunders et al., 2007). While commenting on the philosophy of interpretivism, researchers recognize that all participants involved, including the researcher, bring their own unique interpretations of the world or construction of the situation to the research and the researcher needs to be open to the attitudes and values of the participants or, more actively, suspend prior cultural assumptions (Hammersley, 2009; Mackenzie and Knipe, 2006). Figure 3-2 gives a comparative view of research philosophies.

**Figure 3-2: Research philosophies**



**Source:** Collis and Hussey, 2003

After having a comparative and critical view of the philosophies of 'positivism and interpretivism' the researcher came at conclusion that a mixed use of both philosophies (interpretivism and positivism) is more appropriate, feasible and logical to conduct research around chosen area of the research.

As evident by the title of the research and relevant research questions, this research is closely related to social sciences including HRM, organizational behaviour and social psychology where people see, feel and interpret the world around them differently according to their own thoughts and visions and rarely a consensus takes place among them. After gathering a bulk of data around these social actors (individuals and groups), a researcher needs to interpret difference of opinions while making certain adjustments to reach at well balance conclusions. It is only possible when a researcher chooses to gather both qualitative and quantitative data which are directly linked with the philosophies of interpretivism and positivism. While applying these approaches, the researcher gets an opportunity to combine and interpret a large amount of qualitative and quantitative data containing a wide range of similar and opposite opinions (Ghauri and Gronhaug, 2005).

The researcher gathered primary data while applying the methods of case studies and field survey. The case studies generated qualitative data; whereas, field survey generated a mix of qualitative and quantitative. The survey approach (because of a large mix of structured and semi-structured questions) generated a large amount of qualitative and quantitative data; however, comparatively a less amount of quantitative data was generated in the process. The use of a mixed approach helped in utilising benefits of both research approaches and offsetting each other's weaknesses. For example, the method of case studies (because of open-ended questions) provides enough opportunity to respondents to explain their views; however, this method lacks potential to cover large number of respondents. On the hand, survey method enjoys enough potential to cover large number of respondents; however this method (because of close-ended questions) limits privilege of respondents to explain their views (Bryman and Bell, 2007). In this research the use of both methods (case studies and survey) helped to the researcher in offsetting weaknesses of one method by the strengths of other method.

### **3.3 Epistemological and ontological stances of the study**

#### **3.3.1 Epistemology**

Epistemology concerns what constitutes acceptable knowledge in a field of study. It is a way of thinking, evaluating and choosing right approaches and philosophies to acquire an acceptable body of knowledge with potential to satisfy envisaged research objectives. Modern epistemology generally involves a debate between rationalism (a belief that knowledge can be acquired through the use of reason) and empiricism (a belief that knowledge is obtained through experience). Rationalism is primarily linked with positivism and empiricism is primarily linked with interpretivism. The researcher made use of both philosophies - positivism and interpretivism.

As explained in the previous section, it was purely a social research related to HRM and organizational behaviour, where knowledge comes through social actors such as human beings instead of non-social actors such as computers, refrigerators and machines. The data related to non-social actors can be measured, calculated, analysed and modified in a scientific manner and is more linked with positivism; whereas, data related to social actors like human beings is based upon faith, feelings, beliefs, sentiments, views and visions. Therefore, it is not possible to measure this data in a scientific manner like data related to non-social actors. This type of data is more linked to interpretivism, where truth is based upon majority of opinions instead of consensus. Therefore, during first phase of the research the researcher preferred to apply the philosophy of interpretivism while gathering qualitative data through in-depth case studies. However, to ensure reliability and validity of research findings he also used positivist philosophy of the research while placing his work at broader context through questionnaire-based field surveys. Simultaneous use of both philosophies and cross-sectional research design greatly helped in discovering an acceptable body of knowledge through interviews and field surveys (Saunders et al., 2007).

### **3.3.2 Ontology**

Ontology is concerned with nature of reality. It determines nature of truth. It has two aspects:

#### **1) Objectivism:**

It believes that nature of reality or truth is based upon external entities linked to social actors; for example a manager performing in an organisation has a clear job description. His duty is clarified, his authority is clarified, procedures to perform are clarified, the people who have to report him are clear and people to whom he has to report is also clear. These clarifications

and clarities determine nature of reality and truth in an organization. The knowledge gathered through these external social entities formulates reality and truth (Saunders et al., 2007).

## **2) Subjectivism:**

It believes that nature of reality and truth is based upon both internal and external entities linked with social actors. For example nature of truth is linked with perceptions and actions. How an individual perceives the world around him and how he acts, reacts and interacts in a given situation. These both internal and external social entities determine nature of truth and reality (Saunders et al., 2007). The researcher took both aspects of ontology. His research is based on objectivism as well as subjectivism. Objectivism is linked with positivism and subjectivism is linked with interpretivism. Simultaneous use of interpretivism and positivism in the perspective of epistemology and ontology contributed in determining nature of truth and achieving an acceptable body of knowledge.

### **3.4 Research Approach**

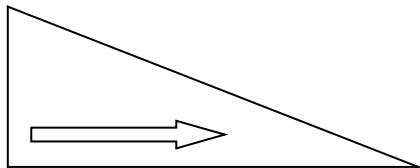
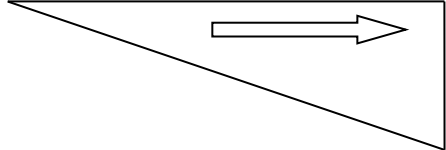
After making a choice of research philosophy, a researcher moves forward to choose an appropriate research approach to give a clear direction and course of action to his research activities. Two research approaches namely - '*deductive*' and '*inductive*' are widely being used by the researchers (Saunders et al., 2007). The main difference between inductive and deductive approaches to research is that the deductive approach is based upon testing an existing theory; whereas inductive approach is concerned with the generation of new theory emerging from the data (Trochim and Donnelly, 2011). Inductive approach is generally associated with qualitative research, whilst deductive approach is more commonly associated with quantitative research; however, there are no any hard and fast rules and some qualitative studies may have a deductive orientation (Gill and Johnson, 2010).

The deductive approach starts from deduction of a hypothesis from an existing theory while expressing hypothesis in operational terms to be measured and tested. If necessary the theory is modified in the light of these conclusions (Robson, 2002). To ensure proper testing and measurability of variables and reliability of results, he prefers the collection of quantitative data while using a highly structured methodology (Gill and Johnson, 2010; Collis and Hussey, 2003). Contrary to deductive approach of theory testing, the inductive approach facilitates theory building. The deductive approach has its origin in the natural sciences;

whereas inductive approach is primarily linked to social sciences. The followers of inductive approach are more likely to work with qualitative data and less concerned to generalize the results and findings (Gill and Johnson, 2010).

The deductive research approach is based on the general ideas/theories to reach at the specific situation (to derive law like conclusion) and is linked with the positivism paradigm, whereas, the inductive approach works over a specific idea to generalize the situation as per the research topic, which is linked with the interpretivism paradigm (Crowther and Lancaster, 2009). The following figure gives a comparative view of deductive and inductive research approaches.

**Figure 3-3: Deductive and Inductive research approaches**

Deductive	Inductive
<p data-bbox="188 1003 368 1037">General ideas</p>  <p data-bbox="480 1227 724 1261">Particular situation</p> <p data-bbox="188 1301 783 1442">Deductive research moves from general ideas/theories to specific and particular situations: the particular is deduced from the general, e.g. broad theories.</p>	<p data-bbox="809 1003 1053 1037">Particular situation</p>  <p data-bbox="1171 1227 1351 1261">General ideas</p> <p data-bbox="809 1301 1404 1406">Inductive research moves from particular situations to make or infer broad general ideas/theories.</p>

**Source:** Neville (2007)

Bearing in mind nature and requirements of the research topic and relevant applicability of deductive and inductive research approaches, the researcher used both approaches (*inductive and deductive*) in data gathering and analysis process. However, there was more use of inductive approach compared to deductive approach.

Indeed, the researcher could not find any organized and formal work in the chosen area of the research with reference to Pakistani-owned companies in the UK; therefore, (despite using both approaches) he was more inclined to use *inductive approach (theory building approach)*



by directly enter into the research field for the collection of data and relating the findings with the existing body of knowledge. The researcher adopted a bottom-up approach while taking start from the data gathering, analyzing the data, deducing the findings and relating the findings with the existing body of knowledge to establish similarities and dissimilarities, and thereby paving the way for developing a new theory and/or to propose amendments in existing body of knowledge.

### **3.5 Research Strategy**

A clear research strategy allows third parties to evaluate how carefully the researcher has applied the particular strategy and assessed the legitimacy of the proposed investigation. At this point a clear distinction must be made between research strategy, research design and tactics. Strategy is more concerned with the overall approach adopted by the researcher; it refers to the general plan about how the researcher wants to answer a set of research questions; whereas, design and tactics are more concerned with the details of data collection and analysis methods (Sekaran, 2003; Gray, 2009). The literature suggests many research strategies, including experiment, surveys, case studies, grounded theory, ethnography and action research. The research strategy applied for any study may be either cross-sectional or longitudinal, based on the time horizon. A cross-sectional design was chosen in this research because both case studies and survey (particularly survey) involved selecting Pakistani-owned enterprises as units from different contexts, both geographical and industrial (Easterby Smith et al., 2009).

Keeping in view the nature and requirements of the research, the researcher carefully and critically evaluated different strategic options of investigation (as discussed above) and ultimately decided to adopt the strategies of case studies (through in-depth interviews) and survey strategy (through questionnaire) to investigate and evaluate impact of cultural factors on people management strategies of these companies. The both strategies were aimed to gather qualitative data; however, survey approach also generated quantitative data alongside a large amount of qualitative data. The subsequent results supported the selected strategy of case studies supplemented by survey questionnaires (Bryman and Bell, 2007).

### **3.6 Research Design**

Research design is one of the components or phases of the complete empirical research process (Sekaran, 2003: 56). It deals with planning, the location of the study, the selection of

representative sample from the study's population domain, data collection and analysis. The research design of any study is a framework of the research in action and can be exploratory, descriptive and/or explanatory (Miles and Huberman, 1994; Yin, 2009). This study is cross-sectional (by time horizon) exploratory (by investigating and discovering ideas and facts about and gaining insight into the problem) in nature. The overall research design involves a series of rational decisions involving all of the research methods and components (as discussed in next sections) that enabled the conduct of the research.

### **3.6.1 Application of triangulation**

Triangulation is a concept that has its roots in the surveying branch of civil engineering wherein a place is exactly located with the help of triangulation. The concept that was first introduced to management by Webb et al. in the 1960s and again by Denzin in the 1970s (Bryman and Bell, 2007), is applied by management researchers to reduce occurrence of errors because of lack of data, observations, methods or theories by getting multiple perspectives and angles on the subject matter (Robson, 2002). This involves combined application of different methods, study groups, research settings and/or methodological perspectives in dealing with a phenomenon (Flick, 2002).

Use of multiple sources in triangulation increases the reliability and validity of the research that allows the researcher to accept as convincing and accurate the results and findings from the data analysis (Yin, 2009) and to be confident about providing recommendations based on their findings. Neuman (2006) suggests that the use of multiple methods helps solve research issues because methodological weaknesses will tend to cancel each other out and hence help to reach a more reliable and valid set of conclusions. In this research study, the researcher has applied the following forms of triangulation:

***Data sources:*** Multiple regions selected with stratification in the sampling

***Data collection:*** Primary data through interviews and questionnaires

***Analysis:*** Integrating the findings obtained through literature, case-studies and surveys. The application of triangulation enabled the researcher to remove biases and develop a holistic view of the theory or phenomenon under investigation. In other words, combination of different methods enhanced the reliability and validity of research conclusions through mutual confirmation (Bryman and Bell, 2007).

### **3.7 Sampling Procedures**

There is almost consensus among researchers that it is not possible to collect data from an entire population because of budget and time constraints. Sampling provides a valid alternative to resolve these issues. Making use of sampling methods is a tactical, practical, feasible and advantageous approach because analyzing a whole population is generally not possible. The sampling procedures help in selecting a sample (a sub-set of elements) out of target population with potential to represent entire population.

There are two major types of sampling, probability and non-probability methods. Criteria such as restriction, filtration, random selection, stratification, proportion, clusters and the probability of getting selected cases creates more detailed categories of method. Probability methods differ from non-probability methods in terms of whether elements in the population will have some chance or probability of selection (Saunders et al., 2007). The overall choice of sampling technique(s) is influenced by research questions and research objectives, as well as size/structure of sampling frame, contact methods and geographical distribution of population etc.

After taking a careful consideration of different sampling procedures and their possible relevance and applicability to the researcher's own research project, he preferred the following sampling procedures for the both phases of data gathering process - case studies and field survey.

#### **3.7.1 Sampling for the first phase of data collection (case studies)**

As mentioned earlier, the nature of the current research topic and research questions was purely subjective requiring interpretative and qualitative approach of data gathering process, therefore for the first and major phase of data collection the researcher decided to apply non-probability procedures (while using his own judgment) to select representative samples out of the target population.

The researcher's 'vision or mindset' about the use of purposive/judgment sampling was based on the following grounds:

- It was exploratory research seeking responses against '*what, how and why types of questions*'. The accessibility to the selected respondents and availability of enough time to conduct in-depth interviews was very much important for the researcher; therefore, it was essential for the researcher to select those samples from the target population who were relevant, informative and also willing to spare their time for these interviews.
- To apply the vision of judgment sampling in letter and spirit, the researcher had been continuously visiting the target population (Pakistani-owned SMEs in the area of Bedfordshire) to obtain first-hand information about different enterprises through observation and informal conversation with entrepreneurs, employees and customers. The informal information obtained through informal process contributed in selecting leading and information rich cases (enterprises) out of the target population through personal judgment of the researcher.

#### ***3.7.1.1 The selection of samples***

In the following paragraphs the researcher is presenting a formal and practical picture of the procedure (s) adopted by the researcher for the selection of desired number of samples out of target population to conduct case studies.

##### ***Target population***

Keeping in view potential constraints of data gathering process, 'The County of Bedfordshire' was selected as target population, an area heavily populated with Asian people (18.9%) with a lead majority of Pakistanis. A large number of Pakistanis have established their own businesses in the area at micro, small and medium levels. Most of these businesses are successful and set good examples for other ethnic communities. Another plus point of this area was related to the researcher's personal interaction and familiarity with a large number of people including relatives, friends, employers and employees. The researcher was confident enough to complete his research project with the moral and social support of these people.

##### ***Sampling Frame***

The sampling frame consists of a complete list of cases existing in the target population. The researcher spent many weeks to prepare a complete and error free list of all cases in the area

that meet the criteria of SMEs. Literature reveals that this form of sampling is often used when working with very small samples such as in case study research (as in the case of current project) and when a researcher wish to select cases that are particularly informative (Newman, 2002). After spending 3-4 weeks of continuous efforts, the researcher succeeded in preparing a sampling frame comprising 42 Pakistani-owned companies in the area of Bedfordshire. The researcher endeavoured to ensure that sampling frame was complete, unbiased, current and accurate.

### *Sample Size*

As stated earlier, the most of case-based qualitative studies revolve around a few but leading and information-rich cases with potential to represent characteristics of whole population. Instead of selecting many cases with similar characteristics, the researcher preferred to select a few but different cases, with different products and with different reflection of their managerial and operational activities. In this perspective the researcher selected 7 cases (3 cases from trading and 4 cases from services) out of 42 cases in total.

### *Selection of samples*

To select representative samples out of target population, the researcher divided total population into two groups: 1) Trading (19 companies) 2) Services (23 companies). Again first group was divided into 3 categories and second group was divided into 4 categories. It was decided to shortlist total population while selecting 3 cases from each of these categories and 21 cases in total. The shortlisted cases were evaluated in the light of information gathered through informal surveys conducted at the beginning of sampling process. After having a critical evaluation of these cases, the researcher selected 7 cases (3 medium and 4 small) out of 21 cases while taking 1 case from each of 7 categories. By this way, the researcher did his best to ensure that selected samples contain enough potential to represent characteristics of whole population.

### **3.7.2 Sampling for the second phase of data collection (field surveys)**

In addition to the data collected through case studies of seven companies, the researcher conducted a questionnaire based survey of Pakistani-owned SMEs in the UK. The objective

was to enhance credibility of the primary data and validity of research findings while placing the work in its wider context. The following sampling plan was followed:

### **3.7.2.1 Background on clusters of Pakistani SMEs in the UK**

An informal survey conducted around Pakistani business community in the UK revealed that thousands of Pakistanis are involved in different types of business activities; however, 90% are running micro companies with less than 10 employees. Less than 10% of these businesses qualify the criteria laid down for SMEs. The Pakistani business community in the UK is mainly divided into two groups, ‘*Trading or Services*’ - comprising a wide range of enterprises involved in large scale commercialization of products and services (*UKPCCI, September 2012*). The following list provides different clusters/categories of businesses under separate headings.

#### **a) Trading**

- Cash & Carry wholesale and retail stores
- Hardware and Equipments
- Construction and Renovation Materials
- Furniture and Furnishing
- Pharmacy and Cosmetics
- Automobile and Auto-Components
- Garments and Fashions
- Cloths and Fabrics
- Electronics (computers, appliances, machinery and spare parts)
- Crockery and Kitchenware,
- General Departmental Stores

#### **b) Services**

- Claims Management and Insurance
- Travel Management, Cargo and Money Exchange
- Real Estates, Mortgages and Accommodation Agencies
- Hotels, Restaurants, Fast Food and Bakers
- Catering and Function management
- Finance and Accounting (Financial Advisors and Accountants)

- Computer Network & Data Communication, web designs and computer repairs
- Building Refurbishment & Restoration and renovation
- Law, Apprenticeships, Immigration and Settlement
- Advertising, publishing employment and consultancy services

### 3.7.3 The execution of sampling process (for field surveys)

#### 3.7.3.1 Target population

The researcher conducted an informal survey through emails, telephone calls and personal visits to get accurate information about Pakistani business community in the UK. The informal survey revealed that the most of Pakistani entrepreneurs are based in some specific counties of the UK. The following list provides name of these counties with number of respondents selected from each of these counties.

<b>Names of counties</b>	<b>Number of respondents</b>
1. Bedfordshire	45
2. Berkshire	36
3. Cambridgeshire	30
4. Essex	28
5. Lancashire	33
6. Nottinghamshire	25
7. South Yorkshire	20
8. Staffordshire	35
9. West Yorkshire	25
10. West Midlands	23
<b>Total number of respondents</b>	<b>300</b>

#### 3.7.3.2 Sampling frame (total population)

After accessing a detailed list of SMEs in the areas heavily populated with Pakistani community), the researcher identified Pakistani SMEs (companies with 10-249 employees). After spending a couple of weeks, the researcher succeeded in preparing an adequate list of around 300 companies (total population) by the help of Pakistani High Commission in

London, UK; Pakistan Chamber of Commerce, UK; Pakistan Business Directory; in addition to internet sources and personal visits.

### **3.7.3.3 Sample size**

To determine the sample size, the researcher followed the formula provided by Stevens (1996). Steven recommended that about 15 subjects are required for any one predictor or domain to ensure reliability of results in business research. In this study there were three variables or domains of the research: cultural factors, people management and SMEs. Hence according to Steven formula the researcher selected  $3 \times 15 = 45$  samples out of target population. To minimize any possibility of sampling biasness, the target population was divided in to two industrial sectors - trading and services. Then he multiplied 45 by 2 and got a figure of 90 samples. Ultimately, the researcher decided to cover at least 100 respondents to minimize risk of errors in data gathering and analyses process.

The researcher decided to approach all enterprises which were willing to participate in survey process. Hence questionnaire was circulated around 150 enterprises with 300 hundred respondents (two respondents from each company). However initial response rate was very low. After continuous efforts (reminders through emails, telephone calls, and personal visits) the researcher succeeded in achieving the target of 50 companies and 100 respondents.

## **3.8 Data collection methods**

There are two sources and types of the data: secondary data, which already exist in the public domain and have been collected by others; and primary data, which are directly collected by the researcher for the purpose of the investigation. They present original thinking and new information in its original form, neither interpreted nor condensed nor evaluated by other writers. Different data collection methods have different biases associated with them, so applying triangulation and collecting data from multiple sources can increase accuracy and thus validity (Gray, 2009).

The researcher managed to conduct an in-depth review of secondary data sources (directly related to the research questions) in order to develop a good understanding and insight about these sources. With regards to primary data, out of the three major primary data collection methods used in management science, i.e. interviews, questionnaires and observations



(Bryman and Bell, 2007), interviews and questionnaires were used in this study. Interviews proved very helpful in generating in-depth information about selected cases through face to face interaction with respondents; whereas, questionnaire-based investigation (through field surveys) facilitated the gathering of cross-sectional information from a wide range of respondents spread over different geographical areas and business sectors.

### **3.8.1 The first phase of data gathering process (case studies)**

As mentioned above, due to inductive and subjective nature of the research '*case based study*' stood top priority of data gathering process. In other words the researcher was mainly interested to gather 'qualitative data' to satisfy needs and requirements of research questions. According to the literature, qualitative data is more flexible in comparison of quantitative research, because it allows adaption of interaction between researcher and its participants (Frankel and Devers, 2000; Creswell, 2003; Tashakkori and Teddlie, 2003). In this perspective, for the first phase of research, the researcher preferred the approach of case studies through face to face in-depth interviews while using semi-structured questionnaires (Tashakkori and Teddlie, 2003).

#### **3.8.1.1. Interviews**

Interviews can be grouped into three main types (Neville, 2007; Saunders et al., 2007).

- **Structured interviews:** Structured interviews have a standardized administration of schedule and issue the same questions to all respondents in the same order and context (Gray, 2009). Questions tend to be very specific and closed, with answers often having a fixed range of choices (Bryman and Bell, 2007).
- **Unstructured interviews:** There is no pre-determined list of questions to work through in this situation; although a researcher needs to have a clear idea about the themes / aspects to be explored or covered during discussion (Easterby-Smith et al., 2002; Ghauri and Gronhaug, 2005; Robson, 2002). These interviews are applicable to the gathering of qualitative data (as in case studies).
- **Semi-structured interviews:** Facilitate a list of themes/questions/areas to be covered and vary from interview to interview. There may be some standardized questions, but the interviewer may omit or add to some of these questions or areas, depending on the situation and the flow of conversation. On the other hand, a researcher may add some

additional questions keeping in view the nature of events in a particular organization (Ghauri and Gronhaug, 2005).

### ***3.8.1.2 Use of semi-structured interviews***

Since the researcher had selected cases with heterogeneous characteristics to gather qualitative data with differentiated features of different enterprises, therefore, it was not possible to apply structured interviews (with fixed questions) or to totally depend upon non-directive unstructured interviews (with free-style discussion with respondents). Therefore, semi-structured interview approach was preferred.

### ***3.8.1.3 Derivation of interview questions***

To apply the semi-structured approach, the researcher prepared a list of interview themes and some mandatory lead questions to be covered. These themes and questions were mainly derived out of research title, research questions and research objectives. This process (preparation of interview questions) was also guided by the wider SME literature as detailed in Chapter 2. The main themes and lead questions were standardized in nature and served as a checklist for all interviews. These themes and questions also helped to the researcher in preparing a variable list of sub-questions expected to be covered. However, variable list was changeable according to the given situation, where some new questions were expected to be added and some of the questions in the list were expected to be deleted. Many questions emerged during different interview sessions with flow of conversation with the respondents. It is pertinent to mention here that a frequent variation had been taking place in interview questions depending upon the size, nature and structure of different companies and differentiated views and visions of respondents. However, the researcher did his best to keep interview questions and conversations within limits of topic area and main research questions (for detail, see Appendix 1).

### ***3.8.1.4 Contact methods***

Contact methods are frequently variable depending upon nature of research questions, accessibility to respondents, time availability, mutual understanding of interviewer and interviewees and the personal circumstances of both parties. To undertake the data gathering process, a researcher can make contact with respondents through telephone, internet, mail questionnaire, on a one on one basis, or by using a mix of these methods. In some other

situations a researcher may interact with respondents on individual or group basis (with a small number of participants) in the case of semi-structured or in-depth interviews (Saunders et al., 2007; Healey and Rawlinson, 1994).

As far as the current research is concerned, it required detailed interaction with respondents to collect in-depth information related to *what, why and how* types of the questions. Therefore, all respondents were contacted to conduct face to face interviews. It was not possible to conduct in-depth interviews through telephone, internet or mail questionnaire. Because of the face to face interview approach, the researcher and respondents were also flexible / comfortable in making changes / adjustments in interview timings with mutual understanding (Healy, 1991; Jankowicz, 2005)

#### ***3.8.1.5 Recording information***

It is important to keep a full record of the interview as one of the means to control bias and produce accurate and reliable data for analysis. While recognizing the importance of accurate and complete data records, the researcher used the tools of audio recording and diary notes. However, diary notes remained the main source of data recording and there was partial use of audio recording because some respondents did not allow audio records. The researcher also made sure to prepare well composed transcripts soon after having an interview session with particular respondents to properly and correctly transcribe audio and diary records and also to note any non-recorded memories (Saunders et al., 2007). In addition to audio and diary records, the researcher also made use of latest documents/brochures/web links provided by respondents in the data transcription process.

#### ***3.8.1.6 Conduct of the interviews***

The conduct of these interviews was very important for the researcher. Keeping in view the suggestions of Saunders et al. (2007), the researcher did his best to take special care about interviewees in the process of conducting these interviews, particularly at the beginning of these interviews. Every interview was conducted while developing a pleasant atmosphere with the interviewees. They were taken into confidence while taking the following measures:

- Keeping in mind their convenience to agree with an interview appointment.
- Leaving the time and venue for these appointments on their discretion.

- Thanking them for agreeing to the meeting.
- Explaining the purpose of the research to every interviewee.
- Giving assurance regarding confidentiality of the data.
- Stating that the interviewees were not bound to answer each and every question.
- Stating that they were not required to compulsorily cease their usual work.
- Permitting interviewees to defer an appointment or terminate whole or part of an interview session.
- Providing written documentation of main themes of these interviews in advance for the convenience of interviewees.
- Briefing interviewees about the process of the interview, e. g. approximate number and range of questions to be asked, number of interview sessions and expected time needed to complete these them.

### **3.8.2 The second phase of data gathering process (The field survey)**

The second phase of investigation relates to a questionnaire-based survey around Pakistani-owned SMEs scattered in major cities of the UK with a reasonable population of Pakistani businesses in these areas. After generating a bulk of qualitative data through seven case studies, the researcher realised the need to use a large platform to investigate a number of Pakistani companies from multiple geographical and industrial backgrounds. The objective was to put the work in wider context to ensure validity and reliability of the data and derived results. According to Boyce (2003), questionnaires are one of the most popular instruments for data collection with survey approach because they:

- Save time and cost
- Allow quick extraction of data from respondents
- Provide flexibility in arranging time and place
- Can make large samples feasible
- Lack the potential for bias found in observation and interview methods

#### ***3.8.2.1 Use of structured questionnaire***

Contrary to case studies conducted through face to face in-depth interviews, field surveys were conducted with the help of standardized/structured questionnaire comprising 84 closed-end questions. The questionnaire is one of the most widely used data collection techniques within the survey strategy where each respondent is asked to respond the same set of questions in a predetermined order (deVaus, 2002). It provides an efficient way of collecting precise responses to prescribed research questions from a large sample prior to quantitative or qualitative analysis (Bell, 2005). They work best with standardized questions that are expected to be interpreted in the same way by all the respondents (Oppenheim, 2000; Robson, 2002).

Structured questionnaires can be classified on the basis of how the respondents are accessed by the researcher. Respondents can be accessed through internet, telephone, face to face meetings, postal mail and delivery and collection approaches to get the questionnaires filled by them. The choice of particular type(s) of questionnaire administration will be influenced by a number of factors including - nature of the research questions, number of questions, number of respondents (size of the sample), importance of specific respondents, required response rate and resources available (time and money) to complete these questionnaires (Saunders et al., 2007).

The above mentioned situational factors must be evaluated by the researcher to determine what type of approach(s) in which situation is appropriate and effective (Mann and Stewart, 2000; Morgan and Symon, 2004). Furthermore, a researcher needs to understand that a poorly constructed and administered questionnaire cannot provide accurate data by which to analyze questions or test hypotheses. In preparing a questionnaire, the researcher must consider how he/she intends to use the information.

### ***3.8.2.2 Derivation of question items***

The data gathered through case studies and derived findings served as the main sources of the questionnaire. The researcher was interested to examine validity of these findings through a field survey while covering a large sample of Pakistani-owned SMEs located in major cities of the UK. The analysis of the data gathered through case studies generated a wide range of ideas and concepts (as reported in chapter 4) in regard to cultural influences on people management strategies of these companies. These ideas and concepts were used as main

themes to prepare a detailed questionnaire (comprising 84 main questions and a large number of sub-questions) to conduct the field survey. The researcher endeavoured to maintain a close conformity between interview results and the questionnaire. The objective was to develop a sense of consistency and homogeneity in overall investigation process conducted through both interviews and field surveys. In addition to the interview findings, the researcher also took some guidance from the literature sources. The literature review highlighted a number of cultural factors (including ethnicity, diversity, religion, values and traditions) and their influence in shaping HRM practices (including recruitment, training, rewards management, employment relations) of these companies. These themes were also used as guidelines while preparing questionnaire (for more details, please refer to Appendix 2).

### **3.8.3 Administering and conducting field surveys**

A questionnaire comprising 84 closed-ended questions (multiple choice questions/short explanatory questions) was circulated among 300 respondents of 150 companies located in major cities of the UK. The minimum target was to get responses from 100 respondents of 50 companies. A pre-survey interaction was established with respondents (before sending them a formal survey), advising them to expect the questionnaire and also requesting their cooperation. After circulation of questionnaires, respondents were approached again through emails and telephone calls to motivate them for the completion and safe return of these questionnaires. They had been briefed about the contents of the questionnaire, the nature of the research and the importance of the research outcomes through a covering letter enclosed with the questionnaire.

In the beginning, the response rate was very low at less than 10%. Two weeks later, the respondents were reminded through emails and telephone calls. A second follow-up was arranged after three weeks. Despite continuous communication with the respondents, the researcher could not achieve required target and the response rate remained less than 20% (about 60 respondents). It was far less than minimum required number of 100 respondents. To achieve required target of 100 respondents, the researcher continued his efforts and approached remaining respondents through personal visits (interviewer administered questionnaires), telephonic interview (telephone questionnaire) and in some cases delivery and collection approach was adopted. It was a painstaking exercise to complete surveys while maintaining a reasonable level of accuracy and reliability of the data. Ultimately, the

researcher succeeded in achieving the target of 100 respondents from 50 companies within a time frame of three months.

#### **3.8.4 Validity and reliability of the data**

To ensure validity (the extent to which the data accurately measures what they were intended to measure) and reliability (the extent to which the data collection method will yield consistent findings if replicated by others) of the data collected through field survey, the following measures were taken by the researcher as suggested by Saunders et al. (2007) and Pallant (2007).

- Well-written covering letter was enclosed with survey explaining purpose of questionnaire.
- All questions were simple and straightforward.
- Difficult terms and specialist language was strictly avoided.
- It was duly managed to convey only one meaning by every question.
- Vague and descriptive words like 'large' and 'small' were avoided.
- There was no use of negative words to avoid any sort of misinterpretation.
- Instead of mixing questions, it was managed to ask one questions at a time.
- Only questions relevant to the research were added.
- It was tried to include only those questions which could serve as the cross-checks on the answers to other questions.
- The questions requiring calculations were strictly avoided.
- Leading and value-laden questions (implying required answers) were avoided.
- Offensive / insensitive questions leading embarrassment were avoided.
- Difficult questions putting respondents in difficult situation were avoided.
- The researcher tried his best to keep questionnaire as short as possible but ensured to cover all relevant questions.

#### **3.8.5 Piloting of the Questionnaire**

To improve the quality and clarity of the questionnaire and to avoid ambiguous words, sentences or phrases, two preliminary tests were undertaken before the formal questionnaire was launched. Firstly, a pre-test was run on two researchers at the University of Bedfordshire, Luton for final wording and sentence checking. The final version of the questionnaire was

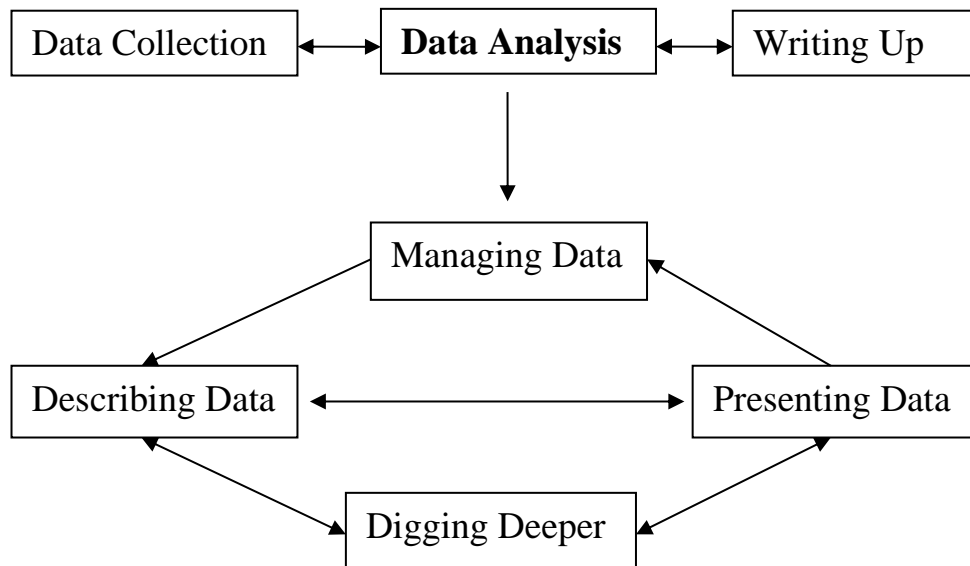
then piloted on seven entrepreneurs/owner managers in the North of England. Their feedback about their comprehension of the questionnaire was discussed in detail and suggestions were incorporated into the final version of the questionnaire.

### 3.9 Data Analysis and Interpretation (Case Studies and Surveys)

#### 3.9.1 General

The qualitative data collected through semi-structured interviews were normally audio recorded (where respondents agreed and permitted to do so) and subsequently transcribed verbatim. In addition to articulated words (verbal communications), the researcher also generated qualitative data by observing non-verbal communications (gestures) of the participants and written accounts were added with the impressions derived.

**Figure 3-4: The process of qualitative data analysis**



**Source:** Froggatt, (2001)

The basic process of qualitative data analysis generally involved the development of data categories (data classification into meaningful categories) allocating units of original data to appropriate categories (codes and labels) and recognizing relationships (searching for key themes and patterns of relations) with and between categories to produce well-grounded



conclusions (Dey, 1993; Miles and Huberman, 1994; Yin, 2009). The figure below provides a basic process of qualitative data analysis.

### **3.9.2 Approaches to qualitative data analysis**

Two approaches are very common and being used frequently for qualitative data analysis - deductive and inductive approaches. It has been suggested that '*deductive approach*' works better in the situation where a researcher has used an existing theory to formulate his research project and he intends to test it in the light of pre-established hypothesis and propositions (Yin, 2009). On the other hand, '*inductive approach*' is more effective where a researcher is going to build-up a new theory emerging out of the data collected by him. In other words, deductive and inductive approaches of qualitative data analysis are linked back to data gathering process.

The present study is closely linked to the inductive approach. The data gathering process was primarily based upon theory building (inductive approach) instead of theory testing (deductive approach). The researcher gathered qualitative data (through case studies and field surveys) without devising any conceptual framework of hypothesis or propositions. Therefore, an inductive analytical approach like grounded theory was needed to conduct data analysis of the bulk of the qualitative data. Grounded theory provides a reliable and systematic procedure of data analysis through open coding, axial coding and selective coding as discussed in the following paragraphs (Saunders et al., 2007; Miles and Huberman, 1994).

#### **3.9.2.1 Grounded theory**

Grounded theory is a systematic process of generating or discovering a new theory from analysis of primary data systematically obtained through social research. Grounded theory was developed to build an explanation or to generate a theory around the core or central theme that emerges from the data. In other words, instead of testing existing theory, the grounded approach favours an approach that emphasises the '*generation of theory*' from data. This approach seeks to challenge research approaches that unwittingly or wittingly look for evidence in the data to confirm or deny established theories or practices. The aim of grounded theory is then, to approach research with no preconceived ideas about what might be discovered or learned (Strauss and Corbin, 1998; Silverman, 1993).

Main features and stages of grounded theory are enlisted as follows (Strauss and Corbin, 1998; King, 2004).

- **Open coding:** This is similar to the unitization and categorisation process. The data is disintegrated into conceptual units and provided with a label. The same label or name will be given to similar units or data. The names/labels are derived from the terms emerged in the data (the terms used by participants), and/or terms used in existing theory and the literature. Strauss and Corbin (1998) emphasise that terms and labels should come from data in hand (primary data) instead of previous data (secondary data) to avoid any misperception of meanings. The multitude of code labels emerged in the process are compared and placed into broader, related subgroups or categories. This allows a researcher to develop a logical and more focused analytical process.
- **Axial coding:** It refers to the process of looking for relationships between the categories of data that have emerged from open coding. As relationship between categories is recognized, they are rearranged into a hierarchical form, with the emergence of sub-categories. The essence of this approach is to explore and explain a research phenomenon while developing a logical and natural top-bottom flow of concepts and events that emerged out of categorisation process.
- **Selective coding:** After developing a number of principal categories during open and axial coding, this stage is concerned to identify one of these principal categories which become known as the central or core category and thereafter relate with other categories with this core category in order to develop a grounded theory. In the previous stage the emphasis has been placed on recognising the relationship between categories and their sub-categories, in this stage the emphasis is placed on recognising and developing relationships between principal categories emerging from this grounded approach in order to develop an explanatory theory.

#### *Application of grounded theory*

It is pertinent to mention that use of grounded theory remained as a central approach adopted by the researcher to analyse the data. The concepts envisaged in grounded theory (as discussed above) were used in building an explanation or to generate a theory (new

perspectives) around core or central them(s) that emerged from the data. While doing so, the researcher was able to see and analyse things in new ways without being influenced by preconceived ideas. Grounded theory facilitated ‘*open coding*’ (unitization and categorisation), ‘*axial coding*’ (developing relationships between the categories of data that have emerged from open coding) and ‘*selective coding*’ (identifying and selecting core category out of principle categories). As stated earlier, in selective coding the emphasis was placed on developing relations among principle categories emerging from the grounded approach and thereby to build up a new theory or deriving new perspectives/meanings out of empirical investigation.

### 3.9.3 Use of inductively based analytical procedures

The researcher took a detailed account of inductively based analytical procedures (as discussed above) and their potential applicability to analyse qualitative data. The researcher came to the conclusion that any single procedure did not fulfil the requirements of the researcher and the data involved in the analysis process. Therefore, it was decided to ‘*apply a mix of analytical procedures*’ to develop a logical and systematic framework of analysing the data in order to draw-out relevant and reliable results from the analysis process. In the light of above stated analytical procedures, the following process was undertaken to conduct qualitative data analysis in an attempt to ensure reliability and validity of analytical process and findings derived from it.

**Composition and transcription:** The qualitative investigation was conducted around a group of 57 companies (seven companies through case studies and 50 companies approached through questionnaires) and 118 individual participants (18 for case studies and 100 for filled questionnaires). The investigation conducted through case studies and field surveys generated a large volume of data about culture factors and people management strategies of these companies. In the first step ‘managing the data’ (Froggat, 2001), the data were organized and prepared in the form of interview transcripts. The researcher did his best to convert actual words and original material into formal interview transcripts. During the transcribing process a cross-case analysis was performed by grouping together answers from different questions, or by analysing different perspectives on central issues. A few readings were conducted to complete indexing in the ‘describing data’ stage (Froggatt, 2001).

**Data displays:** The analysis of the data involves continuous reading of the material, constant comparison, repeated coding, grouping, generating concepts, drawing networks and representing the author's conceptualization (Patton, 1990). To apply this process, the researcher took a critical review of the data to reduce condense of the data while reducing/deleting irrelevant parts of the data. In this way the data was summarised and simplified. To proceed further towards analysis, a network of rows and columns was established and data summaries were pasted in these cells while naming/labelling different parts of the data as themes emerged out of interview transcripts. New sub columns were created to accommodate/adjust new sub-themes emerging in the process. In this process, the researcher ensured to group together the parts of the data with similar characteristics.

**Template analysis:** A complete list of the codes or categories representing the themes revealed from the data was prepared. The template allowed codes and categories to be shown hierarchically to identify and explore themes, patterns and relationships. Thereby the whole process of data analysis and interpretation was executed to derive relevant and reliable results.

All the above stages were conducted repeatedly in the '*digging deeper*' stage (Froggatt, 2001: 432) until the researcher was satisfied that the analysis captured the meaning of the data. The researcher was sure of this only when he was able to create an overall framework of how the codes and concepts fitted together and he was able to identify the interrelationships between the codes. This led to the explanation of whether and how the cultural factors impacted people management strategies of Pakistani-owned SMEs. The researcher was then satisfied that the data collection and analysis had contributed to answering the research questions.

#### **3.9.4 Some variation in the process of survey-based data analysis**

The questionnaire survey conducted with 50 small and medium companies generated two types of data:

- 1) **Categorical data:** This data was qualitative in nature and provided a brief account of the views expressed by the respondents in response to a large number of multiple choice questions and close ended-questions. The questionnaire-based qualitative data was organized, categorized (classified into discrete categories - ranks/sets), unitized and analysed similarly as discussed with details in above paragraphs; however,

because of a specific and controlled nature of questionnaire-based investigation, the findings did not reflect depth or detail, but a brief view of the concepts/themes emerged out of analysis process (Saunders et al., 2007; Morris, 2003).

- 2) **Quantifiable data:** The questionnaire-based investigation generated less quantitative data as compared with qualitative data. Because of qualitative and descriptive nature of research questions and answers, these data did not reflect key aspects of quantitative data like highest or lowest values, proportions, or trends overtime. However, these data provided a wide range of values (in variable percentages) and frequency distribution as found in the views of the respondents. Therefore, differentiated values and frequency of their occurrences was displayed by a number of tables (frequency distribution) and the analytical process was applied accordingly.

### 3.10 Negotiating access and addressing ethical issues

Access and ethics are critical aspects for the conduct of research. A researcher needs the physical access to the organization and intended participants and cognitive access in order to get sufficiently close to find out valid and reliable data. According to the literature (Gummesson, 2000) gaining access may be difficult for a number of reasons including:

- Constraints of time and resources available to an organisation or individuals to engage in additional activities.
- A lack of perceived value of the research in relation to the work of the organisation or other participants.
- Concerns about confidentiality of the information, credibility and competence of the researcher.

Furthermore gaining physical access is a continuous process and not just a single event. A researcher seeks an initial entry into an organisation to carry out a part of the research and then seeks further access in order to cover another part. To repeat the data collection, again he has to engage in a negotiation process to gain physical access to different parts of the organisation. Therefore, a researcher has to fully consider with clarity of thought, the extent and nature of the access that he requires and his prospective ability to gain sufficient access in practice to answer his research questions and meet his research objectives (Blumberg et al., 2005; Sekaran, 2003).

Ethics (moral principles) refers to the appropriateness of researcher's behaviour in relation to the rights of those who become the subject of his work or are affected by it (Blumberg et al., 2005). A number of key ethical issues arose across the stages and duration of a research project. These relate to: privacy of participants, voluntary nature of participation and the right to withdraw from the process, possible deception of participants, confidentiality of data and anonymity of participants, reactions of participants to the way in which a researcher collects, analyse and reports the data and his behaviour and objectivity as a researcher etc.

While recognising and considering ethical issues, the researcher took the following strategic measures to effectively deal with ethical issues as proposed by Blumberg et al. (2005), Robson (2002), Jankowics (2005) and Easterby-Smith (2002):

- Seeking informed consent of participants through the use of openness and honesty
- Communicating clearly (through letters and emails) the aims of the investigation to all concerned
- Respecting other's rights to privacy at all stages of the proposed research
- Maintaining objectivity while analysing and reporting the research
- Maintaining confidentiality of the data and anonymity of participants
- Keeping monitoring devices such as tape recorders and cameras open and fully understood by all people concerned
- Complying with all of the data protection legal requirements carefully
- Adopting an appropriate way of research and avoiding any type of stress, discomfort, pain and harm for participants
- Utilizing university's code on research ethics while designing and conducting research etc.

### **3.11 Summary**

This chapter described the research philosophy, strategy, design and methods that underlie the conduct of this study. It detailed key concepts and justified the selection of methods applied. It gave an account of the sampling procedures and their application in the project. The chapter further elucidated the possible data collection processes and described in detail the actual ones used. Data analysis methods and processes as well as data presentation

techniques were discussed. The whole investigation process was conducted through case studies and field surveys.

The main interview themes were derived out of wider literature (Chapter 2) keeping in view the contents of the research questions (Chapter 1). The question items for the field survey were mainly taken from interviews and findings of the case studies. Combining both research methods was considered an appropriate approach as it may result in gaining the best of both methods (Saunders et al., 2007). The effects of cultural factors on people management strategies of SMEs remained as central to the study. The results of investigation (conducted through case studies and field survey) are presented in the next two chapters (4 and 5).

## Chapter 4 Case Studies of Selected Pakistani SMEs

### 4.1 Introduction

This chapter presents a comprehensive analysis of the data gathered from a group of seven Pakistani-owned SMEs in the area of Luton, Bedfordshire. It presents an analysis of the data and the findings emerging out of the analysis process. It covers people management strategies of these companies and relevant influence of cultural factors in shaping these strategies. To conduct a logical analysis process, the data gathered through case studies was disaggregated into meaningful categories (codes and labels) while allocating units of original data to appropriate categories. These categories were arranged in a hierarchical form to identify key themes and to develop appropriate patterns of relationships with and between categories to produce well-grounded conclusions. After completing this basic process of data organisation, an in-depth process of data analysis was executed to discover reliable results/findings. To conduct analysis of the data related to HRM practices of these companies, the following generic concepts of HRM/key themes (as emerged out of primary data and also frequently quoted in HRM related literature) were mainly focused upon:

1. Recruitment and selection
2. Employee training and development
3. Reward management
4. Employment relations
5. Performance management

These concepts/themes provided the basic understandings to undertake data analysis process around human resource management practices. A comparative and critical analysis was conducted to find out similarities or dissimilarities, as well as problems and issues faced by these companies concerning their HRM styles and strategies.

The data related to cultural factors and their relevant influence on HRM strategies of these companies was analysed side by side. The following cultural factors (as emerging out of primary data) were found as leading factors playing an important role in shaping strategic frameworks of these companies:



- 1) Religion
- 2) Values
- 3) Traditions
- 4) Beliefs
- 5) Ethnicity
- 6) Diversity
- 7) Languages and communication patterns

## **4.2 Cultural factors and people management strategies of these companies**

This chapter mainly covers cultural factors and their role in shaping HR strategies of these companies. It builds upon a wide range of the findings derived out of the critical analysis of the data gathered through case studies.

### **4.2.1 Recruitment and selection**

#### ***4.2.1.1 Small companies***

Primary data reveal that the employment practices of respondent companies vary from company to company because of heterogeneous features of these companies. The data gathered about the HR practices of these companies indicated that a majority of small companies prefer *'simple, straightforward and informal approach to recruitment'* to fill their vacant positions. The views of Mr. T. K., Mr. S. H. and Mr. M. K. confirm these findings. About recruitment process of his company Mr. T. K. commented:

*"Our company prefers a simple and informal procedure to fill its vacant positions to save our time and resources"*.

Sometimes small company proprietors select new employees on the basis of their *'personal judgment'* and even accept new recruits on *'word of mouth'* of the people known to them. As highlighted by Mr. S. H. and Mr. M. K., again the family and friends reference factor remain dominant:

*"We do not conduct any formal procedure to recruit required employees. Preferably we use our judgment or consult our family elders, family friends and senior staff members while choosing appropriate individuals for the company"*.

Similar views were expressed by some other respondents from small companies. In their opinion, people from family and friends are familiar to them. They already understand their ability and aptitude at work; therefore, recruitment from family and friends saved much of the time, efforts and resources that would be needed involving lengthy and formal procedures to recruit strangers.

**Table 4-1: Recruitment and selection process in small companies**

<b>Variables</b>	<b>The process of recruitment and selection</b>
Vacancy announcement	Company notice board / vacancy notices at front door of the company, words of mouth.
Sources of recruitment	Internal and external (depending upon nature of the post and inside availability of relevant applicants).
Influences	Close relatives, friends and company employees
Applications	Black and white simple application forms, oral requests, CVs
Tests	Rare use of practical tests except for few technical posts
Interviews	Frequent use of informal interviews at company premises
References	Frequent use of references to ensure selection of trustworthy persons
Selection	Informal / oral, little use of appointment letters
Orientation / induction	Informal orientation and induction without having any organized events
Agreement	Informal / oral, little use of any written agreement

**Source:** Primary data gathered through case studies

***Small companies prefer people from an Islamic background:*** As reported by the respondents from small companies, these companies prefer to recruit people from Islamic background. The entrepreneurs from small companies believed that religious and ethnic homogeneity contributed in developing good working relations and better understanding among employees. They argued that religious people have been found more sincere, honest and dutiful. For instance Mr. A. B. commented:

*“We prefer to have Pakistani-ethnic and Islamic minded people to work for us to avoid conflicts and to develop better relations among them”.*

Mr. M. K. expressed his views in following words: *“The People from similar background have been found more close and cooperative to each other compared to the people from diverse backgrounds. Therefore, being a Muslim and Pakistani company we prefer to have people from Pakistani and Islamic background”.*

Some of the respondents quoted sayings of the Holy Prophet who always emphasised to select right and trustworthy people for all types of collective assignments. For example, Mr. T. K. quoted saying of the Holy Prophet as follows:

*“Entrust your affairs to able and trustworthy people”.*

He pledged to follow saying of the Holy Prophet and said:

*“In the light of the sayings of Holy prophet, we prefer to have Islamic minded people with us, because we understand that religious people are more dutiful, trustworthy and respectful”.*

The quoted views of the respondents reflect a clear influence of religion and ethnicity on overall recruitment policy of small companies; however, some of them expressed reservations about the involvement of religion or ethnic background into recruitment process of these companies. Mr. R. M. remarked:

*“Because of religious influence on recruitment process of our company, we are facing difficulty in promoting our company and products among other communities including white and black customers”.*

Mr. H. B. expressed similar views and said:

*“Religion and Pakistani centric approach of recruitment has narrowed our scope to become a mainstream company having attraction for multi-ethnic communities”.*

The impact of religion on the recruitment process of small companies is evident by above quoted views and feelings of the respondents. However, as mentioned by some of the respondents, because of this approach it is difficult for them to attract the attention of customers from diverse backgrounds. Sensing the limitations of a religion-centric approach to recruitment, some companies were taking formal initiatives to employee people from other religions.

#### **4.2.1.2 Medium companies**

Contrary to small companies, the medium-sized companies were found to be using ‘a mix of formal and informal recruitment procedures’. These companies prefer to use a formal process while recruiting technical and professional staff; a mixed approach for recruiting administrative staff; whereas for operating staff they prefer to use an informal process of recruitment. In majority of cases, administrative staff was sourced informally; however,

before making final selection, they are tested and tried for few days on the job to check their ability and fitness for the job. About simultaneous use of formal and informal recruitment procedures in his company, Mr. A. S. commented:

*“Our Company adopts formal procedures for the recruitment of managerial and technical staff, a mixed approach (informal and formal) for clerical staff, whereas lower level staff is recruited entirely through informal procedures”.*

Mr. S. M. expressed similar views about recruitment policy of his company and said:

*“To recruit administrative (clerical staff) and operating staff, most of the recruitment process remains simple and informal; however, to recruit high ranking employees we prefer formal procedures of test and interviews to ensure selection of most suitable individuals to fill vacant positions”.*

It was quite evident by the quoted examples that medium companies do not follow any hard and fast approach to employee recruitment. It depended upon the nature and requirements of the job to decide about a particular approach to recruitment. Normally, a formal lengthy procedure was adopted for higher positions; an informal and short-cut procedure was adopted for lower positions; whereas positions at middle level were filled through a mix of both procedures.

The empirical investigation further reveals that degree of formality and informality varies from company to company depending upon personal visions and aptitudes of entrepreneurs/managers and variable nature and requirements of respective companies. Companies such as real estates, wholesale cash and carry and hotels and restaurants, etc. are more formal and organized in their recruitment process compared to such companies as retail outlets, cloth and fabrics, air-ticketing, cargo and insurance. In other words, formal or informal process of recruitment and selection of employees depended upon seniority of their roles. Table 4-2 gives a view of recruitment and selection process of medium companies.

**Table 4-2: Recruitment and selection process in medium companies**

<b>Variables</b>	<b>The process of recruitment and selection</b>
Vacancy announcement	Company notice board, local news papers, job centre
Sources of recruitment	Use of Internal and external sources depending upon nature and requirements of the posts to be filled. For example, to recruit people at higher positions external sources (e.g., Job centre, advertisement etc) are used; whereas, to recruit people at lower positions internal sources (e.g., word of mouth, company notice board etc) are preferred.
Influences	Less influence of family and friends or company employees on recruitment process compared to small companies
Applications	Formal applications, CVs
Tests	Practical tests (e.g., examining people through practical assignments related to their job) technical, managerial and administrative posts; no tests for low ranking positions
Interviews	Formal interviews by employers or managers of concerned departments for higher posts; informal interviews for low ranking positions. For higher positions in most cases a panel (comprising owner manager and head of concerned department) conducts interviews; whereas, for lower positions head of concerned department conducts these interviews. Only shortlisted (few in number) applicants are called for these interviews. Interview questions are prepared in advance with possibility of changes during interview. Time duration differs depending upon nature of different positions.
References	Required for each and every recruitment to ensure selection of trustworthy people
Selection	Formal appointment letters with brief description of job and work schedules
Orientation and induction	Formal orientation and induction events are conducted to introduce new comers about company, employees, and their roles and responsibilities
Agreements	Formal / written agreements with clear description of terms and conditions; however, these agreements remain informal / oral for low ranking recruitments

**Source:** Primary data gathered through case studies

Tables 4-1 and 4-2 provide a comparative view of recruitment and selection approaches of small and medium companies. It was found that small companies prefer informal process from beginning to the end. The process of recruitment and selection in these companies remained simple and straightforward. Because of financial constraints, these companies were reluctant to adopt formal and lengthy procedures. On the other hand, medium companies preferred a mix of formal and informal procedures.

In the context of above discussion, it is not possible to draw out any hard and fast conclusions about recruitment and selection process of these companies. The degree of formality or informality of recruitment process depended upon nature of the company, size of the company, nature of positions to be filled, company resources and sensitivity of roles and responsibilities.

***Medium companies prefer people from diverse backgrounds with majority of people with Muslim and Pakistani identities:*** Contrary to small companies, medium companies were found flexible pertaining to religious and ethnic involvement in their recruitment process. Because of their large scale business networks in terms of buying and selling, they felt compelled to have people from diverse backgrounds. In other words, they needed multi-ethnic people to deal with multi-ethnic customers. It was found that medium companies followed a policy of ‘*equal employment opportunity*’ while recruiting people at all levels regardless of their religious and ethnic background. However, despite developing their moderate image as multi-cultural companies in terms of their employees and products, these companies were still under the influence of national origin and religion. About his company’s policy to respond religious influence on company’s recruitment process Mr. S. M. remarked: “*We are inclined to recruit people from diverse backgrounds to build-up our image as a multi-cultural company to attract customers from diverse backgrounds; however, because of Muslim and Pakistani background of the company, we are still under the influence of religious circles to preferably accommodate people from Islamic bent of mind*”.

Mr. A. S. shared another perspective of his company’s recruitment policy as follows:

“*We are gradually pursuing a policy of equal employment opportunity to have a wider mix of people from different communities. However, still we are far behind to apply this policy in letter and spirit because of our identification and recognition as a Muslim and Pakistani company*”.

***4.2.1.3 Asian-ethnic influences on the recruitment processes:*** The investigation further revealed that both types of companies (small and medium) preferred people from Asian background because their main target markets consisted of Asian communities. Similarly most of their products and services were related to Asian customers. As commented by the majority of respondents (14 out of 18; 78%), Asian staff found it easier to deal with

customers mainly from Pakistani, Indian and Bangladeshi backgrounds. Because of the language conformity and flexibility, they can respond their questions and queries more clearly and correctly. According to above quoted respondents, customers from an Asian background felt more comfortable interacting and negotiating with Asian-ethnic staff serving in the company. It was found that over 60% of the staff of these enterprises (SMEs) consisted of Asians (mainly people from Pakistani, Indian and Bangladeshi origins). About Asian preferences Mr. S. M. remarked as follows:

*“We understand that non-Asian employees (Africans, White British and Europeans) because of communication and cultural gaps feel difficulty while dealing with Asian-ethnic customers. Therefore, our company is compelled to recruit majority of employees from Asian origins to facilitate close and comfortable relations between employees and customers”.*

The evidence indicates that about 15% employees in small companies and 25% employees in medium companies belonged to non-Asian communities. According to Mr. G. S. (from a medium company):

*“To deal with non-Asian customers, we have a number of employees from other communities - about 25 % of our total employees. They have been deputed to preferably deal with customers from their own communities”.*

Mr. M. K. from a small company stated:

*“We prefer Asian-ethnic employees with majority of Pakistanis; however, to deal with non-Asian customers, about 15% of our staff consists of people from non-Asian origins”.*

A comparative view of small and medium companies indicates that both types of companies are under the influence of ethnicity and religion in their recruitment process, however small companies are more influenced compared to medium companies. Indeed small companies because of their limited resources and business networks have focused their attention on Asian and Muslim customers; whereas, medium companies because of their substantial resources and wider business networks, have selected a wide range of communities to focus upon their business activities. They are aiming to become mainstream companies through employing multi-ethnic employees to deal with customers from diverse backgrounds.

**4.2.1.4 Involvement of family and friends in the recruitment process:** The investigation identified that close relatives and friends of entrepreneurs/managers directly influenced the recruitment process of these companies. Because of outside influences, managers face difficulties in maintaining impartiality and in abiding by the merit principle in their recruitment process.

As highlighted by Mr. I. K.:

*“Involvement of close relatives and friends into recruitment process sometimes create difficulty in taking impartial decisions while observing the merit in our recruitment process. References and recommendations come across our way to have competent staff with us”.*

Mr. S. R. was of the opinion that:

*“To have competent staff at all levels, companies need to recruit people strictly on merit basis keeping in view the criteria laid down to fill vacant positions. They should avoid accepting external influence in their recruitment process”.*

As far as the frequency of family and friends in recruitment process is concerned, the data indicate that medium companies are less influenced by this than small companies.

#### **4.2.1.5 External influence and favouritism in small companies**

Medium companies rarely accept the recommendations of family and friends regarding managerial or administrative positions; however, a moderate level of external involvement is accepted in these companies while recruiting people at working levels. As far as small companies are concerned, data revealed that a majority of their staff at all levels was recruited by recommendations. Because of undue interference in their recruitment process these companies faced a number of problems with regard to their managerial and operating affairs. Appointing people recommended by family and friends forced these companies to compromise on the basic principles of recruitment process where word of mouth recommendations are preferred to the criteria laid down for the vacant positions.

#### **4.2.2.6 Undue advantage of family relations with the management:**

The majority of respondents from small companies acknowledged that the recruitment based on family and friends were generating a number of administrative and operational problems



for them. The employees recruited through these routes tried to take advantage of their family relations with the company management. Mr. M. K. commented:

*“Few of our employees do not bother to abide by the work schedule of the company keeping in mind that management will not take any notice for their act. The employees from relatives remain informal and less organized while performing their roles and responsibilities”.*

He further added:

*“Despite having these reservations about some of our employees, overall things are at right track, and we are moving forward and expecting a better behaviour from our employees in future”.*

## **4.2.2 Training and Development**

**4.2.2.1 Different training process for the people performing at different positions:** The investigation discovered employee training as an integral part of both small and medium companies. Like recruitment and selection, small and medium companies have their own ways to train their employees because their needs to train their employees are different. These ways even vary within the same category of companies depending upon individual circumstances of each company.

A comparative analysis of the data indicates that all of these companies (small and medium) apply different training procedures to train people placed at top, middle and lower positions. As suggested by a number of respondents, seniority of the roles plays an important role in determining training needs of different employees. In the words of Mr. K.:

*“We apply different training procedures for our different employees keeping in view the sensitivity of their roles and responsibilities. The people performing at important and sensitive positions are provided more formal and organised training as compared to the people performing at lower positions”.*

**4.2.2.2 More formal and organized training in medium companies compared to small companies:** Compared to small companies, medium companies were found more conscious and concerned to train their employees with set schedules and procedures. They were more formal and organized to train their people as compared to small companies. They arranged

internal as well as external training sessions for their employees performing at managerial and technical positions.

**4.2.2.3 Identical training agenda in small companies:** As far as small companies are concerned, the most of their training agendas were identical. With some exceptions, they preferred informal, generalized and on-the-job training for their employees to prepare them for multiple job roles instead of specialized jobs. On-the-job training was a common feature in these companies. Some relevant examples from primary data (case studies) are given as follows. About training process of his company Mr. S. H. commented:

*“For most of our operational staff we arrange on-the-job informal training through our senior and experienced staff members. After having a routine orientation session they are directly involved in different operational activities. They are guided and supported during on-the-job training process”.*

Mr. H. B. expressed similar views and said:

*“A verbal and flexible schedule covering different aspects of training is issued for six weeks. During this period the existing staff members provide the new employee a generalized type of training to develop all round skills among them, enabling them to perform a mix of responsibilities”.*

**4.2.2.4 Generalized/informal training in small companies:** The data reflects that small companies mostly depend upon generalized/standardized training for their staff to enhance their performance at work. Similarly, as reported by a number of respondents, because of budget constraints they were unable to arrange formal and organized training for their employees, even for those who were working at higher/specialized positions.

**4.2.2.5 Orientation as an integral part of induction process:** Furthermore, It was found that majority of these companies (both small and medium) arrange orientation sessions for new comers regardless of their job titles or positions in the hierarchy of the organization. For example, Mr. I. K. commented:

*“We arrange three hours long orientation session every day for newly appointed employees during first three days. We apprise them about the company, its products and services, staff*

*and overall system and procedure. Also they are briefed about their roles and responsibilities”.*

Similarly, Mr. S. H. emphasized:

*“Every company needs to arrange formal and informal training sessions for their employees to familiarise them about company and its management; to prepare them to perform their jobs according to the needs and expectations of the company”.*

Whereas, Mr. R. M. remarked:

*“Orientation sessions contribute in boosting up morale and confidence of employees at the beginning of their jobs. Instead of starting as a stranger, an employee starts after having enough acquaintance with the company and its employees”.*

It is important to mention that both small and medium companies preferred to recruit trained individuals with enough ability to perform at specialized positions. Despite this they still arranged training sessions/events for them to improve their knowledge and skills to effectively compete in the market. Mr. A. B. expressed his experience as follows:

*“We understand that there is no end of learning, therefore training remains as a continuous process in our company”.*

**4.2.2.6 Frequency of training in small and medium companies:** Regarding the frequency of training in these companies, the data indicate that small companies arrange informal internal training sessions comprising 2 weeks (approximately) for operating/working staff and 4-6 weeks for administrative staff; whereas, for managerial or technical staff the arrangement of any formal or informal training is almost non-existent because these companies prefer to have already trained/skilled people in these posts. Compared to small companies, in medium companies (as reported by majority of the respondents) most of the training process remains formal with some exceptions at lower levels. For working staff training consists of 3-4 weeks (approximately); 4-6 weeks at administrative and managerial level; whereas for technical staff, there is no concept of training because these companies prefer to recruit already qualified and skilled people on contract basis or in some cases on permanent basis.

Furthermore, as highlighted by the majority of respondents from medium companies, training remains as a continuous process in these companies. According to respondents, from time to time some events such as seminars, workshops are arranged within company premises as refresher courses.

**4.2.2.7 Budget allocation for training:** As highlighted by the respondents from all small companies, there is no formal budget allocation for training. Contrary to small companies, medium companies allocate a formal budget for the training and development of employees. As indicated by the entrepreneurs of these companies, variably they are spending 2-3% of their turnover on training activities.

**4.2.2.8 Multiple learning aspects of training:** Regarding the learning aspects of training, these companies aim to develop a work force with enough knowledge and ability to properly deal with different stakeholders in and out of the organization. They aim to develop a knowledgeable team of employees in order to achieve better performance. While explaining his point of view, one of the respondents highlighted:

*“We believe that thorough product knowledge is essential for every individual to properly respond to the queries of customers and serve them efficiently. Similarly it is essential for our employees to understand the needs and choices of our multi-ethnic customers. Also they should be able to understand how to act, react or interact with others”.*

Mr. M. K. of the same company added:

*“To achieve our training objectives - learning and development remains as a continuous process in our company. Because of this approach, by the grace of Almighty Allah, our people are knowledgeable, motivated and well behaved”.*

**4.2.2.9 Internal and external training in medium companies:** In medium companies, in addition to internal training, from time to time these companies sponsor external training opportunities for their staff while collaborating with various public and private training institutions. As acknowledged by Mr. A. M., these training arrangements have a clear impact on performance of these companies:

*“In addition to internal training sessions, our managerial and professional staff avail some outside training opportunities provided by different public and private sector institutions.*

*These inside and outside training events have been contributing in improving ability and performance of our employees”.*

For the operational staff, training approach of medium companies remains both formal and informal directed and supervised by respective heads of different departments. While highlighting training process of his company, Mr. A. S. said:

*“We arrange 4-6 weeks training sessions for our employees. A skilled staff member of the respective department is deputed to provide practical training to newly recruited employees keeping in view the prescribed training schedule of the company. The procedure remains formal or informal according to the nature of the event being covered”.*

#### ***4.2.2.10 Long-term training in medium companies compared to small companies:***

Furthermore, it has been identified that the training process in small companies remains limited to few weeks and it is arranged only for new comers soon after their joining; whereas, in medium companies, training remains as a continuous process through external and internal arrangements. For example, Mr. A. B. from a medium company told the researcher:

*“We believe with continuous training process instead of any particular training events for a limited period of time. Everyone from top to bottom goes through company’s training process. We understand that no one is perfect, therefore there is no end of learning”.*

#### ***4.2.2.11 Medium companies are more concerned about training compared to small companies:***

The above discussion indicates that medium companies are more concerned about training and development of their employees as compared to small companies. The participants emphasised that all types of employees must be well informed about overall systems, procedures and working environment of the company. As reported, ‘*refresher courses, workshops, seminars, group discussions and performance evaluation meetings*’ continue as a regular process in these companies.

Table 4-3 provides a comparative view of the training process being followed by small and medium companies. It provides a summary of the training practices and procedures of small and medium companies. A comparative view of the data inserted into the table reflects that both types of companies have their own ways of training their people at work. Small companies took only limited initiatives to train their employees. Formal and organized

training was non-existent in these companies. They spend a little of their budget on training and hence training remained a secondary priority in these companies. On the other hand, medium companies were found to be doing more to provide training opportunities for their people through internal and external sources. They were much more formal and organized compared to small companies with regards to their training programmes.

**Table: 4-3: A comparative view of training in small and medium companies**

<b>Training process</b>	<b>Small companies</b>	<b>Medium companies</b>
<b>Orientation</b>	Informal orientation for few hours for technical/managerial staff; little formal orientation for operational staff.	Formal orientation sessions for all types of employees; however orientation session for junior staff lasts only few hours.
<b>Venues</b>	On-the-job training with exception of few off-the-job assignments/workshops for high ranking employees.	Simultaneous use of on-the-job and off-the-job training. Most of off-the-job training is reserved for high ranking employees; whereas, majority of operational staff receives on-the-training.
<b>Formalization</b>	Most of training process remains informal for all types of employees except for few top positions.	Most of training process remains formal for all types of employees except for few lower positions.
<b>Sources</b>	Internal (within company premises).	Internal and external
<b>Tools / methods</b>	People receive training under direct supervision of seniors. In addition, some individual assignments and group workshops.	Conferences, seminars, workshops, individual assignments, group assignments, group discussions, review meetings, outdoor visits to other companies.
<b>Training events</b>	Familiarizing people with the company, its products, its employees, its customers, about their jobs, roles and responsibilities, and developing an appropriate behavior among them to deal with company stakeholders according to the needs and requirements of the company	Familiarizing people with policies and strategies, goals and objectives processes and procedures of the company. Providing necessary training about company products, services, job designs, job requirements, health and safety, and developing an appropriate behavior to deal with company stake holders
<b>Training budget</b>	No allocation of any formal budget	Formal allocation of the budget

**Source:** Primary data converted into table by the researcher

### 4.2.3 Rewards Management

**4.2.3.1 Differentiated rewards for the people performing at different positions:** The primary data reflected some important strategic aspects of employee rewards and benefits prevailing in these companies. It was found that both types of companies (small and medium) observed a strategy of differentiated rewards for employees working at different levels. In other words people working at top, middle and lower levels of management received different rewards (high, average or low rewards) on the basis of different nature of their jobs and also because of their different qualifications and skills to perform at different positions. For instance Mr. S.M. shared his views as follows:

*“We pay differently to our staff working at higher, middle and lower levels. In our company technical people receive higher wages as compared to the administrative staff, and administrative staff receives higher wages as compared to non-technical lower staff; whereas managerial staff of the company stands at the top level of company’s rewards management”.*

Mr. R. M. of the same company added:

*“This differentiated package of wages is the result of different qualifications and skills of different categories of employees; however, we pay similar wages to the same category of our employees”.*

Furthermore, it was found that people working at the same level with different qualifications, experience and length of service were paid differently. Particularly it happens in medium companies where managers and supervisors working at the same level are rewarded differently. Disparity of rewards is more common in medium companies; whereas, in small companies (with some exceptions) people are paid on equal basis at similar positions. Overall, people in small companies have been found more satisfied about the reward system of their companies.

Most of the entrepreneurs/owner managers of medium companies favoured the approach of differentiated rewards and associated them with difference of inputs and outputs. Mr. G. S. mentioned his experience as follows:

*“It is the policy of the company to maintain parity of rewards among employees with similar inputs (ability and efforts) and similar outputs (results). However, it is not possible to apply*

*the same approach to the employees with different inputs and outputs. Indeed the concept of different rewards is linked with qualifications and contributions”.*

He further added:

*“To dispel any feelings of disparity among our employees, we apply our moral and social influence to remind and convince them that differentiated rewards are linked to different ability and outputs of the people working even at similar positions”.*

#### **4.2.3.2 Small companies**

***Similar rewards for the people performing at similar positions:*** A majority of respondents favoured an approach of similar rewards for the people working at similar positions to dispel any impression of favouritism or discrimination among employees. Mr. H. B. favoured the policy of equal rewards for the people working at equal level and said:

*“We pay equal rewards to our employees working at equal levels. I personally feel that uniformity of rewards develops a sense of optimism among employees. It develops psychological satisfaction and a sense of togetherness instead of any rivalry or mutual jealousy among employees”.*

The data indicates that people working at similar levels with similar work schedules receive similar pay in a majority of small organizations. However, some difference of pay was reported on the basis of different length of service while working in the same organization. According to respondents, in small companies because of generalized roles and frequent job rotations, people are rewarded similarly.

#### ***Issues associated with similar rewards in small companies***

According to the majority of respondents, people in small companies were concerned about similar rewards for the people performing at similar positions. They were in the favour of performance based rewards. However, as highlighted by entrepreneurs (in small companies), performance-based rewards were not possible because of inability of small companies to conduct appropriate measures of performance. Indeed, in small companies because of generalized nature of jobs and frequent rotations and transfers from one position to another position, it was not possible to give credit of performance to particular individual or group of



individuals. Therefore, it looks more fair and sensible to allow equal or similar rewards for the people performing at equal levels.

The majority of respondents (14 out of 18; 78 %) from both small and medium companies were found in opinion that size and structure of an organization plays an important role in determining its reward system. Analysis of the data suggests that differentiated rewards are more feasible and effective in a decentralized organizational structure with specialized nature of jobs compared to centralized organizational structure with generalized nature of jobs.

***No concept of performance-based rewards in small companies:*** Furthermore, it has been found that there is no concept of performance-based rewards in small companies. They argued that in a mixed and generalized working environment it was not possible to measure people's performance on an individual basis because overall performance would be the result of collective efforts instead of individual efforts. Therefore, as they suggested, performance-based reward system is not relevant to these companies. Mr. R. M. favoured non-performance based reward system as follows:

*"We measure performance of our employees on the basis of their efforts and commitment, instead of results or outputs. I personally believe that performance-based rewards are not feasible in small companies with generalized nature of works and organizational structures".*

Mr. I. K. of the same company remarked that performance-based rewards may affect morale and confidence of those who are paid less because of their low performance. He remarked:

*"Non-performance based rewards in our company are directed to dispel any impression of inequality or discrimination among employees. It is better to appreciate high performers and to help low performers to improve their performance to become at par to their fellows".*

In short, small companies prefer to allow similar rewards for the employees working at similar levels with similar work schedules to build up a sense of equality among employees. Performance of the people is judged on the basis of their efforts instead of their outcomes.

#### **4.2.3.3 Medium companies**

***Performance based rewards are preferred in medium companies:*** Contrary to the situation in small companies, it was found that medium companies preferred performance based

rewards at all levels except among those who are deputed to perform group tasks. Mr. A. S. argued in favour of performance based rewards as follows:

*“Performance based rewards encourage good performers and let the low performers realise the importance to improve their performance; whereas equal rewards regardless of high or low performance of employees discourage high performers and keep low performers at similar performance level for the longer time”.*

**Medium companies are more formal in setting rewards compared to small companies:** The data highlight that medium companies are more formal in setting rewards for their employees as compared to small companies. Medium companies prefer to make written employment agreements with their employees; whereas, small companies prefer to make oral agreements. As suggested, written agreements leave a little room to discriminate between employees working at equal levels. Contrarily, small companies prefer oral agreements (particularly at operational level) and make changes in the rewards while seeing employee’s attitude at work in terms of his interest, punctuality and efforts.

**Comparative view of rewards management in small and medium companies:** Table 4-4 gives a comparative view of rewards management in small and medium companies.

**Table 4-4: Rewards management in small and medium companies**

<b>Small companies</b>	<b>Medium companies</b>
With few exceptions at top level, most of the process remains informal	With few exceptions at lower level most of the process remains formal
Differentiated rewards for the people performing at high, middle or lower levels	Similar approach (of differentiated rewards) is functional in medium companies (as in small companies)
Similar rewards for the people performing at similar positions	Similar as well as differentiated rewards for the people performing at similar positions (both approaches are functional)
No concept of performance-based rewards because formal performance reviews are non-existent in these companies	Performance based rewards at managerial and administrative levels, generalized rewards at lower levels
Rewards management is centralized for all types of employees	Rewards management is centralized for high ranking employees, and decentralized for low ranking employees.
An overall tendency of average rewards	An overall tendency of high rewards
In most of cases Informal / oral agreements	In most of cases, formal/written agreements

**Source:** Primary data gathered through case studies

**4.2.3.4 Islamic spirit of economic satisfaction and motivation of employees:** The empirical investigation further reveals that employers of these companies because of their religious perspective give high importance to the economic welfare of the people. According to the majority of respondents (12 out of 18; 67 %) from both small and medium companies, they pay their wages/salaries regularly on daily, weekly and monthly basis according to the agreed terms and conditions with their employees. On special occasions such as celebrations/annual days (such as Eid Festival - annual celebratory holiday for Muslims after one month of fasting and Pakistan's Independence Day on 14<sup>th</sup> August) they are paid extra wages in addition to their regular wages. As pointed out by a majority of respondents, 'Qarz-e-Hasana' (loan without interest) is a leading reward extended to their employees by these companies. To take care of financial expenditures for emergencies such as disease or death of their close relatives, employees are supported by Qarz-e-Hasana (loan without interest). They receive in chunk and pay back through small instalments. There is also a trend in these companies to make 'collections' (raising individual contributions) to provide non repayable financial support to the needy, enabling them to meet their unforeseen major expenditures. Mr. S. K. quoted the saying of The Holy Prophet (peace be upon him) as follows:

*"Allah has placed who are around you (workers) under you; they are your brothers and sisters, so provide them with clothes you like for yourself and provide them with the food you yourself like to eat and do not put so much burden on them that they are unable to bear, Also lend your help to them".*

Mr. A. H. expressed his further views as follows:

*"It is the religious duty of an employer to provide with social and economic satisfaction to his employees in return for their services for the company. A happy and satisfied employee proves a valuable asset for the company and devotes his all efforts to achieve company's goals and objectives".*

Mr. S. M. of the same company suggested that an Islamic approach toward rewards and economic welfare of the people contributes in retaining competent and committed people with the organization. He asserted:

*"Islamic reward system is not limited to prescribed / legal rewards but also includes much more informal financial benefits for those who devote their time and efforts for others".*

He was also of the opinion that:

*“Question of economic welfare and prosperity of employees is very much important for the employers who are interested to get motivated employees”.*

In short, a religious influence is quite evident in the overall reward systems of these companies. Their formal reward systems like salaries and wages are controlled by formal procedures; however, their informal rewards are under the influence of Islamic culture of benefitting human beings. Informal rewards such as Qarz-e-Hasana (loan without interest), paid leaves to meet emergencies and extra pay on special occasions provide a true reflection of Islamic values.

**4.2.3.5 The role of values such as honesty, equality, humanity and generosity in winning motivated and loyal employees:** The primary data reflects the role of ‘honesty, equality, humanity and generosity as a mix of leading factors of value systems of both small and medium companies. The respondents from all cases expressed their commitment to treat their people fairly, justly and sympathetically regardless of their personal backgrounds. Mr. S. H. asserted:

*“Honesty remains as a priority factor in the process of hiring and retaining people in our organisation. They [employees] are selected purely on merit basis instead of any favouritism”.*

Mr. G. S. from a medium company (construction and letting services) expressed his views as follows:

*“We do our best to fulfil agreed terms with our employees fairly and justly. Similarly we value those people who act and react fairly and truthfully while performing their roles and responsibilities”.*

The entrepreneurs expressed their firm commitment to treat their employees on an equal basis regardless of their higher or lower positions in the organisational structure. Mr. T. K. commented as follows:

*“People contributing equal inputs in terms of their ability and efforts receive equal pays and fringe benefits. They enjoy equal respect in the organization regardless of their job titles in the organization”.*

Mr. H. B. remarked:

*“In our company, there is no room for favouritism or discrimination among employees. Keeping in mind the equality factor, we are used to of selecting, and inducting people at different positions on the basis of their aptitude and ability instead of any personal likes or dislikes. ”.*

The participants expressed their firm belief that honesty plays a vital role in winning loyal employees through developing a good reputation and trustworthy image of the organization in the minds of employees. Mr. A. M. clearly acknowledged the role of honesty and fair play in the success of his company as follows:

*“We are pursuing hard to develop an image of honesty and credibility at all levels, everywhere and in every situation to ensure a long term success for our organization”.*

In continuation of religious and value-based system of these companies, the researcher discovered *‘some unique and exceptional features of employee motivation’* in these companies. An analytical view of these features including some leading extracts from the original views of respondents is presented in the following sub-sections.

**4.2.3.6 Paying over and above the agreed terms and conditions:** As indicated by a clear majority of respondents (13 out of 18) pay packages remain fixed as agreed between employers and employees; however, as highlighted by the majority of entrepreneurs, periodically they pay some amount of money over and above the agreed terms and conditions as good will gestures, and in order to keep people happy at work.. In their view, this was an important motivational strategy of these companies. During special occasions/celebrations (such as birth days) people were paid special bonuses in addition to their normal wages.

Mr. M. K. shared his views as follows:

*“Our financial rewards always remain over and above the agreed terms and conditions. Normally company pays higher than the minimum level of wages as prescribed by the government”.*

Mr. M. S. shared his views in this regard as follows:

*“During annual celebrations/special occasions, it is our policy to pay extra wages to our employees in addition to their normal wages. We believe that financial satisfaction is a real source of employee motivation at work”.*

The respondents were of the opinion that standard wages/pay played only a small role in motivating employees. However, as they suggested, organisations need to do more in terms of extra incentives to motivate employees.

**4.2.3.7 Providing peace of mind through non-discriminatory rewards:** An approach of similar, non-discriminatory rewards for the employees working at similar positions played an important role in motivational process of these companies. Particularly, entrepreneurs from small companies were of the opinion that non-discriminatory rewards (equal rewards for the people performing at similar positions) provided ‘*peace of mind*’ and ‘*psychological satisfaction*’ (self-satisfaction about job, reward and organisation) to the employees that they were at the right place to fulfil their needs and expectations. In return they focused all their efforts to meet the needs and requirements of the organisation.

**4.2.3.8 Higher than normal rewards:** As reported above, to get employees motivated at work, medium companies paid higher than minimum pay (as prescribed by the law) to their employees. In their opinion, higher rewards were a real source of employee satisfaction and motivation at work. Mr. A. S. commented in this regard as follows:

*“We understand that higher rewards in terms of financial benefits provide a real satisfaction to employees and they prefer to make their career in the same organisation instead of searching other opportunities”.*

While examining some data about turnover rate of these companies, it was interesting to find that the turnover rate in these companies remained at minimum level and it rarely happened that any employee left the job to take a better opportunity elsewhere. As reported by the participating entrepreneurs, quite a few people left these companies for personal reasons rather than because of any complaint or issue with these companies.

#### 4.2.4 Employment Relations

**4.2.4.1 Relations based upon Islamic spirit of brotherhood:** Islamic spirit of 'brotherhood' is the essence of mutual relations in these companies. While giving a perspective on the mutual relations in his company Mr. A. H. quoted the sayings of Holy Prophet: "*Muslims are like brothers'; Muslims are like single physical existence, if any component feels stress and pain the whole existence feels anxiety and trouble*".

Mr. R. M. of the same company highlighted his company's pledge to follow teachings of the Holy Prophet regarding mutual relations of its employees. Mr. R. M. of the same company acknowledged the role of religion in shaping working relations in his company as follows:

*"Our mutual relations are based upon Islamic principles. People behave like brothers and sisters and extend their selfless cooperation to each other. They feel pleasure to help and guide each other in addition to performing their own responsibilities"*.

Mr. H. B. quoted sayings of the Holy Prophet (PBUH) about mutual relations and brotherhood as follows:

*"God loves kindness when you deal with any matter'; You will not enter into paradise until you have faith, and you will not have faith until you love one another'; 'The best of mankind is one who is beneficial for others'"*.

In the light of enlightened sayings of the Holy Prophet, these organizations aim to develop a culture of 'mutual interest' and 'mutual respect' instead of the culture of self-interest only. Mr. H. B. expressed his pledge to follow and encourage Islamic principles of brotherhood in his organisation as follows:

*"We are pursuing to establish a working environment where our employees sacrifice for each other, they love and respect each other and they are courteous and cooperative to each other"*.

Mrs. H. B. endorsed the views of her husband and added: "*We want a culture of 'mutual respect' in our company, where people call proper names of each other; they speak softly and politely with each other; and they do not pass insulting remarks against their colleagues"*.

It has been found that small companies place greater importance on the Islamic spirit of mutual relations and brotherhood than medium companies. Indeed, a majority of staff in small companies belong to the Muslim and Pakistani community; therefore, they can develop their mutual relations according to the teachings of Islam. People working in medium companies belong to diverse backgrounds, therefore, it is not possible for entrepreneurs of these companies to over-emphasise and implement Islamic ways of relations as possible in small companies.

**4.2.4.2 Mutual trust and confidence:** In the light of Islamic spirit of brotherhood, these companies (both small and medium companies) aim to develop a culture of mutual trust and confidence in their companies. *‘Mutuality of relations and team work’* were the main attributes of employment relations in these companies. Mr. A. S. commented in this regard as follows:

*“We are pursuing a culture of working relations where people are friendly, open-minded and well-behaved; where people work as a team and are a source of help, guidance and motivation for each other”.*

**4.2.4.3 Difficulties in maintaining a desired level of mutual trust and confidence in medium companies:**

Good working relations were reported at all levels in small companies. However, medium companies were reported as facing some problems in maintaining good working relations and a true sense of mutual trust and confidence. These difficulties were mainly linked to the diverse background of the employees working with them. Mr. S. R. highlighted the situation as follows:

*“On our part, things have always remained straight and fair; however, some incidents of misunderstanding and mistrust have been seen among individuals and groups belonging to different ethnic backgrounds. Sometimes a situation of mistrust leads exchange of words and generates conflicts among them”.*

Mr. A. B. of the same company added:

*“We cannot afford to let loose a situation of mistrust or conflict in our company. Instead of keeping ourselves [management] on the side, we involve and play an impartial role to settle down these issues, to restore an environment of peace and mutual trust among them”.*



As commented by all respondents in medium companies, they do not get involved in the ethnic politics of their employees and do their best to maintain the impartial role of the company to resolve these issues and achieve a desired level of mutual trust and confidence among staff. For example, Mr. A. S. confidently told the researcher:

*“Our present is better than our past, and we need to continue our efforts to achieve an ideal situation in future”.*

**4.2.4.4 Informal relations:** Instead of formal relations, it was found that most of (5 out of 7) these companies preferred informal relations among their employees. As mentioned by a number of entrepreneurs, they were in favour of developing a work environment where people felt at ease and comfortable while interacting and collaborating with each other. They were of the opinion that people should be allowed to perform their jobs in a flexible work environment instead of one involving strict work schedules lacking a health work-life balance. Mr. I. K. expressed his views in the favour of informal and flexible working relations as follows:

*“I firmly believe that informal working relations play an important role in developing an atmosphere of togetherness (collectivism) among employees. They look like friends instead of just as work fellows/colleagues. Contrarily, formal working relations generate undue distance among employees which results in the form of non-social and isolated (individualism) working environment”.*

Mr. J. R. expressed his opinion as follows:

*“In our company people are allowed to exchange views of their mutual interest with each other even during working hours. They frequently consult each other to perform better. Instead of keeping them limited to their own departments, they are inclined to share responsibilities of others during quite times”.*

Mr. T. K. expressed his experiences as follows:

*“I understand that people feel more comfortable in an informal and voluntary working environment. They are expected to perform better where work schedules are accommodative and flexible. People display more loyalty to the organization where they can make friends and where they are covered by their work fellows in the case of emergencies”.*

**4.2.4.5 Informality of employment agreements:** Informality of relations was also evident with regard to the employment agreements between employers and employees. Small companies were found more informal as compared to medium companies. They preferred oral and informal agreements with their employees; whereas, medium companies were inclined towards a mixed approach of both formal and informal agreements. Overall, these companies favoured '*formal agreements for higher positions*' and '*informal agreements for lower positions*'. While arguing in favour of informal/oral agreements Mr. H. B. said:

*“Oral agreements are flexible and more effective as compared to written agreements. In the case of written agreements there is a danger of legal proceedings against each other if either party violates the agreements. Whereas oral agreements facilitate both parties to terminate the agreements if circumstances have changed and it looks difficult to continue as per conditions of the agreement”.*

**4.2.4.6 Informal/oral agreements contain vulnerability of violations:** A majority of respondents from small companies were found in favour of oral and informal agreements; whereas, in medium companies, majority of respondents were found in favour of formal agreements. Overall, a notable number (11 out of 18; 61 %) of respondents from both companies argued in favour of formal/written agreements. In their opinion informal/oral agreements were based upon moral grounds and therefore, always remain at risk of violation by any one or both parties. As commented by Mr. S. M.:

*“Uncertainty in employment relations is the result of informal agreements in our companies. Employers keep people under the fear of termination, and employees quit their jobs as soon as they find better opportunities. These agreements are violated by both parties even on petty issues”.*

Mr. M. K. favoured the formal/written agreements by expressing his views as follows:

*“Informal agreements sometimes become a blackmailing tool against each other, where both parties exploit weaknesses of each other; whereas, in the case of formal agreements, both parties become careful and abide by these agreements to avoid any sort of legal proceedings against each other”.*

**4.2.4.7 Islamic spirit of fulfilling employment agreements:** The data indicated that there was a general trend in these companies to respect agreements with their employees in the light of

the teachings of Islam. It was a part of their faith to fulfil the agreed terms and conditions with their employees. Violation of agreements was considered a gross misconduct on the part of both parties – employer and employees. A number of respondents quoted the sayings of the Holy Prophet about sanctity of mutual agreements and their pledge to abide by these agreements. For instance, Mr. R. M. quoted the sayings of the Holy Prophet as follows:

*“Always keep your promises’, ‘He has no religion, who does not fulfil his agreement’”.*

He pledged to follow these agreements as follows:

*“We do our best to fulfil all types of our agreements with our employees to provide them a piece of mind while living and working with us”. By doing so, we make sure to act upon the saying of the Holy Prophet (PBUH)”.*

In this regard, Mrs. S. M. asserted her opinion in the following words:

*“It is an obligation on every believer to fulfil his all types of agreements with others to maintain a true relationship with his religion”.*

Some other participants also quoted the teachings of Islam from Quran and Sunnah (the sayings of Holy Prophet) and showed great importance to the fulfilment of contracts and promises. In their opinion, Islam requires a Muslim trader to keep up his words, promises and contracts with all stakeholders, which ultimately helps him to maintain the element of trust.

**4.2.4.8 A culture of consultation:** The primary data further revealed that ‘a culture of consultation’ played an important role in strengthening mutual relations of employers and employees in these companies. As highlighted by a number of respondents from small and medium companies, entrepreneurs were consulting their employees regarding the decisions affecting their personal and working life. Mr. S. K. elucidated as follows:

*“I personally believe consultative and democratic approach develops close relations between the management and employees, whereas authoritative approach widens the gap between management and employees and they remain suspicious against each other. I understand that top management should duly consult its employees while taking decisions directly impacting their personal and organizational lives”.*

**4.2.4.9 Equal status and respect for all regardless of designations in the organization:** As revealed by the majority of participants, job titles were used for running the day to day practical affairs of the company instead of using them as status symbols. The data indicates that there is less evidence of any power distance between the boss and subordinates or seniors and juniors in these companies, particularly in small companies. Mr. S. M. highlighted some important features of employment relations in his company as follows:

*“We are friendly and democratic towards our employees. We respect their views and suggestions and involve them in decision making process. There is no concept of seniors and juniors in our company. We do not use the word ‘employee’ in our company; rather we use the words ‘brother’ ‘friend’ or ‘associate’.*

Mr. M. K. expounded his view as follows:

*“I personally understand that frequent use of the terms ‘boss and subordinate’ should be avoided. The difference of designations should be used for identification and to run day to day affairs of the company instead of using them to show prestige or status in the company”.*

The above quoted extracts from the interview transcripts reflected a culture of equality and mutual respect in these organizations. People were treated on an equal basis regardless of their higher or lower position in the organisation. This type of tendency on the part of employers and employees contributed to the development of trustworthy relations between them.

**4.2.4.10 Appreciating and recognizing good performers:** As highlighted by a number of respondents, the culture of ‘*appreciation and recognition*’ played an important role in building better relationship between the employers and employees. As they suggested, good performers should be duly recognized and appreciated by the management for their efforts and contributions for the company. In the words of Mr. R. M.:

*“Dynamic and devoted employees are the real capital for a company. They are the real friends of the company and always remain willing to provide a sincere and selfless support to achieve its goals and objectives”.*

Many other respondents were of the opinion that organisations needed to encourage a culture of appreciation and recognition in their work environment to provide psychological satisfaction for their employees. For example Mr. M. K. explicated as follows:

*“When an individual working at senior level appreciates an employee working at junior level, the latter is encouraged and feels psychological satisfaction after listening the appreciating remarks from his senior; also, it develops a healthy competition among employees to perform better in future”.*

The above extracts clarify the views and feelings of the respondents and highlight a general orientation in these companies towards encouraging a culture of appreciation by duly acknowledging the efforts and contributions of good performers.

***Use of social motivators:*** It has been identified that social motivators are equally as important as economic motivators. A number of respondents from small companies were of the opinion that social motivators were more powerful as compared to financial and economic motivators. In their opinion, elements like courtesy, cooperation and kindness played more important role than financial incentives. About motivational approach of his company Mr. S. A. rationalised as follows:

*“In addition to give financial incentives, we are using social and moral influence to motivate our employees. We believe that politeness, patience, courtesy, cooperation, help and guidance are more powerful motivators as compared to monetary benefits”.*

**Figure 4-1: Managerial tools preferred by entrepreneurs to motivate people at work**

**Source:** Primary data gathered through case studies

Mr. R. M. also expressed his views as follows:

*“We understand that selfless motivation is better than selfish motivation. To motivate our employees, we prefer to mix up with them to share their roles and responsibilities. We help them in resolving their personal and job related problems. In our company people are respected on the basis of their efforts and contributions instead of their designations”.*

A number of entrepreneurs proposed that using requests instead of orders encouraged the cooperation of operating staff. They suggested that orders are obeyed as compulsions; whereas requests are followed with motivation and inspiration.

Figure 4-1 reflects an overall culture of motivational process in small and medium companies participating in this study. These companies aimed to motivate their employees by the provision of attractive rewards, friendly relations and better work environment.

**4.2.4.11 The values of optimism and positivity bringing employers and employees close to each other:** The respondent companies promoted a value system of positivity and optimism to manage employees in a better and effective manner. As reported by the majority of respondents, positivity and optimistic feelings about potential and performance of employees brought employers and employees closer to each other. Mr. S. H. enlightened the researcher as follows:

*“We do not raise questions about credibility and reliability of our employees. We see things positively. It is our utmost effort to develop a culture of correction instead of criticism. We understand that an orientation of pessimism leads to doubts and confusions, whereas optimism leads to trust, harmony and good working relationship among employees”.*

Mr. I. K. expressed similar views and said:

*“It is preferable for a company to be optimistic and see brighter side of the picture. An open secret of our success in the market is that we are optimistic, positive and friendly towards our employees and resultantly we are receiving similar response from our employees”.*

Many other respondents expressed identical views and emphasised upon the role and importance of ‘*optimism and positivism*’ in developing better relations between employers and employees.

**4.2.4.12 Leniency and politeness:** The investigation indicated that the owner-managers of these companies displayed leniency and politeness while advising people about their mistakes instead of anger. Open criticism and use of insult was taboo in these companies. Mr. M. S. described the phenomenon as follows:

*“We avoid hurting/giving tough times to our employees on their mistakes. Whenever they commit any type of misconduct within company premises, we call them in person and sensitise them about their undesirable behaviour and politely remind them to change their behaviour in future”.*

About disciplinary actions against employees he clarified as follows: *“Disciplinary tools are used as a matter of last resort, when no way is left to correct the situation”*.

Mr. S. R. quoted some insightful examples about the culture of politeness being observed in his company as follows:

*“We avoid dictating or pressurizing our employees by using the words/phrases such as: ‘do it as early as possible’, ‘must do it’, ‘why you are late’, and ‘I am not satisfied with your performance’. Rather we use some sober and appropriate words to remind or sensitise them about their performance, for examples: ‘Could you do it for me’, ‘I expect you would perform better in future’, ‘you are like my brothers’, ‘please let me know for any type of help or guidance’.*

**4.2.4.13 Undue advantage of leniency and tolerating behaviour:** It was reported by a majority of participating entrepreneurs/owner managers that some of their employees took undue advantage of religious culture of these companies. Employees lacked the spirit of reciprocity in response to the company’s concessions for them. Mr. R. J. commented on the situation as follows:

*“Some of our employees are taking an undue advantage of our leniency and tolerating behaviour towards them. They consider their jobs as a routine matter. They are looking more interested to their rights as compared to their responsibilities; whereas Islam equally emphasises on rights and responsibilities of both the employer and the employees”*.

Similar views were expressed by Mr. A. S.:

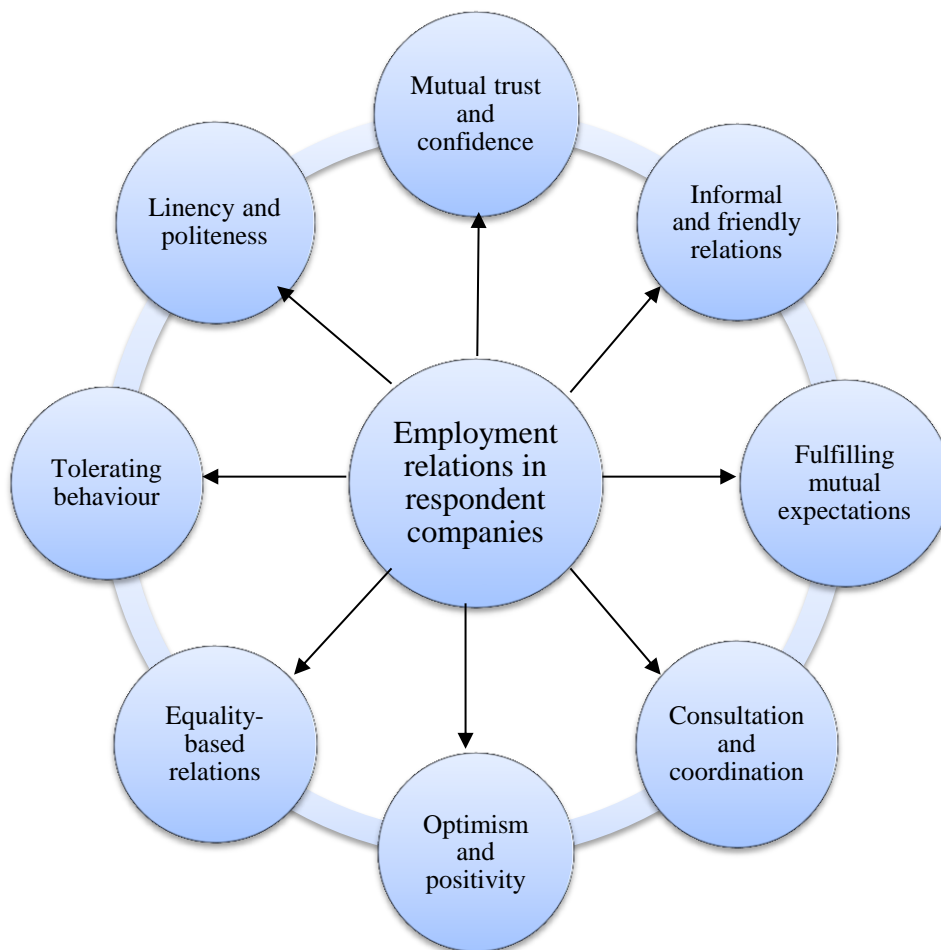
*“Because of company’s tolerating behaviour, a number of employees do not follow work schedules in letter and spirit. It has been seen that some of them keep themselves engaged in their personal matters during working hours”*.

Despite these and other complaints regarding some of the employees, a majority of entrepreneurs were found in favour of acting leniently towards employees. They were of the opinion that patience and tolerance accompanied with continuous moral pressure upon employees was better than any type of disciplinary action against them. Figure 4-2 provides a brief but comprehensive picture of employment relations in these companies.



**4.2.4.14 Indications of individual and group conflicts:** Alongside friendly environment in these companies, a number of respondents (7 out of 18) from both types of companies (small and medium) indicated some incidents/events of conflict in their companies. Most of these events (as highlighted by them) occurred between individuals working in the same department. Employees blamed each other regarding punctuality, regularity and interest at work and also complained about the low performance of their fellows. Similar conflicts were reported between managers and subordinates working under them.

**Figure 4-2: Employment relations in respondent companies**



**Source:** Primary data gathered through case studies

Some conflicts (as reported by some of entrepreneurs) were related to diverse backgrounds of employees. For example, people from different origins or religions sometimes adopted a hostile attitude towards each other. In this perspective, a trend of group formation (on the basis of ethnicity, religion, language) and group conflicts has been reported in some of these

companies. Despite some occurrences of conflict in these companies, overall, good relations were reported by the majority of respondents from all of companies.

#### ***4.2.4.15 Impact of languages and communication patterns on employment relations:***

Languages and communication patterns played an important role in shaping employment relations in these companies. As reported, these companies (particularly medium companies) had a wider mix of staff including British born Asians, Asian migrants, White British and Europeans, with a distinct majority of people from Asian origin. Consequently, their languages and communication patterns were different. British born staff members were fluent in English and preferred to speak English within company premises. On the other hand, Asian migrants and Europeans were less fluent in English and preferred to speak their native languages. As suggested by the majority of respondents from small companies, the use of native languages among people migrating to the UK could facilitated more fluency, clarity and comfort compared to the use of the English language. They can quickly understand each other's point of view and take necessary actions accordingly. As asserted by above quoted respondents, the frequent use of native languages in small companies is contributing significantly to developing and strengthening social relations among people of same community. Mr. S. H. from a small company commented as follows:

*“A frequent use of native languages with employees and customers with similar communication patterns is contributing in developing better relations within company premises among employees and also company relations with customers”.*

Mrs. H. B. further elucidated as follows:

*“We understand that a multi-lingual approach is better for an ethnic company such as ours to grow and flourish in the market”.*

Contrary to above evidence about small companies, medium companies faced some difficulty in managing a diverse workforce with multi-lingual communication styles and orientations. As reported by the majority of respondents, the use of multiple languages was a cause of communication gap in these companies. As they remarked, multilingual communication patterns are damaging a true spirit of harmony and unity among people belonging to different communities. Mr. S. R. described it as follows:

*“Ethnic based communication patterns affect the way towards unity and team spirit among employees. It has been seen that many of our employees keep them at distance from employees of other communities and avoid mixing up with each other”.*

A comparative analysis of the data related to languages and communication patterns in small and medium companies and their relevant impact on employee relations in these companies suggests that nature and size of the company was important in determining a preferable mode of communication pattern. Small companies with a dominant majority of employees and customers from Asian-ethnic background preferred native languages to deal with employees and customers inclined to speak native languages. However, these companies had a small number of British born employees with them to deal with British born English speaking customers.

Contrarily, medium companies with a wider mix of people from diverse backgrounds needed to encourage a more uniform communication pattern to develop cross-cultural harmony among its employees. As reported by five respondents from medium companies, despite allowing to speak in native languages, these companies preferred to use English as a common language to minimize ethnic conflicts and to develop better relations among people from diverse backgrounds.

**4.2.4.16 Religious influence on communication patterns of these companies:** The investigation reflected a clear influence of religion on communication patterns of these companies. As highlighted by the majority of respondents (12 out of 18; 66 %) from small and medium companies, these companies were inclined to encourage Islamic manners of mutual conversation and communication. The respondents quoted some Hadiths (sayings of Holy Prophet Muhammad) to give a reflection of Islamic spirit of communication patterns. For example:

*“‘Say good or keep silence’, ‘always control your tongue while speaking to others’, ‘do not speak harshly, loudly and angrily to your brothers and sisters’”.*

As they mentioned, these words of the Holy Prophet provided some golden principles of communication to the people who intended to live and work together. In the light of these words, these companies were found to encourage a communication environment where

people spoke politely and softly, and avoided speaking loudly or harshly and shunned dominating others. Table 4-5 below displays a comparative view of employment relations in small and medium companies.

**Table 4-5: Employment relations in small and medium companies**

<b>Small companies</b>	<b>Medium companies</b>
Informal relations at all levels	Formal relations at higher level and informal at lower level
Less employee involvement in decision making process	More employee involvement in decision making process
Greater emphasis on Islamic ways of relations	Less emphasis on Islamic ways of relations
Except with few exceptions at the top, Oral/informal employment agreements at all levels	Except with few exceptions at lower level, formal/written employment agreements at all levels
Asian-ethnic influence on communication patterns	Diversity influence on communication patterns
Preferable use of native languages to develop better relations	Preferable use of English as a common language to develop better relations
Flexible working environment	Inflexible working environment

**Source:** Primary data gathered through case studies

#### **4.2.5 Performance management**

The empirical investigation around selected group of companies discovered some valuable information about strategic frameworks used by these companies to achieve higher performance through more effective utilization of human resources. As highlighted by a number of entrepreneurs/owner managers, they aimed to get better results through individuals and groups by placing everyone at right position according to his ability and aptitude. There was a clear allocation of roles and responsibilities. The owner-managers monitored the day to day activities of their employees and reviewed their progress towards goals and objectives.

**4.2.5.1 Dissimilarities between small and medium companies:** The data indicated that performance management styles and strategies varied from company to company because of the different nature and size of these companies. Particularly, notable differences were found between small and medium companies. As reported by the participants, the concepts of work distribution, formalization, specialization, decentralization and evaluation (of performance) were preferred in medium companies compared to small companies. Medium companies with a number of employees and large scale operations were inclined to delegate authority and

responsibility down the line to managers and supervisors to facilitate quicker decisions and operations; whereas, small companies because of a small workforce size and fewer operations, preferred a centralized approach to managing and controlling people and their performance. Table 4-6 provides a comparative view of performance management practices in small and medium companies.

**Table 4-6: Performance management practices of small and medium companies**

Performance Management Practices of Small Companies	Performance Management Practices of Medium Companies
<ul style="list-style-type: none"> <li>● Undifferentiated / homogeneous work schedules</li> <li>● Centralized control</li> <li>● Generalized roles and responsibilities</li> <li>● Informal distribution of work</li> <li>● Informal process of monitoring and feedback</li> <li>● Collective responsibility</li> <li>● Informal reviews of performance</li> </ul>	<ul style="list-style-type: none"> <li>● Differentiated / heterogeneous work schedules</li> <li>● Decentralized control</li> <li>● Specialized roles and responsibilities</li> <li>● Formal distribution of work</li> <li>● Formal process of monitoring and feedback</li> <li>● Individual responsibility</li> <li>● Formal reviews of performance</li> </ul>

**Source:** Primary data gathered by the researcher

The following sub-sections provide a detailed analytical view of performance management styles and strategies of these companies.

#### **4.2.5.2 Small companies**

**Uniformity of work schedules in small companies:** Small companies were found using undifferentiated/uniform work schedules for most of their employees. They issued similar work schedules for a majority of their staff to dispel any impression of disparity or discrimination among employees. About the uniformity of work schedule in his company Mr. H. B. shared with the researcher:

*“We do our best to maintain uniform work schedules for all of our employees. Similarly we pay equal rewards to our employees working at equal levels. Every one works for six days - 48 hours per week and enjoys one holiday per week according to his will and choice. We understand that an approach of uniformity and homogeneity helps in dispelling any impressions of disparity in the organizations”.*

As remarked by many respondents, uniformity of work schedules led uniformity of pay, which in turn generated impressions of fair and equal reward in the minds of employees towards the organization and its management.

**Centralized control:** It was identified that small companies favoured ‘*centralised control*’ over people and their performance at work. Everyone was responsible to the proprietor/owner manager of the business about his progress at work. People were required to follow instructions from top management about their day to day activities. There was no concept of middle management in these companies and therefore employees enjoyed close and direct interaction with the management. It was argued by the number of respondents that centralised control facilitated uniformity of instructions and operations. Employees work like a team rather than as of individuals. They feel more freedom and comfort at work. Mr. S. M. argued in favour of a centralised control as follows:

*“Centralised control is better for small companies like ours. We favour this system to keep in touch with our employees and directly monitor their performance. The management can take prompt action to resolve an undesirable situation instead of waiting for days and weeks. Similarly, employees can provide regular feedback to the management about their progress at work and any administrative or operational problems faced to them”.*

**Managers overburdened because of centralised control:** As reported by a number of respondents from small companies, they were over-burdened because of centralised control over administrative and operational matters. Policy making, work schedules, monitoring, problem handling, complaint handling, performance evaluation and decisions from top to lower level, all matters remained under control of top management. Respondents were of the opinion that the centralised structure of their companies was a leading cause of unnecessary delays in all types of decisions and relevant actions to achieve desired level of efficiency and effectiveness.

**Generalised roles:** The data indicated that small companies preferred a ‘*generalised approach*’ towards roles and responsibilities. They were inclined to prepare their people to perform multiple roles instead of any particular roles at particular positions. Participants were of the opinion that people with generalised skills could frequently cover each other in the

case of emergencies. About the importance of employees with generalised skills in his company, Mr. T. K. commented:

*“We understand that generally skilled people are more valuable for us as compared to people with specialised skills. To ensure smooth flow of our administrative and operational activities, we are convinced to train our people to cover each other and perform at different positions regardless of their described roles or job titles in the organisation”.*

Mr. T. K. explicated in favour of generalisation as follows:

*“Our employees are able to prove themselves useful substitutes of each other. They can devote their extra time in busy departments or to back up overburdened individuals. Because of the generalised potential of our employees, we rarely need temporary or part time staff to cover emergencies. We can easily find suitable alternatives of everyone within company premises”.*

A number of other respondents highlighted the fact that generalised styles of work were more effective at operating level where limited skills were needed to perform at semi-skilled jobs; however, this approach was less effective in technical and managerial positions where a higher level of professional ability and skills were needed to meet the requirements of the job.

***Difficulty in recognizing high and low performers because of generalization:*** Despite having favourable views and feelings about generalised approach to operational activities, respondents were found concerned about inability of the management to recognise and differentiate high performers and low performers. All were considered equal and credited on equal basis because of team work and frequent transfers from one department to another. Consequently, high performing people were demoralized. On the other hand low performing people did not bother about their weaknesses and so things continued as usual while damaging long terms interests of these companies. The entrepreneurs highlighted the fact that it was an operational necessity to continue the policy of generalisation; however, they were considering introducing greater individual responsibility through effective distribution of work and keeping a close check on individual activities instead of focusing their attention just on group performance.

***Informal distribution of work:*** Unlike medium companies the process of work distribution in these small companies was undertaken on daily or weekly basis. As reported by the majority of respondents, the process remained informal with flexibility to make necessary changes/adjustments in work distribution where required. Contrary to medium or large companies, reshuffles/rotations were common in small companies. They were making large scale changes into work distribution and work schedules during peak-times. Arguing in favour of work distribution and job rotations, Mr. H. B. expounded:

*“Distribution of work generates a sense of individual responsibility and accountability among employees. At the same time, job rotations/reshuffles develop a sense of team work and collective responsibility among them. We favour existence of dual system in our organisation to achieve efficiency and better performance”.*

Mr. R. M. described his point of view as follows:

*“To develop a sense of individual responsibility and accountability in the minds of employees, jobs are duly distributed among them on daily and weekly basis with the possibility of necessary transfers and rotations. We understand that existence of dual approach of ‘individual responsibility and functional flexibility’ contributes in developing an all rounded dynamic workforce to achieve higher performance in organisations”.*

***On-going process of monitoring and feedback:*** To achieve the desired level of performance, ‘Monitoring and feedback’ remained as a continuous process in these companies. People’s behaviour at work was continuously monitored directly through face to face interaction or through CCTV cameras. As pointed out by Mr. and Mrs. S. M.:

*“We continuously monitor employees’ behaviour at work through cameras or face to face interaction with our employees with regard to multiple things including - their regularity, punctuality, commitment, quality of work and overall contribution for the organization”.*

The respondents argued that continuity of the process (monitoring and feedback) facilitated timely corrections/improvements in order to achieve desired results within specified limits of time. Mr. S. H. emphasised the importance of monitoring and feedback as follows:

*“We understand that monitoring and feedback should be maintained as a continuous process to keep organisations aware about the employees’ performance, and to take measures well in*



*time for the betterment instead of waiting until formal reviews take place and letting things to flow towards deterioration”.*

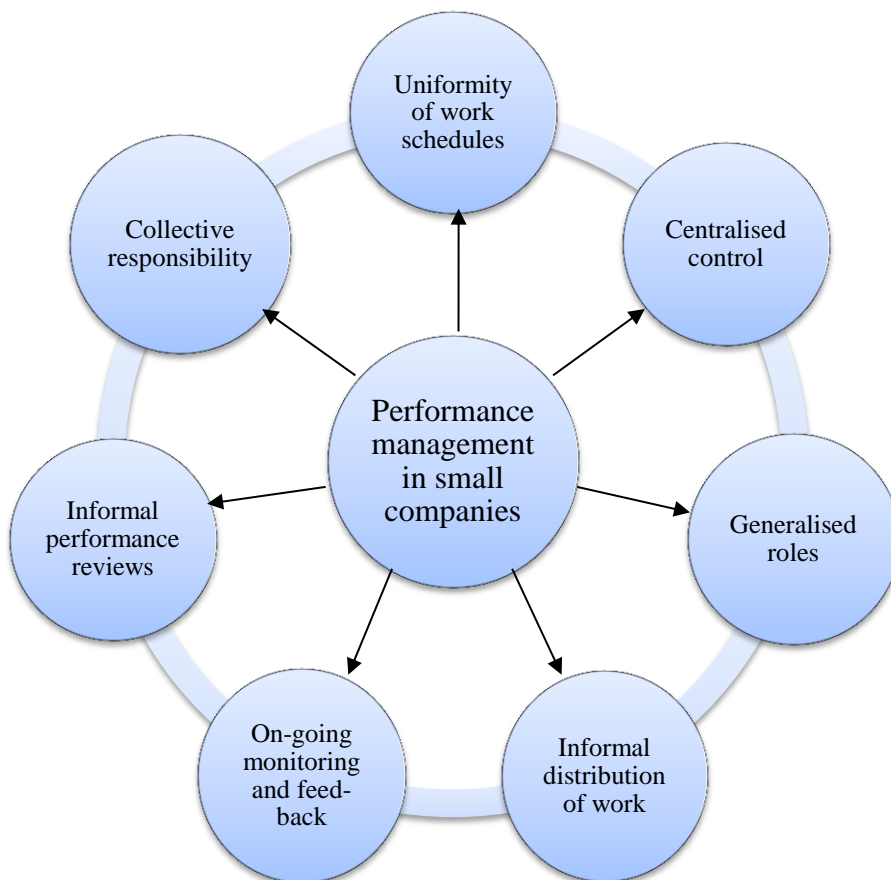
As emphasized by a majority of respondents, management and employees were expected to keep in touch with each other, to exchange information about progress and problems at work and to facilitate quick actions to resolve any undesirable situation.

**Collective responsibility:** In small companies there was ‘collectivism’ where people were held collectively responsible by top management for their performance. The participants highlighted the fact that despite informal methods of work distribution, staff were expected to perform as a team while helping and guiding each other. At the managerial level, few individuals were answerable in person to the top management; however, at the operational/working level, employees were held collectively responsible and accountable for their roles and responsibilities. Mr. S. M. described the situation as follows:

*“We are a small organisation with a narrow organisational structure; therefore, despite the distribution of work among different business units, we prefer collective responsibility. We expect from our employees to support each other despite their different roles in the organisation”.*

The respondents were of the opinion that the concept of collective responsibility worked well where people were generally trained to perform at multiple roles instead of specific roles. In their opinion, team work was the natural result of collectivism and generalization.

**Informal performance reviews:** Alongside monitoring and feedback, these companies also ‘reviewed’ their performance to identify any gaps between targets and achievements. Most of the review process was conducted on daily and weekly basis and remained informal. The objective of the review process (as reported by the respondents) was to identify weaknesses/shortfalls on the part of management and employees and to improve things in future. Figure 4-3 depicts a model providing a quick view of performance management practices of small companies:

**Figure 4-3: Performance management practices of small companies**

**Source:** Primary data gathered through case studies

#### ***4.2.5.3 Medium companies***

***Differentiated work schedules:*** Unlike small companies, medium companies were inclined to apply differentiated work schedules because of heterogeneous nature of their administrative and operational activities. As reported by the majority (75%) of the respondents, there was a wider distribution of work among different departments/functional units requiring people with different abilities and skills. The respondents were of the opinion that differentiated work schedules generated better results where people needed to perform different jobs in different department with different requirements. However, this approach was less effective in the situation where people needed to perform jobs with similar nature and requirements. Mr. S. R. argued in favour of this approach as follows:

*“We observe different work schedules for managerial, technical and operating staff of our company to meet requirements of differentiated role and responsibilities. This approach facilitates effective utilization of human and material resources”.*

The majority of the respondents from medium companies were found in favour of differentiated work schedules for different departments and people working with them to enhance functional efficiency and effectiveness of each and every functional unit of the organisation.

***Decentralized control:*** The data highlighted that as compared to small companies, medium companies preferred ‘*decentralised control*’ over administrative and operational activities. Because of the vertical structure and larger number of staff, these companies delegated authority and responsibility to managers and supervisors to take day to day decisions and implement these decisions according to the needs and requirements of their respective departments or functional units. However, policy decisions were taken by the top management following due consultation with relevant staff members. Mr. A. B. outlined the the situation of decentralised control in his company as follows:

*“In our company, managers and supervisors enjoy full freedom to take decisions and run day to day affairs of their departments. Top management avoids unnecessary involvement into internal affairs of these departments. We are seeking to develop a culture of performance where people enjoy a reasonable level of authority to perform their jobs according to their own ways under the guidance and support of the higher management”.*

Mr. M. S. further added to the situation in his own organisation as follows:

*“We understand that decentralised control is better to ensure quick decisions and smooth flow of company’s administrative and operational activities. Therefore, employees performing at managerial and administrative level should not be held in waiting for any dictations/dictations from top management”.*

#### ***Issues associated with decentralization***

Majority of the respondents (75%) from medium companies were found to be in favour of decentralised control over administrative and operational activities of their companies. However, they pointed out some problems and issues faced by them because of this approach. In their opinion, overdependence on employees performing at middle or lower management

was negatively affecting the quality of decisions and also the overall performance of these companies. Mr. R. S. expressed his concern as follows:

*“Because of the decentralised control, top management mostly depends upon departments/functional units and keeps an indirect control over performance of people at work. This type of indirect control sometimes affects quality of performance and ultimately generates complaints and conflicts between the company and its customers”.*

In the words of Mr. M. A., some managers and supervisors took undue advantage of their authority, resulting in favouritism and bias. Whereas, about the applicability of decentralised system in these companies, Mr. I. K. expounded:

*“I feel, the desired outcomes of decentralisation depend upon competency and sincerity of managerial staff of a company. If they are possessed by require ability and skills to guide, help and control people under them, it gives better results as compared to centralisation”.*

Mr. T. K. of the same company endorsed his views and suggested:

*“Decentralisation proves effective in the situation where managers understand limits of their authority, prefer interest of the company on their personal liking and disliking, provide regular feedback to the company about the progress and problems, and avoid perpetrating any sort of favouritism and discrimination in the decision making process”.*

From this perspective, some respondents were of the opinion that the dual approach of centralisation and decentralisation was more effective in medium and larger organizations. They suggested that key departments such as recruitment, accounting and finance should be centrally controlled; whereas, operational departments such as sales, services, security and caretaking should be decentralised. Similarly major decisions should be taken by the top management; whereas, routine decisions at operational level should be taken by the middle and lower management. Mr. M. S. was found in favour of a dual system and quoted example of his own company as follows:

*“A dual system is working in our company, where over 70% authority has been delegated to the middle and lower staff to ensure smooth flow of operational activities, and also to enhance their trust and confidence with the top management”.*

**Specialized roles:** The empirical investigation further revealed that medium companies preferred the philosophy of ‘specialisation’ instead of generalisation. Most of the entrepreneurs/owner managers were of the opinion that the right person with right ability in the right position performed better and gave better results as compared to a person who became a rolling stone because of frequent transfers and rotations. With regard to a specialized approach of his company Mr. G. S. explicated:

*“Most of our staff at managerial and administrative levels are qualified and skilled to perform at specific positions. They are placed at these positions on permanent basis instead of temporary basis. The objective is to enhance their confidence and competency with the passage of time”.*

Mr. A. B. also commented in favour of specialisation as follows:

*“I am convinced that specialised approach is better than generalised approach of placing people at different positions. Particularly managerial, administrative and technical positions should be filled by the people with relevant knowledge and skills. However, at lower levels generalized approach might be more effective”.*

Some of participants from medium companies were of the opinion that it was not possible to give any hard and fast opinion about applicability of specialisation or generalisation in different companies at different positions. In their opinion, it totally depended upon nature, size and structure of the company in determining the feasibility and applicability of specialisation, generalisation or both of these approaches.

**Formal distribution of work:** Unlike small companies where process of work distribution remained temporary and informal, in medium companies, there was a more formal distribution of work among departments and people according to their needs and requirements. As highlighted by the participants of this research, in small companies the process of work distribution was linked with generalisation; whereas, in medium companies the process was linked with specialisation.

The majority of respondents were of the opinion that people should be allowed to work independently according to the given circumstances without the undue interruption of the top management. They commented that a policy of long-term distribution of work contributed in

building a confident, efficient and skilled workforce with potential to give higher performance to the organizations. About the policy of work distribution in his company Mr. A. S. communicated to the researcher as follows:

*“In our company, there is total distribution of work among departments/functional units to achieve work efficiency and effectiveness. The managers and supervisors are running their departments independently and enjoy full trust and confidence of the top management while performing their roles and responsibilities”.*

Mr. G. S. of the same company added:

*“In our company, managers of different departments are fully authorised to distribute different jobs/tasks among individuals and groups in their respective departments according to their will and choice. Each employee needs to report his manager about his job and performance instead of the top management. The top management does not interrupt into day to day affairs of these departments. The only concern of the company is to get things done according to the desired quality and within specified limits of time”.*

The above examples give a brief view of work distribution and its importance for these organisations.

***Individual responsibility and accountability:*** The data revealed that medium companies believed in the individual responsibility and accountability of their employees. Every Manager/supervisor is answerable to the top management for overall performance of his own department; similarly every individual is answerable to the manager of his own department instead of others. However, in some cases as pointed out by some of respondents, a team or group of individuals were held responsible for its collective efforts and contributions for the organisation. In most of the cases, this happened during the group based tasks. Similarly, about the policy of work distribution and the concept of individual responsibility in his company, Mr. M. A. stated:

*“Every department is responsible to complete its own package of assignments and report back to the top management. Similarly every individual takes responsibility to complete his/her own assignment and report back to the department manager. This process facilitates speedy decisions and speedy actions. It also facilitates clarity of roles and responsibilities and consistent flow of administrative and operational activities”.*

As suggested by a number of respondents from medium companies, individual responsibility made sense with a vertical organizational structure, where work was well distributed, roles and tasks were specialized in nature, there was a clear functional distribution among departments and everyone was accountable for his own area of responsibility. However, as viewed by the majority of respondents, collective responsibility generated better results at work levels in both companies.

***Formal reviews of performance:*** The empirical investigation further revealed that unlike small companies, medium companies were more formal and organized in monitoring and reviewing performance of their employees. The evidence from primary data indicated that top management closely monitored efforts and outcomes of managers and supervisors of different departments to keep them on target. They were required to provide hourly/daily reports of progress in their respective departments. Similarly, managers and supervisors regularly monitored the day to day activities of the people working under them in order to maintain focus. The respondents were of the opinion that a continuous monitoring process played an important role in controlling and correcting things well in time. With regard to monitoring process in his company, Mr. S. K. expressed his views as follows:

*“We prefer to conduct a continuous monitoring process in our company to maintain a proper check and balance for our employees. Their efforts and progress towards goals and objectives are examined on regular basis to identify gaps/lapses in their performance and to take corrective measures side by side”.*

Similar views were expressed by Mr. A. B. as follows:

*“We do not allow things to go towards deterioration. Monitoring and feedback help in taking corrective measures and keeping things on right tracks”.*

Alongside the continuous use of a monitoring process, medium companies conducted formal reviews of employee performance on weekly and/or monthly basis. As reported by the respondents, managers and supervisors were required to submit written reports about their progress and performance at work. These reports helped to identify high performers and low performers. In the light of these performance reports, top management was able to take

appropriate measures to achieve better performance in future. About the role and importance of performance reviews in his company, Mr. Z. S. remarked:

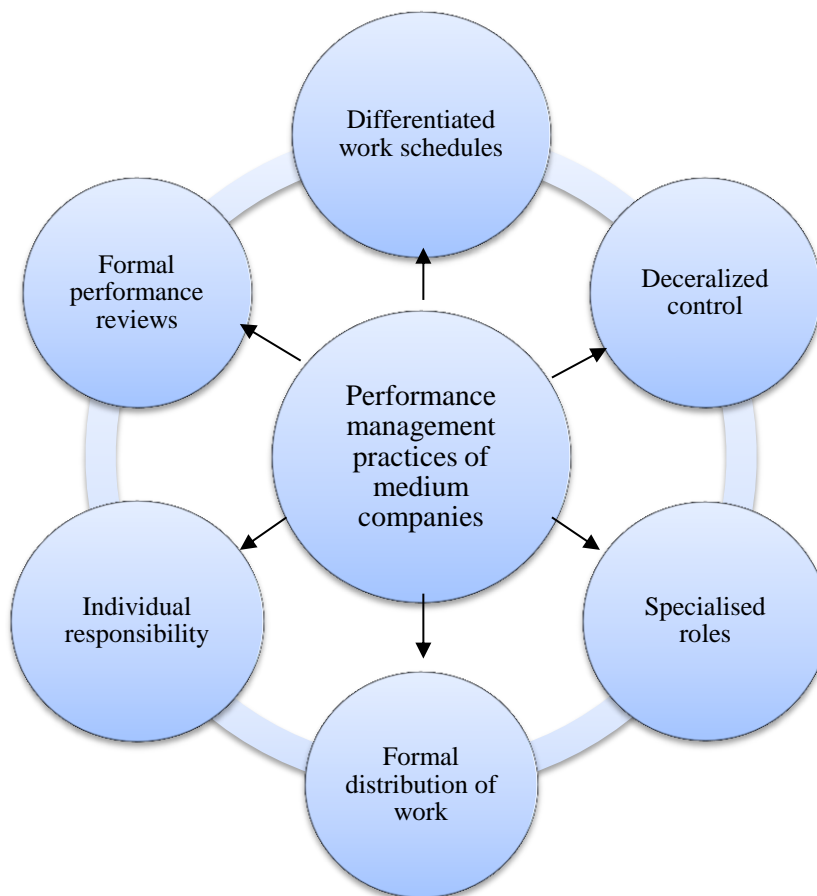
*“A formal process of employee monitoring and performance reviews contributes in enabling companies to correct misdoings well in time to avoid shortfalls/lapses in performance and to achieve their goals and objectives within specified limits of time”.*

Another respondent, Mr. M. expressed his views as follows:

*“Performance review is the essence of pursuing better performance. It is better to take notice of undesired matters well in time instead of allowing them to reach at the point of no return”.*

These views and feelings expressed by the respondents reflect a vital role and importance of regular monitoring and reviews of employee performance to achieve desired level of performance within specified limits of time and resources. Figure 4-4 reflects a brief view of people management practices of medium companies.

**Figure 4-4: Performance management practices of medium companies**





**Source:** Primary data gathered through case studies

**4.2.5.4 Consultative and democratic approach of decision making process:** The religious influence is also evident in decision making process of these companies. The entrepreneurs/owner-managers consulted their employees when taking decisions with regard to training programmes, work schedules, work distribution, transfers and rotations, particularly the organisational decisions impacting on their work roles. This approach was the result of their Islamic socialisation while living in Pakistan. Mr. G. S. quoted one the sayings of the Holy Prophet (PBUH) about consultation and participation of the people in collective affairs as follows:

*“Their all affairs are settled with mutual consultations”.*

While explaining his point of view about Islamic approach of decision making, Mr. G. S. commented:

*“Islam does not allow unilateral decisions by the top executive. It emphasises to take people into confidence while taking decisions impacting their professional and personal life”.*

Mr. M. K. also asserted:

*“The Islamic spirit of employees’ involvement in overall affairs of the company develops an atmosphere of unity and team-work among employees. They show more loyalty and commitment to implement consultative and collective decisions compared to the decisions taken by the few people sitting as the top management”.*

Because of the religious influence, a majority of respondents (13 out of 18) were found in favour of a consultative and democratic approach to take decisions in order to develop trustworthy relations between employers and employees. Contrarily (as they opined) the decisions taken by the top management alone and imposed on people generated confusion and misunderstanding between employer and employees.

**4.2.5.5 Appreciation and recognition:** The majority of respondents (13 out of 18; 72%) from both small and medium companies, duly acknowledged employees’ efforts and contributions. Good performers were encouraged through words of appreciation as well as through extra financial incentives; whereas, underperformers were guided and supported to improve their

performance instead of discouraging or blaming them on their low performance. Mr. H. B. shared some interesting information about motivational culture of his company as follows:

*“We wholeheartedly recognize that the company’s progress and performance is because of our employees. We recognise their efforts and appreciate their contributions. We firmly believe that heartfelt expression of acknowledgement, appreciation and recognition are real source of employee motivation at work”.*

These extracts provide some examples of managerial tools being used to get satisfied and motivated employees.

**4.2.5.6 Putting bearable work burden on employees:** The majority of respondents (11 out of 18) aimed to provide a relaxed and comfortable working environment for their employees. Many of them referred to the Islamic spirit of employment and emphasized the need to put a bearable work burden on their employees. Mr. S. M. highlighted the Islamic spirit of treating employees at work as follows:

*“Islam emphasises to treat employees like brothers instead of slaves; they should be treated as human beings instead of machines”.*

He also quoted one of the sayings of the Holy Prophet as follows:

*“Do not put burden n them that they are unable to bear, also lend your help to them”.*

Another respondent, Me. G. S. articulated his point of view as follows:

*“Islam does not allow putting unbearable work pressure on employees or to throw them in ceaseless work cycles. It requires assigning them bearable work according to their ability and aptitude; also guiding and supporting them at work instead of leaving them alone”.*

Because of the Islamic and Pakistani perspective of entrepreneurs, most of them were of the opinion that extra work burdens and demoralise employees and reduce their performance at work. They were found in favour of a flexible and relaxed working environment; an environment where people enjoyed freedom at work, they could exchange views of their mutual interest and even were able to take paid breaks to deal with their personal appointments. For example Mr. H. B. shared his observation with the researcher as follows:

*“People can perform better in a flexible and relaxed work environment as compared to an inflexible and over-burdened one. We believe with slow and steady approach of work while allowing people to work in their own ways instead of dictating them to perform in our ways”.*

Some of respondents from both the small and medium companies were of the opinion that the Islamic spirit of work management did not mean to keep people inactive or idle while putting low work pressure on them. Rather they were found in favour of difficult and challenging tasks and targets to enhance people’s commitment at work. On the other hand majority of the participants from small (8 out of 10) companies were found in favour of flexible work arrangements to keep people happy at work in keeping with the Islamic and Pakistani culture of work.

Overall, entrepreneurs/owner managers from both types of companies were found as cross-cultural mediators while making a blend of Pakistani/Islamic and British cultures. They aimed at pursuing to develop a work culture where people could follow prescribed work schedules with commitment in addition to have a flexible and comfortable working environment.

#### **4.2.6 Discipline**

The data revealed that there was ‘*soft image*’ of the term discipline in these companies particularly in small companies. Discipline was rarely used as the weapon of fear and punishment as happens in so many large companies. It was mostly used to encourage people to avoid violation of prescribed systems and procedures. As highlighted by the majority of respondents, disciplinary proceedings such as suspension, demotion and termination were used as a ‘*matter of last resort*’ when no better option was left to correct the situation. About application of the concept discipline in his company, Mr. H B remarked:

*“We are pursuing to build-up a positive and soft image of the concept ‘discipline’ in our company. We understand, instead of fear and punishment, the disciplinary measures should be used to keep the matters and our employees at the right place”.*

**4.2.6.1 Limited use of the term discipline in small companies:** Furthermore, it was found that the concept of discipline was more limited in small companies compared to medium companies. Here discipline meant to implement work schedules, to ensure punctuality and regularity of employees and to control employee performance at work. In these companies

(with some exceptions) people were advised about their shortcomings without taking any disciplinary action against them. On the other hand, in medium companies the term discipline covered both soft and hard measures to correct poor performance or the conduct of employees. While giving his vision about the concept of discipline, Mr. M. S. revealed:

*“As I understand, the term discipline does not mean to exploit weaknesses of employees or to keep them under fear of punishment; rather it is an approach to control employees’ behaviour at work and to keep things at right directions”.*

**4.2.6.2 The values of tolerance and kind-heartedness to keep people at right tracks instead of disciplinary measures:** As pointed out by the majority of respondents, they preferred to be polite, flexible, and kind hearted with their subordinates. They avoided taking any serious action regarding employees’ mistakes and omissions. They were of the opinion that no one was perfect, and therefore shortfalls/deficiencies were expected from everyone and everywhere. In their opinion, selfless and sincere relations emerged from ‘a culture of tolerance and forgiveness’ instead of a culture of fear and punishment. In the words of Mr. S. K.:

*“It is not sensible to keep people under fear of punishment or disciplinary proceedings against them. The people who work under pressure remain demoralized and also lose their self-confidence. The companies need to ignore ordinary mistakes of their employees to provide them a peace of mind while living and working with them”.*

The data highlighted the benevolent and kind-hearted approach of entrepreneurs to their employees. They kept in close touch with their employees to help and guide them instead of putting them under pressure through disciplinary measures. In their opinion a gradual approach to correct and improve matters was better than exploiting the shortcomings of employees and expecting prompt improvements. Mr. T. K. expressed his opinion as follows: *I personally believe perfection does not exist and therefore individual mistakes and weaknesses are expected everywhere and in every organization. I understand that tolerating and advising behaviour is more effective to correct shortcomings of employees instead of exploiting their weaknesses”.*

The investigation revealed a culture of benevolence and kind-heartedness in these companies. Because of their religious perspective, entrepreneurs aimed to develop a culture of treating

employees as their family members, instead of considering and dealing with them as subordinates. Mrs. H. B. gave a view of her kind-hearted approach as follows:

*“We always show kind-heartedness to our employees. We treat them like our brothers and sisters instead of sub-ordinates. We look after our employees on the job and off the job. In the case of any family problems, we provide them our moral and social support to get rid of any undesirable situation, even allow them to take a paid leave from the job till the situation normalises”.*

These and other examples provide evidence that respondent companies preferred to establish a culture of moral and social discipline to keep things and people on track instead of taking disciplinary measures such as penalties or punishment against them.

**4.2.6.3 Flexibility of rules and regulations:** The data highlighted flexibility as a leading feature of these companies. They did not believe in a hard and fast system of rules and regulations to control the performance of employees. Work rotas were flexible and adjusted according to the personal circumstances of the employees. People were not kept under strict discipline during their working hours; even they were allowed to attend their urgent appointments outside company premises without losing their pay. The data further revealed that staff were not held to tight schedules and fixed targets. Mr. A. S. highlighted his personal point of view about work and discipline as follows:

*“I do not favour rigidity of the system with tight work schedules and hard & fast work targets. I understand that inflexible schedules and fixed targets demoralize people at work, and they feel it difficult to keep a work-life balance”.*

Similar views were expressed by Mr. S H as follows:

*“We are pursuing a system free of unnecessary rules and regulations, a system where they are not restricted by strict work schedules and are allowed to leave the company premises to deal with their urgent matters or go on leave to look after their families”.*

Another respondent, Mr. S. K. articulated the same views as follows:

*“There is a rare use of the word discipline in our company. We do not want to keep people under fear of disciplinary measures against them. I personally believe with keeping people flexible and comfortable at work”.*

The above examples revealing the views of the respondents reflect a general orientation of flexibility of the system and operations in these companies. Overall, primary evidence indicates that small companies are more flexible compared to medium companies. Small companies are flexible at all levels; whereas, medium companies have been found with somewhat inflexible and rigid systems and procedures at technical and managerial levels.

**4.2.6.4 The disciplinary proceedings as a matter of last resort:** The data indicated that disciplinary proceedings against undesirable behaviour of employees tended not to be initiated immediately. However, after issuing written and oral warnings, if things remain unchanged, companies did take disciplinary action to dismiss the employees who remained unwilling to change their behaviour. However, as mentioned earlier, the concept of disciplinary actions rarely arose in small companies. Mr. T. K. favoured a longer process to correct things without taking any actions to correct the situation. In his opinion:

*“People should be reminded through formal and informal ways about their undesirable behaviour at work. If there is no other way left to correct the situation, a disciplinary action can be proposed as a matter of last resort to mend the situation”.*

**4.2.6.5 Multi-disciplinary image of medium companies:** The participating entrepreneurs/managers from medium companies further suggested that the term discipline covered ‘*multi-disciplinary measures*’ to build-up a ‘*fool proof system*’ in these companies. These companies aimed to establish moral, social and professional discipline to achieve their goals and objectives. As explained by a number of respondents, ‘*moral discipline*’ emphasised that people should behave patiently, politely and positively with others without hurting their spirits and feelings; ‘*social discipline*’ developed an atmosphere of mutual trust and confidence among employees, where people avoided conflicts and remained supportive and helpful to each other.

**Table 4-7 Discipline and disciplinary measures in small and medium companies**

<b>Discipline in small enterprises</b>	<b>Discipline in medium enterprises</b>
Soft image of term discipline	Both soft and hard image of term discipline
Limited use of term discipline	Frequent use of term discipline
Use of moral and social discipline	Use of moral, social and organizational discipline
Flexible rules and regulations at all levels	Flexible rules at lower level and inflexible at higher level
Rare examples of suspension or termination from service	Few examples of suspension and termination from service
Oral reminders and warnings to correct behavior at work	Both oral and written reminders and warnings to correct behavior at work
Disciplinary measures as a matter of last resort	Disciplinary measures as a matter of last resort

**Source:** Data gathered through case studies

The participants were of the opinion that moral and social discipline contributed in developing and maintaining ‘*professional discipline*’ in their organisations. By developing professional discipline, these companies were aiming to do things properly and in a professional manner. Professionally speaking, medium companies were found more disciplined compared to small companies. Mr. G. S. iterated about the multi-disciplinary approach of his company as follows:

*“We favour a multi-disciplinary approach to keep the balance of things and to ensure smooth flow of our managerial and operational activities. We are pursuing to apply moral, social and professional discipline in our company to strengthen mutual relations and to build-up an efficient and effective working environment”.*

Table 4-7 provides some highlights of discipline and disciplinary measures in these enterprises to keep the matters in place.

#### **4.2.7 Work environment**

**4.2.7.1 Flexible work environment:** The empirical investigation further revealed that most of these companies (particularly small companies) preferred flexible working arrangements to keep their loyal employees motivated. They aimed to develop a flexible work environment where people would enjoy some freedom to perform according to their own ways instead of having to conform to any hard and fast system and procedures. Mr. R. M. presented some examples of flexible working environment as follows:

*“By flexible work environment we mean that people should be consulted while setting their work schedules. They should be taken into confidence while transferring them from one department to other department, and they should be allowed to go on leave(s) to deal with their personal and family problems”.*

Mr. H. S. highlighted the concept of flexible work environment as follows:

*“I favour an approach of flexible working environment where things are not imposed on employees; rather they are taken into confidence while taking certain decisions impacting their personal and professional life”.*

Mr. A. M. expressed his concern about inflexible working environment as follows: *“Our company does not like inflexible working environment. We understand that inflexibility and rigidity in the system is a leading cause of demoralization among employees”.*

Mr. M. K. of the same company further added:

*“We favour an environment where everyone enjoys freedom to perform his job in his own ways keeping in mind the requirements of the company. We do not believe with deadlines to complete assignments or to achieve targets”.*

**4.2.7.2 Developing a culture of religious harmony among people belonging to different religions:** The respondent companies aimed to promote a working environment where people were free of any religious prejudice or conflict; where they duly respected each other's religions and religious affiliations. Hindu-mat (the religion of Hindus), Islam (the religion of Muslims) and Christianity (the religion of Christians) were the main religions of the people working in these companies. Because of different religious backgrounds, people raised queries and questions about each other's religions and sometimes this developed into arguments or conflicts among them which negatively affected their efficiency and output at



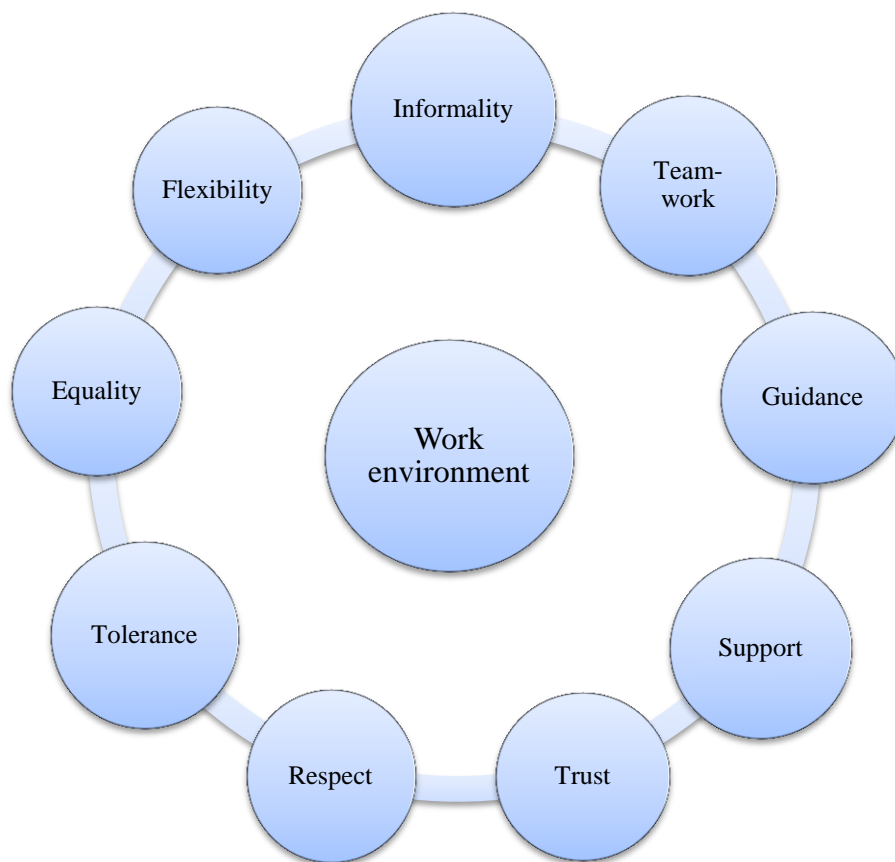
work. To control this situation, some companies did not allow their employees to have any type of religious discussion on company premises. Mr. A. B. conveyed the situation in his company as follows:

*“Our employees are not allowed to discuss religious or political matters mutually or with customers. We understand that questions and queries about each other’s religious or political affiliations may create misunderstandings and conflicts among employees and also between employees and customers”.*

However as reported by the majority of respondents, there was not any type of restriction on their personal religious or political affiliations and they were free to abide by their religions, follow their traditions and maintain their political affiliations.

**4.2.7.3 Difficulties in maintaining a real sense of religious harmony:** Despite attempting to control religious conflicts, some companies faced difficulties in maintaining a real sense of religious harmony among their employees. As reported by a number of respondents from medium companies, these companies experienced some problems from their Hindu (Believers of Hindu-mat) and Muslims (Believers of Islam) employees. The data revealed some cases of ongoing hostile behaviour against each other. Because of religious differences, exchange of words was common in these companies and in some cases angry words were also exchanged between the boss and the subordinates because of religious feelings against each other. In this perspective, these companies are pursuing to achieve a real sense of religious harmony among their employees. About his efforts to develop religious harmony and a multi-religious image of his company, Mr. A. S. expressed his views as follows:

*“Everyone in our company is allowed to abide by the teachings of his religion according to his will and choice; however, any type of religious discussion is entirely prohibited within the premises of the company. Because of some mishaps, the company does not allow its employees to criticise or condemn others on the basis of their religions”.*

**Figure 4-5: Attributes of work environment**

**Source:** Primary data gathered through case studies

Mr. M. A. articulated his point of view as follows:

*“Despite facing some difficulty in developing a true sense of religious harmony in our company, we are moving forward while reducing the intensity of religious feelings against each other. We are determined to ensure religious harmony and brotherhood among all of those who are directly linked with company affairs”.*

The views and comments quoted and the attributes of work environment displayed in Figure 4-5, provide some examples of the work environment being exercised by these companies. Help and support, respect and trust, tolerance and forgiveness, flexibility and equality, unity and team work have been pointed out as leading features of the work environment of these companies. These features played an important role in attracting and retaining hardworking, sincere and loyal employees in these companies.

### **4.3 Summary/conclusion**

This chapter presented a detailed account of the results/findings emerging out of in-depth case studies conducted with a semi-structured questionnaire around 7 Pakistani-owned SMEs in the area of Luton, Bedfordshire.

These findings are mainly related to the HR strategies and styles of these enterprises. The chapter reports a wide range of findings related to recruitment and selection, training and development, performance management, employment relations and reward management. These findings highlight the fact that small and medium enterprises are different in terms of their nature, size, structure and resources; therefore, a number of notable dissimilarities have been found between HR strategies of the small and the medium enterprises. For example, most of recruitment and selection process in small companies remain informal without involving lengthy procedures; whereas, medium companies prefer formal and lengthy procedures while using local media and job centres. Similarly, because of the budget constraints, small companies prefer on-the-job and short term training for their employees; whereas medium companies are inclined to apply multiple training approaches (including on-the-job, off-the-job, internal and external) to train and develop their employees. Furthermore, because of team based operations, performance-based rewards are non-existent in small companies; whereas, because of formal distribution of roles and responsibilities, medium companies prefer performance-based rewards for their employees.

In consistency to above discussion, small companies have been found with informality, paternalism, centralization, collectivism and generalization of their HR strategies and practices; whereas medium companies have been found with formality, pluralism, decentralization, individualism and specialization. On the other hand, a close similarity was found in their strategies at operating level, where both of these companies have been found

with informality, teamwork and collective operations. With regard to rewards and fringe benefits, these enterprises allow similar rewards for the people performing at similar positions with similar ability and skills; however, people performing at similar positions with different ability and skills are rewarded differently, particularly as it happens in medium companies. As reported in the chapter, overall employment relations in the majority of these enterprises were based upon flexibility, respect, trust, optimism, appreciation, recognition, consultation and cooperation.

The central and leading part of the chapter consists of cultural influences on HR strategies and practices of these enterprises. A range of cultural factors including religion, values, traditions, ethnicity, diversity, languages and communication patterns have been found as key factors playing their role in shaping and developing strategic frameworks of these enterprises. Small enterprises are more influenced by these factors as compared to medium enterprises. Ethnicity, religion, values, and traditions have been found to have more effect on small enterprises and less effect on medium enterprises; whereas, diversity, languages and communications patterns have been found to have more effect on medium enterprises and less effect on small enterprises.

Recruitment and selection process of small companies is more influenced by ethnicity and less influenced by diversity; on the other hand, medium companies prefer to have people with diverse backgrounds to effectively deal with the customers from diverse backgrounds. Rewards and relations have been found to be under the influence of religious values and traditions. For example, interest free loans to meet heavy expenditures on close relatives' wedding ceremonies or deaths; voluntary collections to support needy employees in the case of emergencies such as injury and illness; special pays or extra benefits on special occasions such as Eid, Dewali and Charismas. Mutual relations in majority of these enterprises are based upon Islamic spirit of brotherhood. For example, participation in the moments of joys and sorrows, voluntary cover in the case of emergencies and exchange of greetings and gifts at special occasions such as birthdays and annual celebrations. Similarly, their working relations are influenced by religious values like honesty, unity, sacrifice, equality, flexibility, tolerance, courtesy and cooperation. With some limitations, overall a positive and constructive role of cultural factors was also found in the majority of these enterprises.

## Chapter 5 Findings of the quantitative survey

### 5.1 Introduction

The chapter describes the findings of the quantitative survey conducted, in addition to the case studies. A questionnaire based field survey was administered with 50 Pakistani-owned SMEs (30 small and 20 medium) in the UK, with coverage of 100 respondents operating at management level in these companies. The objective was to enhance credibility of the research findings and validate them within a wider context.

Section 5.2 details the need of administering the questionnaire, areas covered, and explains how the data were explored and presented. The subsequent sections explain reveal the findings regarding recruitment, training and development, rewards management, performance management, employment relations, discipline, work environment successively. The chapter concludes with the summary/conclusion.

### 5.2 The Questionnaire

**5.2.1 Use of structured questionnaire:** The survey was conducted through a structured questionnaire comprising of 84 closed-ended questions. The respondents were contacted through emails, postal questionnaires, self-administered questionnaires and interviewer-administered face to face and telephonic interviews. Despite slow response from the respondents, the researcher continued his efforts and ultimately succeeded in fulfilling his minimum target to cover 50 companies with 100 respondents.

**5.2.2 The core areas covered:** The questions posed to the respondents covered the following areas:

- 1) Company profile (Basic information about nature of the company, its ownership and products and services being offered, etc.)
- 2) Entrepreneur's profile (Personal details of entrepreneur)
- 3) Employees' profile (including number of staff, gender, ethnicity and religion, etc.)
- 4) The extent of the use of people management practices (including recruitment, selection, compensation, relations and performance management)

- 5) Influencing factors (including religion, values, traditions, cross-culture, ethnicity and diversity) and their influence on people management strategies

**5.2.3 Exploring and presenting data:** To facilitate a logical and reliable data analysis process, the researcher explored and understood different values and variables of the data. The exploration process helped in making an appropriate division of the data and assigning relevant material to the different data categories and units. Keeping in view the research questions and most importantly the research objectives, following key dimensions of the data were particularly identified and classified by the researcher:

- Main themes
- Sub-themes Question to question based distribution of the data
- Similarities and dissimilarities
- Highest and lowest values
- Average values

**5.2.4 The analysis of the data:** The whole analysis process revolves around two discrete groups of the data: ‘*categorical data*’ (the data whose values cannot be measured numerically but can be classified into categories), and ‘*quantifiable data*’ (the data whose values are measured numerically as quantities). To ensure a logical flow of data analysis process, the categorical data was classified into discrete categories (ranks and sets) based upon each question. Thereafter, every data category and included variables were presented in the form of differentiated ranks by number of occurrences in each category/data set. Thereby, the researcher was able to analyse and interpret contents of different displays and reach relevant conclusions. As far as the quantifiable data is concerned, the researcher divided the data into multiple values and assigned these values high and low percentages as recorded during data identification and exploration process. These numerical values and variables provided the basic ground for analysing the quantitative data.

### **5.3 Recruitment and selection**

**5.3.1 Ethnic and religious influences on recruitment and selection process of these companies:** The questionnaire-based data clearly reflect ethnic and religious influence on

recruitment and selection process of these companies. It was found that over 75% in small companies and over 60% in medium companies with an average of 70% employees had South Asian origins (with a clear majority of Pakistanis); whereas only about 30% employees had European (including UK) and African origins (with the majority of people from European backgrounds). Similarly, about 64% employees in these companies were Muslims and only 36% are non-Muslims (Christians and Hindus). Table 5-1 and Table 5-2 provide a brief view of ethnic and religious based distribution of staff in these companies. The data in these tables were reported by 60 respondents from small and 40 from medium companies.

**Table 5-1: Ethnic distribution of staff**

No.	Categories	Total staff	Percentage
1	Pakistanis	1144	53
2	Indians	210	10
3	Bangladeshis	151	7
4	European	451	21
5	African	194	9
6	Total	2150	100

**Source:** Primary data gathered through field survey

**Table 5-2: Religious distribution of staff**

No.	Categories	Number	Percentage
1	Muslims	1376	64
2	Christians	645	30
3	Hindus	129	6
	Total	2150	100

**Source:** Primary data gathered through field survey

Table 5-1 reflects a clear majority (1144 out of 2150; 53 %) of Pakistani origin employees in these companies. Europeans are second in number with 451 out of 2150 (21%) employees; whereas, Indians are third in number with 210 out of 2150 (10%) employees. Similarly, Table 5-2 reflects a majority (1376 out of 2150; 64%) of Muslims in these companies. Christians and Hindus are second and third in number with 645 out of 2150 (30%) and 129 out of 2150 (6%) employees respectively. These figures indicate that though the majority of employees are Muslims, however, employees from other religions were recruited as well.

**5.3.2 Small companies-*Informal Recruitment*:** The empirical investigation further revealed that a majority of small companies - 23 out of 30 (70%) preferred informal ways to fill most of their vacant positions. Only 30% companies used a mix of formal (use of local newspapers, application forms, and also some sort of formal interviews and practical tests) and informal approaches (such as casual callers, approaching any interested individuals through employees, relatives and friends and informal interviews). They used formal approaches to select people at managerial and technical positions and informal approaches to select most of their working staff. 50 out of 60 (83%) respondents from these companies said that formal application forms, practical tests or formal interviews were rarely used and only around 15% used CVs to evaluate eligibility of interested applicants. Overall, 41 out of 60 (68 %) did not require CVs and totally depended upon references (from family and friends) and informal interviews. On the other hand 19 out of 60 (32%) respondents reported formal ways of recruitment, including the use of application form, formal interviews and practical tests for applicants.

Unlike small companies, a majority of medium companies (16 out of 20; 80%) used entirely formal methods of recruitment and selection for all types of their employees (from top to bottom). As reported by 34 out of 40 (85%) respondents, these companies preferred to advertise their vacant positions in local news-papers, job centres and on company websites. To attract suitable candidates, formal (online and postal) applications were invited to facilitate the initial recruitment process. Thereafter, formal tests and interviews (according to the nature of the position) were conducted to make the final selection. Few respondents (6 out of 40; 15%) reported using informal processes of recruitment and selection to fill vacant positions in their companies. As reported, to fill the lower level positions, quite a few companies adopted an informal process to save time and resources.

**5.3.3 Use of references:** As highlighted by 41 out of 60 (68%) respondents from small companies, there was a frequent use of references in the recruitment process of these companies; whereas, 19 out of 60 respondents (32%) said that they did not use references. With regard to medium companies, majority of the respondents (26 out of 40; 65%) did not say that they used any references in the recruitment process of their companies; whereas 14 out of 40 (35%) acknowledged a clear role of references in the recruitment process of their companies.



**5.3.4 The recruitment structure:** According to 53 out of 60 respondents (88%) from small companies, the recruitment process remained centralized. Most of the recruitment decisions were taken by entrepreneurs/owner-managers in these companies; only 7 out of 60 (12%) respondents reported a decentralised structure where managers were authorised to recruit people on behalf of the entrepreneurs.

In medium companies, overall recruitment structure remained mixed. As reported by 31 out of 40 respondents (78%), the recruitment process for technical and managerial positions was undertaken by the top management; whereas, positions at operating levels were filled by the department manager/supervisor concerned. Only 9 out of 40 (22%) respondents reported a centralised recruitment structure at all levels in these companies.

**5.3.5 Employment agreements:** Majority of the respondents in small companies, 48 out of 60 (80%) respondents reported informal employment agreements (oral/unwritten terms and conditions) in these companies; only 12 out 60 (20%) respondents reported the use of formal agreements (written terms and conditions). The respondents stated that both parties feel comfortable with informal agreements.

Unlike small companies, a majority of respondents from medium companies (24 out of 40; 60%) reported the use of formal (written terms and conditions) employment agreements for all types of their recruitment; 16 out of 40 (40%) respondents highlighted the simultaneous use of formal and informal (oral/unwritten) agreements. They remarked that formal or informal agreements depended upon the nature of the recruitment and the mutual requirement or convenience of both the parties. Table 5-3 provides a brief view of recruitment practices of these (both small and medium) companies.

**Table 5-3: Recruitment practices of Pakistani-owned SMEs in the UK**

No.	Variables	Small Companies Response (%)	Medium Companies Response (%)
1	Formal/informal recruitment	Informal 83 Formal 17	Informal 15 Formal 85
2	Recruitment structure	Centralized 88 Decentralized 12	Centralized 22 Decentralized 78
3	Employment agreement	Informal 80 Formal 20	Informal 40 Formal 60
4	Use of references	Use rate 85 No use 15	Use rate 35 No use 65
5	Recruitment tools	For majority of cases vacancy announcement at company notice board, informal interviews, CVs, references, casual callers at all levels.	For majority of cases advertisements (local newspapers, company website, job center, company notice board), applications, formal interviews, practical tests at all levels
7	Family/friends involvement	High involvement 75 Low involvement 25	High involvement 20 Low involvement 80

**Source:** Primary data gathered through field survey

**5.3.6 Family members and/or friends involvement in the recruitment process:** The involvement of family and friends had a direct influence on recruitment process of small companies. 45 out of 60 (75%) respondents clearly acknowledged the role of these factors in the recruitment process of these companies. It was identified that over 70% employees working in these companies were connected with the close relatives and friends of entrepreneurs/owner-managers of these companies. As suggested by 39 out of 60 (65%) respondents, these companies preferred to recruit people from family and friends because they were already well familiar with the employers concerned and it was felt that this should lead to a understanding between employers and employees. On the other hand, 15 out of 60 (25%) respondents mentioned that there was low involvement of family and friends in the recruitment process used in their companies.

By contrast, medium companies were less influenced by family and friends' involvement in the recruitment process. They preferred to select people on merit basis, without any

involvement of family or friends. As highlighted by 32 out of 40 (80%) respondents from these companies, most of the managerial, technical and administrative positions in these companies were filled through prescribed procedures. However, in the case of lower positions, they were flexible in accommodating family and friends because of the junior nature of the roles and responsibilities of these positions. By contrast 8 out of 40 (20%) participants highlighted a clear impact of family and friends in the recruitment process of these companies. The data further indicated that 16 out of 20 (80%) medium companies strictly followed a merit-based policy to fill their vacant positions.

**5.3.7 Cultural effects on recruitment process:** As reported by the majority of respondents (82 out of 100), the recruitment process of these companies was clearly influenced by a number of cultural factors including religion, values, ethnicity, cross-culture and traditions. For example, these companies preferred to recruit a majority of their employees from Muslims and South-Asian origins (including Pakistan, India and Bangladesh). It is evident by the data displayed in Table 5-1 and 5-2. Regarding cultural effects, 75% respondents from small and 56% respondents from medium companies acknowledged the fact that cultural factors played a positive and favourable role in the recruitment process of these companies. Particularly they mentioned that the importance of religion, ethnicity, diversity, languages and communication patterns in selecting appropriate individuals to work in these organisations. As suggested by the majority of respondents (66%), Asian-ethnic people with an Islamic background, having multi-lingual communication patterns helped in understanding and dealing with customers as majority of them belong to similar backgrounds. However, 34% respondents put more emphasis on cross-cultural and diversity factors compared to ethnic and religious factors.

A comparative analysis of the data gathered identified the recruitment process of small companies (23 out of 30; 77%) was more influenced by ethnicity and religious factors and less influenced by diversity, cross culture and language factors; on the other hand, recruitment process of medium companies (15 out of 20; 75%) was more influenced by diversity, cross-culture and language than ethnic and religious factors; compared to ethnic and religious factors. Ethnic and religious influences in small companies were reported by 48 out of 60 (80%) respondents; whereas only 12 out of 60 (20%) respondents listed diversity,

cross-culture and languages as leading factors influencing recruitment practices of these companies.

The influence of cross-culture, language and diversity in medium companies were reported by 31 out of 40 (78%) respondents. They explained that they preferred to have a reasonable number of people from diverse backgrounds to attract and deal with multi-ethnic and multi-lingual customers. The data further revealed that entrepreneurs from medium companies aimed at developing a multicultural image (Asian and British) for their companies so as to be seen as mainstream companies rather than being limited to Asian communities.

Overall, a majority of both the small and medium companies (34 out of 50; 68%) applied a mix of cultural factors (with more or less consideration) in order to employ people with the potential to meet the multi-cultural requirements of their businesses.

#### **5.4 Employee training and development**

**5.4.1 Training - an integral component:** The empirical data identified that employees' training was an integral part HRM of these companies. All of these companies (50 out 50) had their short and long term training schedules according to their needs and requirements. The evidence indicated that small companies used short-term training schedules for their new comers, comprising a few days or a few weeks (2-4 weeks) varying according to the nature and requirements of different jobs. By contrast, medium companies applied somewhat longer training schedules (2-6 weeks) to train different employees selected to perform at different positions. In addition to initial training, periodically these companies (particularly medium companies) arranged special training events as refresher courses for their employees. In other words, training was a continuous process in these companies.

**5.4.2 How do they train and develop employees?** The primary data further revealed that most of the training processes in small companied remained informal (periodic training sessions without any set schedule and normally no prescribed items or events to be covered); whereas, medium companies preferred to use some formal procedures (scheduled training activities and prescribed training items/events to be covered) to train their employees. As reported by the majority of respondents (45 out of 60; 75%) from small companies, no organised or set training schedule was used. People received training while working with senior staff

members without having any prescribed training events. However, some of these companies (15 out of 60; 25%) respondents used a mix of formal and informal training procedures.

On the other hand, a majority of medium companies (16 out of 20; 80%) used formal training procedures. The evidence indicated that medium companies preferred a set training schedule with clarity of learning points to be covered during the training process. Only a few companies (4 out of 20; 20%) used a mix of formal and informal procedures for the different categories of their employees, in particular for people performing at operating levels.

#### **5.4.3 Training sources and methods:**

*Training needs of different employees:* A comparative analysis of the training system of these companies reflected a clear heterogeneity between training sources and methods of small and medium companies. As highlighted by 49 out of 60 respondents (about 82%) from small companies, no training was appeared to the people selected to perform at technical or managerial positions, except an orientation session for new comers lasting a few hours. These companies preferred to hire the services of those individuals who were already qualified, trained or skilled in their fields. The evidence further indicated that the employee training and development process in small companies was mostly targeted at people performing at administrative or operating levels.

Compared to small companies, medium companies were more concerned and conscious about the training and development of their employees. Almost all types of employees from top to bottom were provided with necessary training to enhance their knowledge and skills to perform better. As pointed out by 31 out of 40 (78%) respondents, different training events were arranged for the people working at the top, middle or lower levels taking account of the nature and requirements of their roles and responsibilities. According to 34 out of 40 (85%) respondents, medium companies also preferred to recruit already experienced individuals at managerial and technical positions and some training sessions were arranged to familiarise them with their new job and new work environment. They were also sent on internal or external seminars and refresher courses to improve further their ability and performance at work.

*Generalized training:* As reported by the majority of respondents (46 out of 60; about 77%), the most of the training activity in these companies remained standardized and generalized

aimed at preparing people to perform at different positions while sharing each other's roles and responsibilities; whereas, 14 out of 40 (23 %) respondents reported the use of specialized training for a small number of employees deputed to perform some specialized roles.

*Training sources:* Most of the training activity in small companies was carried at through internal resources, except some use of refresher courses for people performing at higher positions. 53 out of 60 (88%) participants pointed out the fact that small companies preferred on-the-job internally arranged training for their employees. Only 7 out of 60 (about 12%) quoted some examples of off-the-job internal or external training in the form of refresher courses. The training tools in small companies included close guidance and support, informal meetings/group discussions and some practical assignments while practicing at particular positions.

According to 31 out of 40 (78%) respondents, most of the administrative/operational staff in medium companies received internal training under close supervision of a senior staff member; whereas 9 out of 40 (22%) respondents highlighted the use of external sources of training. About training venues, 25 out of 40 (63%) respondents reported the use of on-the-job training and 15 out of 40 (37%) respondents reported off-the-job training events (including seminars, workshops, individual and group assignments, group discussions) according to a prepared training schedule. Employees received on-the-job training under the close supervision of their department manager or an experienced staff member was deputed to oversee their work and guide them to perform properly. Most of operational (over 80%) staff in medium companies were provided with on-the-job training for 2-3 weeks soon after joining the company under supervision of senior staff members.

*Specialised training:* As highlighted by over 70% respondents, a majority of people performing at managerial and administrative level (doing skilled jobs) received specialised training to perform specialised roles; whereas, a majority of people performing at operating/working level were provided with generalised training enabling them to perform a range of team jobs and also preparing them to provide frequent cover for each other. Overall, as pointed out by 24 out 40 respondents (60%) most of training activities in medium companies remained generalized. In contrast, 16 out of 40 (40%) respondents reported the use of specialised training (preparing people to perform fixed roles of managerial and

technical nature) in these companies. As commented by 70% respondents, specialised or generalised training preference depends upon nature and requirement of the jobs to be performed.

**5.4.4 Allocation of budget for training activities:** It was identified that a majority of small companies did not allocate any formal budget for training; in contrast a majority of medium companies reported the use of formal training budgets for their training activities. A large number of participants (52 out of 60; 87%) highlighted the fact that small companies did not reserve any type of budget to train their employees except some informal allocations whenever any type of training activity was undertaken.

**Table 5-4 Training systems and procedures in Pakistani-owned SMEs**

No.	Variables	Small companies Response (%)		Medium companies Response (%)	
1	Formal/informal training	Informal	75	Informal	20
		Formal / informal	25	Informal / formal	80
2	Training sources	Internal	88	Internal	78
		External	12	External	22
		On-the-job	88	On-the-job	63
		Off-the-job	12	off-the-job	37
3	Training tools /events	Close supervision, guidance and support, informal meetings, group discussion and practical assignments		Close supervision, guidance and support, seminars, formal meetings, workshops, individual and group assignments	
5	Training approach	Specialized	23	Specialized	40
		Generalized	77	Generalized	60
6	Training schedule	2-4 weeks formal / informal variable training schedule depending upon nature of the job		2-6 weeks variable training schedule depending upon nature of the job	
7	Training budget	Informal allocation	87	Informal allocation	30
		Formal allocation	13	Formal allocation	70

**Source:** Primary data gathered through field survey

Unlike small companies, most medium companies used formal training budgets. 28 out of 40 (70%) respondents confirmed the allocation of formal budgets in these companies to facilitate training activities. According to a small number of respondents (12 out of 40; 30%), medium companies used informal budget allocations to facilitate training events in their companies. Table 5-4 provides a review of training activities in Pakistani-owned SMEs.

**5.4.5 Cultural factors and training process:** It was found that cultural factors had an effect on the training process of these companies. It is evident by the fact that 45 out of 100 (45%) respondents did not acknowledge any type of relationship between training and cultural factors; whereas, 55% of participants expressed the opinion that cultural factors played a moderate role in shaping and executing training activities of these companies. They particularly mentioned the role of religion, ethnicity, diversity and traditions in determining training events and topics/issues to be covered during the overall training process.

In small companies as indicated by the majority of respondents, over 80% of employees and customers belong to Asian communities; therefore, periodically these companies arranged some formal and/or informal cultural events to familiarize people about different features of Asian culture to improve relations among different stakeholders. Informality, flexibility, tolerance, bargaining, credit buying, non-business relations (such as social and religious affiliations) were listed as leading features of Asian culture from the options given in the questionnaire by the majority of respondents (47 out of 60; 78%). As highlighted by 31 out of 60 (52%) respondents from small companies, these companies (because of Asian-ethnic effects), arranged some special events to train their employees to behave according to their Asian-based cultural backgrounds.

The majority of respondents (24 out of 40; 60%) from medium companies also mentioned the influence of the Asian cultural effects on the training processes of these companies. As reported, people in medium companies came from diverse cultural backgrounds. They differed by religion, region, language, race, colour and caste, similar to the diversity of their customers. Consequently, these companies faced a challenge of cross-cultural effects on managing people and dealing with customers from diverse backgrounds. From this perspective, the data indicated that a majority of medium companies arranged some formal and informal events, including seminars and group discussions to develop a sense of cultural harmony among their employees. These training events were particularly focused on developing religious harmony and multi-lingual communication patterns among employees to deal with people according to their nature and requirements.



## **5.5 Reward Management**

**5.5.1 Procedures for setting up rewards:** Overall, a majority of medium companies used formal rewards systems and pay schedules for their employees (i.e., paying people with prescribed schedule like daily, weekly or monthly, paying regularly through proper channels like bank transfers, and declared pay increments, etc.). 25 out of 40 (63%) respondents from medium companies confirmed the use of formal and 15 out of 40 (37%) respondents confirmed a mix of formal and informal reward systems. On the other hand, according to 20 out of 60 (33%) respondents, small companies preferred formal rewards, whereas, 40 out of 60 (67%) indicated the use of mixed system. The primary data further revealed that a majority of full-time employees in medium companies were rewarded via formal pay systems with fixed pay packages and pay schedules. However, most of part-time and contract employees were rewarded via informal pay procedures (i.e., cash in hand pay; paying people without any declared schedule). In small companies, about 50% of their full-time employees receive their pay through formal procedures; whereas, 100% their part-time and contract employees working at operating levels were paid via informal procedures.

**5.5.2 Level of rewards:** It was identified that a majority of small companies paid similar rewards to their employees performing at equal levels regardless of their inputs (qualification/experience and outputs (efforts and contributions)). As indicated by 41 out of 60 (68%) respondents, a majority of small companies applied standard pay packages to their employees working at similar positions. This occurred because of a team based working environment in these companies, where it was difficult to measure individual performance and reward people on the basis of their efforts and contributions. On the other hand, as highlighted by 19 out of 60 (22%) respondents, a small number of companies (10 out of 30 companies) allocated differentiated pay packages to people working at similar positions on the basis of their ability, efforts or contributions. As reported, differentiated pay were mostly applicable to people working in technical and specialized positions.

In contrast to small companies, medium companies (as reported by 30 out of 40; 75% respondents) paid differentiated rewards depending upon nature of the job, length of service

and an individual's ability, efforts and contributions to the company. Furthermore, it was found that in most of these companies people received different rewards even working at the same level. On the other hand, according to 10 out of 40 (25%) respondents (from medium companies) people with similar ability, effort and contributions receive similar rewards by these companies.

**5.5.3 Criterion to fix rewards:** The data revealed that Pakistani-owned SMEs followed different criteria to fix high or low rewards in their companies. As reported by 50 out of 60 (83%) respondents from small companies, nature of job, regularity of attendance, efforts and loyalty were particularly considered for determining the pay rise. On the other hand, 31 out of 40 (78%) respondents from medium companies disclosed that the nature of the job, experience, practical skills, length of service, efforts and contributions were the main factors considered by these companies when determining pay rises.

**5.5.4 A comparative view rewards in SMEs:** A comparative analysis of the data related to rewards system of Pakistani-owned SMEs indicated that small companies (as reported by 70% respondents) were inclined to operate similar rewards for the people working at similar positions because of their centralised control and because people work as a team rather than as individuals. Therefore, there was no appropriate way to differentiate their efforts and contributions (performance) for the company and allocate performance based rewards. By contrast, in medium companies most of the work was performed by individuals with specialised roles and responsibilities. Therefore, medium companies were measuring the performance of departments and individuals and allocate differentiated rewards accordingly.

**5.5.5 Effect of religion on rewards system:** The majority of respondents, 41 out of 60 (68%) from small companies and 24 out 40 (60%) from medium companies clearly acknowledged the role of religion in shaping rewards system of Pakistani-owned SMEs. The respondents divulged the role of religious influences in paying more than the legal minimum wages. A number of entrepreneurs/owner -managers (51 out of 100 respondents; 51%) quoted the saying of the Prophet Muhammad (PBUH), '*pay their wages before their sweat dries*' - and pledged to pay people regularly and without any delays as directed by the Holy Prophet. The data revealed that Pakistani-owned SMEs made efforts to ensure economic welfare of the employees working for them. 56% respondents listed a number of '*special payments*' being

granted by these companies over and above than normal wages. These include Qarz-e- Hasna (A loan without interest), Eid/Dewali/Charismas bonuses (special payments on annual religious holidays), marriage/death bonuses and contingency collections (within company premises) for unforeseen expenditures of employees. They especially mentioned the Islamic spirit behind these financial packages for deserving employees. Some of them quoted meanings of two Holy Verses from Holy Quran as: *'spend for Allah Almighty for those who deserve'* *'look after poor and dependants to please Almighty Allah'*, and expressed their heartfelt desire to look after their employees according to Quranic teachings.

In contrast to the above, 19 out of 60 (32%) respondents from small companies, and 16 out of 40 (40%) respondents from medium companies did not mention any role of religious influences in determining the pay or providing any extra financial support to their employees over and above the normal legal wages. A small number of respondents (17 out of 100; 17%) refused to accept any relationship between religion and reward management. Overall, small companies were more influenced by religious beliefs in rewarding employees than medium companies. Table 5-5 displays the data about reward management in Pakistani-owned SMEs.

**Table 5-5: Rewards management in Pakistani-owned SMEs**

No.	Variables	Small companies Response (%)	Medium companies Response (%)
1	Formal/informal rewards/mixed system	Formal 33 Mixed system (formal and informal system) 67  Reward system in these companies mostly depends upon nature of the job and employment agreement, either it is full-time, part-time or contract based.	Formal 63 Mixed system (formal/informal) 37  Formal reward system is preferable in these companies except for some temporary or contract appointments.
2	Similar rewards/differentiated rewards	Similar rewards 68 Differentiated rewards 22  (Similarity of rewards depend upon similarity of jobs; whereas, differentiated rewards depend upon nature of the job - managerial / technical or operational	Similar / differentiated rewards 75 Similar rewards 25 (depending upon similar or different ability, efforts and contributions of employees except few exceptions at lower level)
3	High or low rewards	As reported by 83% respondents, nature of the job, regularity, efforts and loyalty are the main factors to fix high or low rewards in these companies	As reported by 78% respondents, nature of the job, experience, practical skills, length of service, efforts and contribution are the main factors to fix high or low rewards in these companies.
4	Religious effects	High effect 68 Low / or no effect 22	High effect 60 Low / or no effect 40

**Source:** Primary data gathered through field survey

## 5.6 Performance management

**5.6.1 Organisational structure:** Data gathered from the survey disclosed that the majority of small companies (25 out of 30; 83%) had a centralised organisational structure. As confirmed by 48 out of 60; (80%) respondents, all types of decisions were taken by the entrepreneurs/owner-managers of these companies, with some consultation with senior staff

members such as assistant managers/supervisors. However, they commented that they permitted day to day routine decisions with little impact to be taken at middle or lower levels. In contrast, 12 out of 60 (20%) respondents did not agree with above views and indicated that they operated a decentralized structure. The data further reveal that most of the employees (over 80%) in small companies were directly responsible to the top management (comprising family owners in most of cases), with exception of some individuals performing their jobs at non-skilled lower positions. 43 out of 60 (72%) respondents highlighted that small companies did not operate a decentralised structure in order to avoid conflicts and keep a direct control over day to day activities of employees.

As compared with small companies, a majority of medium companies (18 out of 20; 90%) operated a decentralised organisational structure. 35 out of 40 (85%) participants highlighted the fact that policy decisions with long-term impact were taken by the top management; On the other hand, they permitted a majority of administrative and operational decisions to be taken at middle level by managers and supervisors of their respective departments. 5 out of 40 (15%) respondents reported the use of a centralised structure in their companies. Furthermore, as indicated by the majority of respondents (30 out of 40; 75%), people performing at operational level reported directly to their respective managers/supervisors with regards to their day to day activities rather than to top management. As reported by the majority of respondents (36 out of 40 (90%)), a decentralised organisational structure facilitated speedy decisions, quick feedback and ensures smooth flow of operational activities.

**5.6.2 A culture of employee involvement in decision making process:** The data collected for this study divulged that a majority of respondent companies preferred to involve their employees in decision making process - from routine to major decisions. As pointed out by a clear majority of respondents, 38 out of 50 companies (76%) were in favour of promoting a culture of consultation and the participation of employees in the decision making process. According to 43 out of 60 (72%) respondents, small companies were inclined to consult their employees and to take them into their confidence. In the case of medium companies, by contrast, 30 out of 40 (75%) respondents reported a more consultative culture of decision making process than small companies. Instead of mere consultation as in small companies,

they preferred to delegate authority down the line to ensure speedy decisions and speedy implementations.

**5.6.3 Approach for work distributions and work schedules:** The data revealed that a majority of small companies (25 out of 30; 83%) preferred an informal and generalized approach to work distribution with homogeneous work schedules for most of their employees. As highlighted by 46 out of 60 (77%) respondents, small companies favoured such an approach in order to develop an atmosphere of team spirit among employees and to facilitate necessary adjustments/changes in work schedules according to given situation. In their opinion, generalisation enabled the staff to cover for each other to meet emergencies. The data further showed that small companies were inclined to apply homogeneous work schedules for a majority of their employees (except part-time or contract employees) with identical working hours, equal work burden and overtime opportunities to convey a sense of equality and fair play in the minds of employees. From other side, 14 out 60 (23%) respondents were found with opposite views.

As stated by 33 out of 40 (83%) respondents, a clear majority of medium companies preferred differentiated work schedules, formal distribution of work and specialized roles and responsibilities. In their view, such as an approach was more functional at managerial and administrative levels and less functional at operating level. In their opinion, at operating levels these companies preferred an informal and generalized approach to work organisation as in small companies; technical jobs however remained specialised in medium companies. In contrast to small companies, 29 out of 40 (73%) respondents noted that in most of these companies working hours and days varied; different work schedules with different number of hours/days were worked by people working at different levels of the organization. Working hours and days varied from 6 to 12 hours and 4 to 7 days depending upon needs and requirements of these companies.

**5.6.4 Process of performance reviews:** Small companies tended to keep closely in-touch with day to day activities of their employees. As stated by 43 out of 60 (72%) respondents, small Pakistani-owned companies preferred to use an ongoing and informal process of performance reviews instead of waiting for any long-term formal reviews. These companies tended to follow a daily-based performance review process to identify any issues arising at an early

stage. Furthermore, as indicated by 47 out of 60 (78%) respondents, a majority of small companies preferred to operate a system of collective responsibility and accountability on the part of employees because of their generalised and team based operational activities.

On the other hand, 17 out of 60 (28 %) respondents from small companies mentioned the use of a formal review system, and 13 out of 60 (22 %) respondents highlighted a dual system of individual and collective responsibility and accountability in their companies.

Unlike small companies, medium companies were found to be more formal and organized with regards to performance reviews. As reported by 28 out of 40 (70%) respondents, medium companies undertook a formal and organised process of performance evaluation at regular intervals and set targets to achieve better performance in future. According to 26 out of 40 (65%) respondents, medium companies favoured an approach of individual responsibility and accountability at managerial and administrative level; and collective responsibility (and accountability) at operational level. On the other hand, 12 out of 40 (30%) respondents reported using an informal process of performance review and evaluation in their companies. 14 out of 40 (35%) respondents were found in favour of collective responsibility instead of individual responsibility in order to develop a sense of mutuality and togetherness among employees.

**5.6.5 Lead sources of performance improvement:** Small companies were concerned to control and improve employee performance through the close supervision of employees. As viewed by 45 out of 60 (75%) respondents, these companies preferred to control employee performance through close supervision, collaboration and guiding them to perform better.

As reported by 27 out of 40 (68 %) respondents, alongside close supervision of employees, medium companies utilised a gradual process of performance reviews, corrective measures and ultimately disciplinary actions to control people's performance at work. These respondents further reported that disciplinary actions against employees like suspension or dismissal from service were taken after giving them oral and/or written warnings and reasonable time to correct their behaviour and performance at work. By contrast, 13 out of 40 (32%) respondents did not acknowledge any type of disciplinary actions against employees in their companies. In their opinion, the use of corrective measures and oral warnings were sufficient to correct behaviour.

**5.6.6 Improvement of underperformers:** A close review of the data presented that 72% respondents preferred to monitor employees closely in order to keep them at right track. They believed in guiding and supporting their employees instead of intimidating them, and preferred to correct things at an early stage well in time instead of allowing matters to deteriorate. However, they also mentioned the case of disciplinary measures against employees who did not pay heed to oral and written reminders or warnings from the company against them.

**Table 5-6: Performance management practice of Pakistani-owned SMEs**

No	Variables	Small companies Response (%)		Medium companies Response (%)	
1	Organizational structure	Centralized	80	Centralized	15
		Decentralized	20	Decentralized	85
2	Employee involvement in decisions	High involvement	72	High involvement	75
		Low involvement	28	Low involvement	25
3	Distribution of roles and responsibilities	Formal	23	Formal	83
		Informal	77	Informal	17
		Generalized	77	Generalized	17
		Specialized	23	Specialized	83
4	Performance reviews	Formal	28	Formal	70
		Informal	72	Informal	30
5	Responsibility and accountability	Collective	78	Collective	35
		Individual	22	Individual	65
6	Performance improvement	Disciplinary measures	25	Disciplinary measures	68
		Non-disciplinary measures	75	Non-disciplinary Measures	32

**Source:** Primary data gathered through field survey

**5.6.7 Cultural effects on performance management:** The investigation discovered a number of cultural factors influencing performance management practices of these companies. As mentioned by 43 out of 60 (72%) respondents, performance management practices of small companies were strongly influenced by family culture, ethnicity, religion, beliefs and values. In their opinion, the Asian-styled joint family system and interdependence of family members with regard to economic and social matters directly influenced employees' punctuality and commitment to their jobs. They duly considered personal and family related commitments of staff when preparing work rotas to facilitate people's work-life balance.



As mentioned by 37 out of 60 (62%) respondents, Asian-ethnic characteristics of flexibility, informality, languages and communication patterns have a notable effect on the performance management practices of small companies. They noted that these characteristics directly or indirectly affected people's punctuality, commitment and efficiency at work. Similarly, as highlighted by the majority of respondents (41 out of 60; 68%), because of their religious attachment, small companies avoided putting them under pressure through extra work burdens or difficult work targets. The entrepreneurs remained flexible and compassionate with their employees. People were allowed to perform their religious functions during working hours. The value system of these companies, as mentioned by 44 out of 60 respondents (73%), was based upon unity, integrity, equality, honesty, respect mutual trust and confidence. Their belief system (as mentioned by these respondents) was based upon centrality, informality, generalization, collectivism and low power distance. The majority of respondents (43 out of 60; 72%), were of the opinion that the impact of cultural factors had a positive influence on overall performance of small companies. In contrast, 17 out of 60 (28%) participants were of the opinion that cultural factors had less effect on the performance management practices of small companies. In their opinion, cultural factors were more influential on the personal lives of individuals than on the performance management orientations of these companies.

According to a clear majority of participants representing medium companies (28 out 40; 70%), their performance management practices were more affected by diversity, languages and communication patterns than religion, values, beliefs and traditions. Diversity factors assisted these companies in maintaining harmony and teamwork among employees from diverse backgrounds. Similarly, (as mentioned by 31 out of 40; 78% respondents) because of workforce diversity these companies spend their extra time and effort in controlling conflicts and maintaining equality with regard to work schedules, helping and facilitating people at work, job rotations, performance evaluation, learning and development opportunities. Furthermore, as indicated by the majority of respondents (27 out of 40; 68%), a majority of employees in medium companies were communicating in their native languages; consequently, formation of informal linguistic groups was reported as a common phenomenon in these companies. These trends affected unity and effective team work in these companies. From this perspective, these companies were trying to promote English as

the common language within the company premises in order to encourage greater cultural harmony and a collective spirit among employees.

## **5.7 Employment Relations**

**5.7.1 Nature of employment relations:** The data generated by the survey exhibited that 50 out of 60 (83%) respondents indicated that employer to employees and employees to employer relations in most small companies remained informal. They frequently discussed things and exchanged views of their mutual interest without having any formal appointments with each other. Respondents reported that, people in these companies mixed so well with each other that it was difficult to distinguish employer and employee or boss and subordinate. Because of the friendly working relations people commonly helped or shared each other's roles and responsibilities. On the other hand just 10 out of 60 (17%) respondents reported the existence of formal relations between employer and employee and informal relations among employees themselves.

Contrary to small companies, the majority of medium companies experienced more formal relationships. As highlighted by 30 out of 40 (75%) respondents, at managerial and administrative levels, most of individuals in medium companies remained relatively isolated because of the specialised nature of their work. They did not like interruptions. Similarly, most oral or written communication with them remained formal. Respondents further indicated that unlike formal relations at higher level, most of people remain informal and friendly at operating level. This happened because of the generalised nature of their work where interdependence of relations was important for them. Contrarily, 10 out of 40 (25%) respondents reported informal relations at all levels in medium companies.

**5.7.2 Power distance in Pakistani-owned SMEs:** Most small companies were found to have low power distance between employers and employees. The evidence received from 46 out of 60 (77%) participants reflected close and consultative relations between employers and employees. Employees were not introduced by their ranks or statuses in small companies. They were entrusted with important assignments and were closely supervised and supported by their managers. Managers and their subordinates worked together and did not blame each other for mistakes or errors. By contrast just 14 out of 60 (23%) respondents reported high power distance in their companies.

The data collected exposed the existence of high power distance in a majority of medium companies. 28 out of 40 (70%) respondents reported a power distance between employers and employees. People were recognized by their ranks and designations in these companies. Managers kept their distance from subordinates and so socialised less with them. Responsibility for errors was placed at operational level rather than managerial level. Widened power distance was also reported between top and middle management and similarly between middle and lower management. 12 out of 40 (30%) respondents indicated low power distance in their companies, similar to small companies.

**5.7.3 Collectivism or individualism:** 44 out of 60 (73%) clearly acknowledged a tendency towards collectivism. They mentioned team work, a broad skill base, cooperation, help and support as main features of collectivism in these companies. 16 out of 60 (27%) respondents pointed out towards a mixed trend of collectivism and individualism on the basis of generalised or specialised nature of roles and responsibilities in small companies.

A mix of individualism and collectivism was identified in medium companies. 31 out of 40 (78%) participants highlighted strong individualism at managerial level, a mix of the two at administrative level and strong collectivism at operational level. It was further reported that employees at the top preferred individualism with a low involvement of others in their roles and responsibilities. Employees at the middle level were inclined towards individualism while allowing others to participate in the process and were open to sharing each other's roles and responsibilities. At operational level, most performed generalised roles, so collectivism was reported at these levels of medium companies. On the other hand, just 9 out of 40 (22%) respondents reported collectivism at all levels of medium companies.

**5.7.4 Cultural influences on employment relations:** A simultaneous influence of cultural factors including religion, values, beliefs and traditions were reported by the majority of respondents. Small companies were more influenced by these factors as compared to medium companies. According to 74 out of 100 (74%) respondents from small and medium companies; brotherhood, consultation, courtesy, cooperation, voluntary covers, sacrifice and tolerance reflected religious influences in these companies. 68 out of 100 (68%) respondents mentioned freedom at work, equality, optimism, unity, flexibility, appreciation, respect, and

mutual trust and confidence as value-based influences on these companies, whereas 6% participants highlighted some characteristic rituals in these companies. Participation in each other's personal occasions such as weddings or funerals, felicitating each other on annual religious days (such as Eids, Christmas, and Dewali, etc., celebrating birthdays and celebrating Pakistan days, were mentioned as some of the examples of Asian traditions by the respondents representing both the small and medium enterprises.

Overall, 47 out of 60 (78%) respondents from small companies, and 24 out of 40 (60%) with an average of 69% respondents from both types of companies clearly acknowledged the role of culture as one of the leading factors in developing friendly and approachable environment in Pakistani-owned SMEs in the UK. Table 5-7 provides a summary of employment relations in these companies.

**Table 5-7: Employment relations in Pakistani-owned SMEs in the UK**

No.	Variables	Small Companies Response (%)		Medium Companies Response (%)	
1	Formality/informality of relations	Formal relations	17	Formal relations	75
		Informal relations	83	Informal relations	25
2	Power distance	High power distance	23	High power distance	70
		Low power distance	77	Low power distance	30
3	Collectivism/individualism	Collectivism	73	Collectivism	22
		Mixed (collectivism and individualism)	27	Mixed (collectivism and individualism)	78

**Source:** Primary data gathered through field survey

## 5.8 Discipline

**5.8.1 The use of discipline and disciplinary measures:** The data collected for this study revealed that small companies were quite tolerant and flexible in using discipline and disciplinary measures to control people and to correct any conduct or performance issues. As reported by 45 out of 60 (75%) respondents from small companies, a flexible and tolerant approach to discipline was preferred. These companies avoided using strict and inflexible rules and regulations to control and correct employee behaviour at work. 41 out of 60 (68%) respondents declared that work schedules were kept flexible, taking into account any personal or family commitments of employees. The employees were allowed to deal with any urgent

personal matters during working hours. In addition, they were allowed to perform their religious functions. The respondent companies avoided any type of unilateral and speedy measures against wrong doings/misconduct of employees. However, as reported by 39 out of 60 (65%) participants, disciplinary measures were taken against repeated mistakes or negligence on the part of employees. After 2-3 verbal warnings, their employment was terminated.

By contrast, 15 out of 60 (25%) respondents reported a comparatively strict disciplinary regime, with inflexible rules and regulations in operation. In their opinion, strict control and disciplinary measures were very important in order to try and reduce instances of misconduct or underperformance.

Medium companies were identified as moderate users of discipline and disciplinary measures to control conduct and performance. As reported by 27 out of 40 (68%) respondents representing medium companies, these companies were found to be neither flexible nor inflexible with regard to the use of discipline and disciplinary measures; rather, they regarded themselves as lenient regarding the use of disciplinary proceedings. Respondents further indicated that medium companies had established formal but flexible rules and regulations (such as work time breaks, leaves, and work schedule, etc.) to control workplace behaviour. According to 24 out of 40 (60%) respondents, medium companies preferred formal work schedules, distribution of roles, prescribed targets, punctuality, and regular attendance, compliance with company policies and performance according to the needs and requirements of the company. Furthermore, as pointed out by 28 out of 40 (70%) respondents, medium companies were very concerned to apply discipline and disciplinary measures in order to develop their image as professional companies.

Despite their concern about discipline, 30 out of 40 (75%) respondents mentioned that these companies preferred to advise improvement in behaviour through non-disciplinary measures such as help and guidance, training, informal or formal reminders and advising people through one-to-one meetings. However, disciplinary actions were taken if non-disciplinary measures proved ineffective in improving the behaviour at work. With regard to disciplinary actions (29 out of 40; 73%), medium companies operated a somewhat lengthy procedure

including verbal warning, written warning and finally appropriate action (such as demotion or dismissal), if improvements did not occur.

Overall, the evidence suggests a formal but flexible and moderate approach on the part of majority of medium companies towards discipline and disciplinary measures to control and correct employee behaviour at work. By contrast, a small number of respondents reported an opposite approach. According to 13 out of 40 (32%) respondents, medium companies preferred to apply formal and inflexible discipline and disciplinary measures to control conduct and performance.

**5.8.2 Cultural effects on disciplinary approaches:** The overall disciplinary conduct of small and medium companies could be seen as an offshoot of Islamic principles and values. This was clearly acknowledged by the majority of respondents from both groups of companies. As mentioned by 76 out of 100 (76%) respondents (52 from small and 24 from medium companies), the concepts of patience, moderation, compassion, flexibility, politeness, tolerance, help, guidance and forgiveness were repeatedly emphasised in the Holy Quran (the holy book of Muslims) and the Sunnah of Holy Prophet Muhammad (PBUH); therefore, because of the Islamic perspective of entrepreneurs/owner-managers of these companies, they did not wish to impose any type of strict control over people or subject them to fear of punishment. As commented by 80% of respondents, instead of disciplinary measures, these companies preferred to use moral and social influence on their employees to correct their behaviour and to improve their performance at work. Table 5-8 provides a brief view of discipline and disciplinary measures in these enterprises. The overall results match with the findings of the case studies.

**Table 5-8 Disciplinary measures in Pakistani-owned SMEs in the UK**

<b>Small Companies</b>	<b>Medium Companies</b>
Limited use of discipline and disciplinary measures	Moderate use of discipline and disciplinary measures
Flexible rules and regulations at all levels	Inflexible rules at higher level and flexible rules at lower level
Flexible work schedules at all levels	Inflexible work schedules at higher level and flexible work schedules at lower level
Disciplinary measures are taken after repeated mistakes and negligence	Disciplinary measures are taken after repeated mistakes and negligence
Disciplinary measures after oral warnings	Disciplinary measures after oral and written warnings
Less concerned about discipline	More concerned about discipline
Moral and social influence on disciplinary measures in these enterprises	Moral and social influence on disciplinary measures in these enterprises

**Source:** Primary data gathered through field survey

## **5.9 Working environment**

### ***5.9.1 Leading features of working environment:***

The data collected through the survey instrument highlighted (49 out of 60, 82%) that mutual respect, teamwork, flexibility, informality, equality, friendly relations, close supervision, exchange of information, sacrifice, appreciation and recognition, voluntary covers, work life balance and satisfactory health and safety conditions were leading features of working environment in small companies. By contrast, a small number of respondents (11 out of 60; 18%) respondents gave different opinions commenting that such practices as voluntary cover, informality, flexibility and close supervision were less in evidence.

The majority of respondents (28 out of 40; 70%) from medium companies reported mutual respect, mutual trust, professionalism, monitoring and feedback, sympathy, help and guidance, appreciation and recognition, as well as dual existence of flexibility and inflexibility, formality and informality and good health and safety conditions as leading features of working environment of these companies. A number of respondents (12 out of 40; 30%) indicated informality, flexibility, team work, and friendly relations as leading features of their companies.

**5.9.2 The impact of culture on working environment:** The analysis of data discovered that 76 out of 100 respondents clearly acknowledged the role of cultural factors in shaping overall working environment of these companies. It has been argued that leading features of the working environment of these companies such as equality, flexibility, sympathy, courtesy, mutual respect, mutual trust, voluntary covers, sympathy, sacrifice and tolerance were the result of cultural influences on these companies. An Islamic influence was particularly highlighted by the respondents. They acknowledged the role of religion and religious values as positive and productive for these companies. On the other hand 24 out of 100 respondents did not recognise any type of cultural influences on the working environment of their companies. Table 5-9 provides a comparative view of working environment in Pakistani-owned SMEs in the UK.

**Table 5-9: Pakistani-owned SMEs in the UK - Working environment**

<b>Small Companies</b>	<b>Medium Companies</b>
Informal and friendly at all levels	Formal at higher level and informal at lower level
A general trend of voluntary covers in the case of emergencies	A less trend of voluntary covers in the case of emergencies
Frequent communication and exchange of information	Less frequent communication and exchange of information
Flexibility of work schedules at all levels	Inflexibility of work schedules at higher levels and inflexibility of work schedules at lower levels
Close monitoring and supervision of employees	Distant monitoring and supervision of employees
Satisfactory health and safety conditions	Good health and safety conditions
Asian-ethnic cultural influence on working environment	Cross-cultural influence on working environment

**Source:** Primary data gathered through field survey



### **5.10 Summary/conclusion**

This chapter details the findings of questionnaire-based field survey conducted around 50 Pakistani companies in different areas of the UK. The questionnaire was built on the findings of case studies undertaken in the area of Luton, Bedfordshire. The objective of the field survey was to further examine the reliability and validity of the findings of case studies and put the overall research work in a broader context. Overall, a close resemblance was found between findings of case studies and field surveys.

According to the findings of field survey, the cultural factors including religion, ethnicity, diversity, languages, values and traditions are playing an important role in shaping HR styles and strategies of these companies. The factors such as religion, ethnicity and traditions have more influence on small companies and less influence on medium companies; whereas, the factors such as diversity, languages and communication patterns have more influence on medium companies and less influence on small companies. Similarly, there is more influence of cultural factors on recruitment, reward management and employment relations and less influence on training and performance management practices of these companies.

Asian-ethnic and religious influence on recruitment and selection process of these companies is evident by the fact that over 80% employees in small companies and over 60 % employees in medium companies belong to Islamic and Asian backgrounds. The entrepreneurs prefer Asian-ethnic and Muslim employees to work for them to deal effectively and efficiently the majority of their customers belonging to Islamic and Asian backgrounds. However, medium companies with an ambition to become mainstream companies are gradually moving forward to have people from diverse backgrounds to attract and deal customers from diverse backgrounds. The empirical results highlight that medium companies are inclined to apply an equal opportunity approach to recruit people from Asian, European, African and British backgrounds. However, because of Asian-ethnic influence, they are still lagging behind to apply the approaches of equal opportunity and diversity management in letter and spirit.

The primary data further reveals that rewards and employment relations in these companies are also influenced by cultural factors. Because of the religious influence, entrepreneurs are inclined to pay higher than normal rewards to their employees. There is also a trend of extra

and special financial support in these companies, for example, Qarz-e-Hasana (free of interest loan) to meet heavy expenditures such as weddings or house purchase, emergency financial support on death or accident, special pay/bonuses on annual celebrations and collections for needy and poor employees. Employment relations have been reported as informal and friendly in the majority of these companies. As highlighted by the majority of respondents from both small and medium companies, people's interpersonal relations are based upon brotherhood, respect, trust, equality, sacrifice, tolerance, optimism, recognition and appreciation. They clearly acknowledged the role of Islamic and Asian culture in flourishing and strengthening their mutual relations. A number of respondents (from both small and medium companies) reported the role of some Asian traditions in developing better relations in these companies. Participation in joys and sorrows, participation in inter-faith and cross cultural events, exchange of gifts and greetings at annual celebrations have been reported as some of Asian traditions with notable influence in shaping positive, constructive and trustworthy employment relations in these companies.

In short, as discussed and detailed from beginning to the end of this chapter, both Pakistani-owned small and medium companies are different in their nature, size, structure and resources, and therefore their policies and practices are different with respect to all generic functions of human resource management. For example, small companies prefer low power distance, informality, teamwork, centralization and generalization; whereas, medium companies prefer high power distance, formality, decentralization and specialization. Intensity of cultural influences also varies from small to medium companies. Small companies are more influenced by cultural factors as compared with medium companies. Small companies have been found far behind to observe the approach of equal employment opportunities; whereas medium companies have shown some progress in observing the policy of equal opportunities and diversity management to compete in the market and to become mainstream companies.



## Chapter 6 Discussion

### 6.1 Introduction

The chapter discusses the findings of empirical elements of the study reported in chapters 4 and 5. It integrates the findings emanating from both the case studies and the field survey and critically analyse the findings in the light of the review of the current literature available in the field. This triangulation proved very helpful to compare and contrast the theory (literature based findings) and practice (the findings based upon empirical research). The data gathered by administering the survey augment the findings of the case studies; however, some of the findings of this research did not match with the existing literature. The chapter is structured to provide an integrated and conclusive view of the research findings, and highlights the similarities and dissimilarities between different sources.

Section 6.2 provides a comprehensive view of the people management strategies of Pakistani-owned SMEs in the UK, and a range of cultural factors influencing these strategies. Section 6.3 offers a review of primary data enriched by a critical discussion of the themes elicited from the literature review. This section aims to relate primary findings with secondary findings in order to make confirmation of existing knowledge and/or to present any new perspectives emerging out of empirical investigation. The chapter concludes with a summary of the discussion.

### 6.2 Cultural factors and HRM strategies of Pakistani-owned SMEs in the UK

#### 6.2.1 Recruitment and Selection

**6.2.1.1 Employees Profile:** The empirical investigation highlighted that recruitment and selection process of the majority of these enterprises was influenced by the ethnic origin and religion of their owner-managers. Despite doing business in the UK's multi-ethnic and multi-religious country, most of their staff (over 60% in medium companies and over 80% in small companies) consisted of Muslim and Pakistani employees. Small companies were found more influenced by these factors. The entrepreneurs of small companies were of the opinion that religious and ethnic homogeneity contributed to the development of good working relations and better understanding among employees. Furthermore, the data revealed that

employees of religious background were considered more dutiful, trustworthy and respectful. A research report published by the Department of Work and Pensions (DWP) reported similar findings about the role of ethnic and religious homogeneity in evolving better organizations. According to the DWP report, religious people were found more stable, sincere and reliable; furthermore, ethnic and religious harmony among people working in the same organization reduced the fear of ethnic and religious conflicts among them (Davidson, 2011).

As compared with small companies, medium companies were found less affected by the above factors. Because of their large scale business networks in terms of buying and selling, it was their requirement to have employees from diverse backgrounds; therefore, these companies were gradually moving forward to abide by the policy of '*equal employment opportunity*' (EO), while recruiting employees at all levels regardless of their religious and ethnic background.

The empirical evidence further indicated that despite some breakthrough towards EO (equal employment opportunity) and DM (diversity management) these companies were still lagging behind the mainstream enterprises. Because of the Pakistani and Muslim image of these companies, still a majority of their staff (over 60%) belonged to Pakistani and Islamic backgrounds. Similar indications were found in the literature. As demonstrated in the literature, SMEs (particularly medium companies) were inclined to adopt some formal and written approaches to implement EO and DM policies (please refer to Figure 2-5); however, the actual issue faced by Pakistani-owned SMEs in the UK was related to tangible and solid presence of these policies as desired and claimed by these companies (Hoque and Noon 2004). As reported by the Research Institute for Business and Management (Manchester Metropolitan University) Pakistani-owned SMEs in the UK were lacking the understanding and substantive initiatives to implement EO and DM policies; therefore, they were still behind in achieving the objectives of these policies (RIBM, 2007).

An interesting finding was the similarity between the case study and the survey results with regards to ethnic and religious influence on recruitment processes. The majority of case-based (13 out of 18; 72%) and survey-based (65 out of 100; 65%) participants indicated that a clear majority of employees in these companies (75% in small and 65% in medium

companies) were of South Asian origin (with a clear majority of employees of Pakistani origin); whereas only about 30% of employees were of European (including UK) and African origin; with the majority from European backgrounds. Similarly, 64% of employees in these companies were Muslims with the rest (36%) from either Hindu or Christian backgrounds.

Ethnic influence on the recruitment process was in conformity with the available literature. According to Ram and Smallbone (2003), there was an extensive use of co-ethnic labour recruited through informal and co-ethnic networks in ethnic companies, especially in enterprises owned by the South Asians. Other authors were of the opinion that informal co-ethnic networks were considered a 'pool' from which essential resources were mobilized (Fadahunsi et al., 2003). However, SME literature did not provide any research based data about religious influence on recruitment process of these companies.

In contrast, around 30% of respondents (both for the case study and survey) expressed some reservations about the involvement of religious or ethnic backgrounds in the recruitment processes of these companies. In their opinion, Islamic-and Pakistani-centric approach to recruitment would have reduced their opportunity to become a mainstream company, attractive to multi-ethnic communities.

**6.2.1.2 Involvement of family and friends in the recruitment process:** The data gathered through both the case study and survey revealed that recruitment process of both small and medium companies was influenced by the involvement of family and friends, generating difficulties for Pakistani-owned SMEs in the UK. Close relatives and friends put forward their nominees to fill various vacant positions. It was identified that over 70% employees in small companies and over 50% employees in medium companies were connected to the close relatives and friends of entrepreneurs/owner-managers of these companies.

As reported by 13 out of 18 case study respondents (72%) and endorsed by 61 out of 100 (61%) survey respondents from both small and medium companies, the '*word of mouth strategy*' (recruiting recommended individuals) in recruitment process sometimes created difficulties in making impartial decisions based on merit. The secondary data were found to be in line with the primary data. As highlighted by a number of researchers (Ram, 1991; Ram and Holiday, 1993; Ram and Smallbone, 2003), '*word of mouth strategy*' was putting

pressure on SMEs to adopt *ad hoc* and informal recruitment approaches. As they commented, indirect discrimination could be evident when workers were recruited from the same ethnic group, or from a particular familial and social milieu (Ram, 1991; Ram and Holiday, 1993; Ram and Smallbone, 2003). According to McCarthy (2007), to reduce the influence of relatives and friends, some of these companies gradually moved from using informal networks to a more formal approach to recruitment and selection (McCarthy, 2007).

In consistency to the above findings, around 70% interview and questionnaire respondents (from both small and medium companies) highlighted some administrative and operational problems resulted by the interference from relatives and friends in the recruitment process. They divulged that the employees being recruited through these routes tried to get undue advantages of family relations with the company management. The family relationships were used to interrupt the day to day affairs of the company for the vested interests of such family members. A close resemblance was found between primary and secondary findings.

The literature further illuminates that because of the family influence, many firms were torn between the demands of family values and business principles, when they tackled issues such as recruitment, salaries and promotions; or the roles of males versus females (Cromie and Adams, 1997; McCarthy, 2007; Ram and Smallbone, 2003). Another undesirable family phenomenon was linked with irresponsible behaviour of employees. As pointed out by around 50% participants of the study, the employees having family relations with the management did not bother to abide by the working schedule of the company because they believed that management will not take any notice of their misbehaviour.

In contrast to the above views, a small number of respondents were found in favour of '*word of mouth strategy*' while recruiting people from family and friends. According to 5 out of 18 (28%) of interviewees, and 39 out of 100 (39%) of survey respondents, it was better to recruit employees from relatives and friends to save much of the time, efforts and resources needed to adopt lengthy and formal procedures to recruit outsiders. Some authors in the literature (Cassell et al., 2002; Holliday, 1995) were also found in agreement with these thoughts. They argued that the '*word of mouth*' strategy was preferred in the context of '*resource poverty*' because it was simple and cost-effective; it saved much of the expense which otherwise would have incurred on lengthy recruitment procedures (Cassell et al., 2002; Holliday, 1995).

Furthermore, as argued by Carroll et al. (1999), given the lack of in-house expertise in human resource management techniques, these methods were the most appropriate. Hiring *'known quantities'* (known people), could be seen as a very effective way of reducing uncertainty in recruitment decisions (Carroll et al., 1999).

In addition, as commented by around 30% respondents (from both case and survey study), the employees who were already known to the company could serve better compared to the employees who were strangers. Because of their pre-job relations with the company, they were expected to devote extra time and efforts (in addition to their work schedule) for the company without claiming any extra benefits. A number of case-based respondents quoted some examples (as reported in Chapter 4) about individuals from family and friends who worked for them for less than standard wages, devoted extra time and even some of them worked voluntarily for these companies.

**6.2.1.3 Diversity effect on recruitment approaches of medium companies:** The employment policy of medium companies was more influenced than the small companies by diversity factors. Compared to small companies, medium companies were found somewhat flexible with regard to religious and ethnic involvement in their recruitment process. A majority (around 60%) of respondents from medium companies commented that because of business expansion they needed to employ diverse, multi-ethnic staff to deal with multi-ethnic customers; however, how entrepreneurs dealt with people from diverse backgrounds actually determined the mode of their mutual relations. A number of respondents (30%) from medium companies mentioned about legal requirement to provide equal employment opportunities. Accordingly they tended towards a policy of EO (equal opportunity practices) recruiting employees at all levels regardless of their religious and ethnic background.

A similarity was found between primary and secondary findings. As reported by some other authors (Hoque and Noon, 2004; Kirton and Greene, 2005), medium enterprises were inclined to apply formal/written EO/DM policies in their work places to fulfil their organizational needs and abide by the legal obligations. However, similar to the primary evidence, the secondary evidence did not indicate any tangible or solid presence of these policies in recruitment process of these organizations. As indicated in the literature (Kirton and Greene, 2005; Kirton and Greene, 2005; RIBM, 2007; Hwang and Lockwood, 2006),



despite some initiatives, EO/DM policies were not really representative of the SME workforce. Therefore, the actual issue was related to '*substantive practice*' (tangible and solid presence) of these policies as claimed by these companies (Kirton and Greene, 2005).

**6.2.1.4 Overall recruitment process:** Overall analyses of the primary data gathered through interviews and surveys reflected a dominant use of informal ways of recruitment and selection in Pakistani-owned SMEs in the UK. As reported by over 70% respondents from small and around 50% from medium companies (both interview and survey participants) these companies were inclined to follow simple, straightforward and informal recruitment procedures (walk-in job seekers, oral requests, informal interviews, CVs, front door vacancy displays, personal contacts with familiars, informal consultation with company staff, etc.) to fill their vacant positions. The respondent entrepreneurs were in favour of informal ways of recruitment to fill administrative and operating positions. To fill most of these positions, the entrepreneurs of these companies used their '*personal judgment*' and/or accepted '*referrals/word of mouth*' (individuals recommended by others) to make recruitment decisions.

The empirical evidence further indicated that administrative staff in these companies (both small and medium companies) was resourced through informal sources; however, before making final selection, around 60% applicants were tested and tried for a few days to check their ability and fitness on the job. A number of employers (around 50%) in SMEs used interviews in conjunction with trial shifts for chefs, health care assistants or technicians to evaluate their potential employees.

On the other hand, as reported by around 80% respondents from small and medium companies (both case and survey), the majority of technical and managerial positions (particularly in medium enterprises) were filled through formal procedures with the wider use of vacancy announcements (through job centres, local media and company website), application forms, formal interviews and practical tests, etc. A less influence from friends, relatives or company employees was reported in the recruitment process in medium companies in contrast to small companies. Furthermore, a majority of respondent entrepreneurs (over 70%) from both small and medium companies were of the opinion that size, scope and growth of business activities were the real factors which determined the

extents of formality or informality in Pakistani-owned SMEs in the UK. As highlighted by these respondents, the recruitment process did not remain fixed but varied according to the nature of positions, company resources and requirements.

The findings from the literature were in line with the primary data. As reported by a number of contemporary researchers, most SMEs were lagging behind large corporate organizations in the use of formal HR practices (Forth et al., 2006). As they explained, ‘*word of mouth*’ strategy always played an important role in the recruitment process of SMEs, particularly in small enterprises (Marlow, 2005; Marlow et al., 2010; Forth et al., 2006). Some scholars were of the opinion that the use of formality or informality mainly depended on growth and expansion of enterprises. As a firm grew, management formality increased, and faster growing firms were gradually moving forward towards formal HR procedures; including recruitment, training and appraisal systems (Storey et al., 2010; Kersley et al., 2006; Carlson et al., 2006). According to the literature, employers emphasized differently on different specifications of potential applicants (such as qualifications, skills or personal attributes), depending upon the nature and requirements of different positions. The literature further highlighted the fact that employers in SMEs were using a mix of different approaches (such as interviews and tests) while recruiting people for technical and managerial positions (Davidson, 2011).

## **6.2.2 Employee training and development**

**6.2.2.1 Training applications vary from small to medium companies:** A comparative analysis of the data gathered through both the case studies and survey indicated that small and medium companies applied different training procedures to the training of people at the top, middle and lower positions. Seniority of the roles and responsibilities played an important role in determining training needs and requirements of different employees. It was identified that people performing at important and senior positions (such as managers, technicians and accountants) were provided with long-term, formal and organized training as compared to the people performing at operational positions. The data further indicated that training tools, methods, schedules, and approaches were directly linked with the nature, requirements and resources of Pakistani SMEs in the UK.

According to a clear majority of interviewees (80%) and survey participants (75%), small companies were less interested to provide formal and organized training to their employees. As reported by over 80% respondents from small companies, formal allocation of budget rarely happened in these companies. Because of their budget constraints they preferred on-the-job training for their employees instead of allowing them to leave the job to attend any formal training events. Most of their training remained limited to new-comers for few days or few weeks (depending upon nature of the job and company requirements). A number of owner-managers from small companies expressed their reservations about '*extra-trained people*' who would like to leave the company to avail themselves of better opportunities. These findings were substantiated by secondary sources (Litz and Stewart, 2000; Lynch and Black, 1998). According to the literature, in most of small companies training process remained informal, unplanned and reactive. Further, the nature of the work in these companies, and their budget constraints made it difficult for them to fund formal and off-site training (Litz and Stewart, 2000; Johnson and Devins, 2008). Similarly, some other researchers were of the opinion that SMEs (particularly small organizations) were reluctant to pursue formal training using external providers because of the cost and disruption associated with employees needing to leave the work place to attend courses (Keep, 2006; Lynch and Black, 1998).

In addition to the above, the analysis of the primary data discovered some other aspects of training practices in the small enterprises. With some exceptions (for high ranking positions) most of these companies were found with incidental/casual training (the training occurring without any declared schedule). As reported by around 80% respondents (both from the case studies and the survey), the entrepreneurs believed in generalised training (for most of their administrative and operational staff) aiming to prepare them for multiple roles (with potential to provide cover for each other) instead of specialised roles. The training was directed at familiarising them with the company and their jobs. Training methods remained limited to oral advice and close supervision from seniors to juniors. In most of the small companies, people were monitored, guided and supported at work sites. Instead of holding any organised training events, practice at work was considered as an important source of training and learning in these companies.

The secondary data also echoed the findings of the primary data collected for this study. A review of the literature by a team from the Kingston University Small Business Research Centre (KUSBRC) identified a large number of research studies and policy statements that appeared to point in the same direction – that small employers provided less training than larger employers; suggesting that owners of small businesses provided insufficient training (Kitching and Blackburn, 2003). Similarly, the evidence revealed by the National Employer Skills Survey (2005) indicated that training activity was significantly lower in single independent SMEs employing fewer than 25 employees. Furthermore (according to the survey report), as compared to large and medium enterprises, smaller firms were less likely to provide external training to all grades of their employees performing at higher, middle or lower positions. According to the literature, much skills-acquisition in these companies occurred naturally as part of everyday operations and was informal or incidental, seldom reliant upon formal or structured training (NESS, 2005; Johnson and Devins, 2008).

In contrast to small companies, the majority of interviewees (75%) and survey participants (80%) from medium companies highlighted formal and organized training in their companies. Unlike uniform training events or methods employed in small companies, medium companies (with exception of few common events) arranged different training events with different schedules for the people working at top, middle or lower levels, keeping in view the nature and requirements of their roles and responsibilities.

In medium companies, all types of employees from top to bottom were provided with necessary training to enhance their knowledge and skills to perform better. They arranged internal (78%), (22%), on-the-job (63%) and off-the-job (37%) training sessions for their employees performing at managerial, technical and administrative levels. However, data showed that like small companies, most of the operational staff (over 80%) in medium companies received informal on-the-job training for 2-3 weeks under close supervision of senior staff members. Unlike small companies, most of the medium companies have been found with formal training budgets. As confirmed by the majority of case study respondents (88%) and survey respondents (70%) respondents, medium companies preferred to allocate formal budgets to facilitate training activities. Quite a small number of respondents (around 20%) reported informal budget allocations for training purposes in medium companies.

The primary data further revealed that training remained as a continuous process in medium companies. From time to time some training events such as seminars, workshops, group discussions and practical assignments were arranged within company premises as refresher courses in medium companies. During these activities employees were provided with appropriate training about system and structure of the company, health and safety cares, nature and requirements of their job, interpersonal-relations, and their overall responsibilities towards the organisation. A number of respondents from medium companies reported that their companies were pursuing to develop a knowledgeable, motivated and well-behaved team of employees.

As far as literature sources with regards to above findings about medium enterprises were concerned, this study could not find any comparative research material differentiating training practices of small and medium companies. The most of the material covered SMEs in general with more focus on small organizations. This study covered both types of companies while investigating comparative view of training determinants and applications in these companies.

**6.2.2.2 General influences on training decisions:** The empirical investigation conducted on Pakistani-owned SME in the UK identified a number of factors influencing training styles and strategies adopted. Heterogeneity is the main factor, which really determined training needs and requirements of Pakistani-owned SME in the UK. Analysis of the primary data gathered around these companies revealed that small and medium companies differed by the nature, size and scope of their operational activities. Their technology, products/services, target market, customers and competitors were different; therefore, these companies needed to adopt different training approaches according to their respective needs and requirements. In other words, a uniform/generalized training agenda was less effective to train their employees.

A research report published by the department for Business Enterprise and Regulatory Reforms (UK) also found the same findings. According to the report, SME sector of the UK represents a large diverse group of organisations. There is a large scale variation compared to commonality in business scope and operational structure SMEs. Some use simple technology; others operate at the cutting edge of innovation and technical change.

Furthermore, size and scope of SMEs were changing on an almost daily basis. New firms were created, others ceased to trade and many remained essentially unchanged for many years. As concluded in the report, these were the key factors that influenced propensity of SMEs to undertake training and development activities (BERR, 2006).

The majority of interview and survey participants (over 60 %) were of the opinion that training styles and approaches were subject to change with the passage of time. As they suggested, firms adopted more formal, organised and specialised training approaches and spent more as they grew and established. According to these respondents, the factors such as nature of the recruitment, nature of the jobs to be performed, flexibility of work schedules and generalised or specialised organisational structure, also played an important role in determining the nature of training activities. A close resemblance was found between primary and secondary findings. The literature-based evidence suggested that the amount which SMEs spent on 'off-the-job' training increased with firm size, and that larger SME workplaces were found with formalised training practices (Cosh et al., 1998; Litz and Stewart, 2000). The literature further revealed that training was often linked to the recruitment and induction process, so it was perhaps not surprising to find that a 'typical' SME provided less training than a 'typical' large organization that was recruiting staff on a regular and structured basis (Johnson and Devins, 2008). The literature further elucidates that the factors that might affect the likelihood of individuals and organisations undertaking formal accredited training include: the level and mix of skills required; extent of part-time or flexible working; staff turnover; frequency of organisational or technical change; degree of specialisation of job roles; extent of job rotation; and regulatory or customer requirements for qualifications (Johnson and Devins, 2008).

**6.2.2.3 Cultural influences on training processes:** In addition to general influences, the study identified some cultural influences on training process of Pakistani-owned SMEs in the UK. It was found that cultural factors had a moderate effect on training process of these companies. A collective review of the data (as analysed in chapters 4 and 5) highlighted the fact that over 50% respondents from both small and medium companies expressed their opinion that cultural factors were playing a moderate role in shaping training activities of these companies. These respondents acknowledged the need to develop a favourable working environment where people felt themselves free to express their faith and beliefs;

they were comfortable to live according to their culture and traditions and there was no danger of any social and cultural conflict. They aimed to develop and maintain their working environment according to the faith, beliefs and traditions of the employees, to provide them with complete peace of mind within the company premises.

The literature also confirmed the evidence collected through primary sources. According to the literature, employees were part of the culture which had placed a strong emphasis on the freedom to choose - not only for goods and services, but also the freedom to choose their own value- systems, beliefs and lifestyles (Griffiths, 2007). It further elucidated that today's business organisations (irrespective of their size) need to be aware and take due care about values and beliefs of the people working with them. Employees convinced and committed to their faith and culture were more comfortable and loyal to those organisations whose organisational culture matched with their own cultural needs and expectations (Schmidt, 2004).

In line with the above findings, Pakistani-owned SMEs were found somewhat awakened to develop cultural harmony in their working environment. As reported by the majority of respondents from both the small and medium companies, over 70% of employees and customers of these companies belonged to Asian communities, therefore, from time to time these companies arranged some formal and/or informal cultural events to familiarise employees about different features of Asian culture in order to improve relationships among different stakeholders. Informality, flexibility, tolerance, bargaining, credit buying, non-business relations (such as social and religious affiliations) were highlighted as leading features of Asian culture by the respondents. Therefore, these companies (because of Asian-cultural influences), arranged some special training events enabling their employees to behave others keeping in mind their cultural backgrounds.

The medium companies were found more vulnerable as compared to small companies while facing a challenge of bi-cultural influences (both Asian and British) while managing employees and dealing with customers from diverse backgrounds. These people were different by religion, region, language, race, colour and caste. In this perspective, the medium sized Pakistani-owned companies arranged various formal and informal training events including seminars and group discussions to develop bi-cultural harmony among them.

These training events were particularly focused on developing religious harmony and multi-lingual communication patterns among employees to behave with different stakeholders according to their cultural requirements.

The literature review did not reflect any relation of cultural impact or any practical examples about cultural events in terms of employee training. This was somewhat new phenomenon as found in Pakistani SMEs. However, as suggested by the respondents of these companies, they were still at initial stage of sensing role and importance of cultural awareness and harmony, and needed to take more organised initiatives to build a working environment where people could live and work according to their faith, beliefs and traditions.

### **6.2.3 Performance Management**

**6.2.3.1 Structure:** The majority of small companies preferred a centralised organisational structure. Everyone was directly accountable to the proprietor/owner-manager of the business for his/her performance. Employees were required to follow instructions from top management with regard to their day to day activities. According to (70%) case-based respondents, and (80%) survey respondents, no layer of middle management existed in these companies. Progress at work was centrally monitored and reviewed. The data further revealed that over 80% employees in Pakistani-owned small companies reported directly to the top management (comprising family owners in most cases), with exception of some individuals in un-skilled lower positions.

Similar views were reported in the literature. The authors were of the opinion that small companies, because of their smaller organisational structure and narrowed operation, preferred to keep central control over day to day activities of their employees. Employees were advised to report directly to the proprietor of the organisation about their performance (Ram et al., 2001). The literature further illustrated that centralised approach helped these firms to develop an atmosphere of teamwork and cooperation (Dundon et al., 2001; Keenoy, 1997). This system also contributed to development of close relations between employers and employees. Employers were able to communicate closely with their employees and get their suggestions for the improvement of organisational performance (Dundon et al., 2001; Keenoy, 1997). A close relevance was found between the literature and empirical results. Over 70% of respondents from small companies echoed these findings. As they opined,



centralised control facilitated uniformity of instructions and operations; and employees worked in teams rather than as individuals. Because of this system, there was close and frequent communication between management and employees, and management was able to closely monitor their day today activities and take prompt action to resolve any issues arising, instead of waiting for days and weeks.

Alongside merits of centralised control as discussed above, this study also discovered some problems associated with centralised system. Over 60% of respondents admitted that the centralised structure of their companies was a leading cause of unnecessary delays in all types of decisions and relevant actions to achieve desired level of efficiency and effectiveness. Managers of small companies found themselves under pressure when dealing with and controlling a wide range of processes; including work schedules, monitoring, problem handling, complaint handling, performance evaluation, and decisions from top to lower level. About a third of respondents performing at senior positions were of the opinion that the reluctance of entrepreneurs to delegate some of their authority to employees working under them was generating a sort of misunderstanding or mistrust between employers and employees. In consequence, they tended to adopt a dual approach keeping main policy matters like appointments, transfers, performance evaluation under centralized control, while leaving routine matters to be decided and implemented by people at administrative and operating levels.

The study also found that, in contrast to small companies, the majority of medium companies (because of their organisational structure and differentiated roles and responsibilities), preferred decentralised control and delegation of authority over most of their administrative and operational activities. An overwhelming majority of respondents (over 70%) preferred a decentralised system in Pakistani-owned SMEs in the UK. They suggested that a decentralised organisational structure allowed heads of different departments and functional units to assign tasks and jobs to employees working under them, and to monitor closely their progress towards goals and objectives. Medium companies preferred this system in order to maintain an indirect but close supervision over operating staff, instead of keeping control over them from a distance. They believed that a decentralised organisational structure facilitated speedy decisions, quick feedback, and ensured a smooth flow of operational activities.

The overall data analysis revealed some issues associated with decentralised structure of these companies. Over-dependence upon employees performing at managerial or administrative level, negatively affected the quality of decisions and quality control in the day-to-day activities of these companies. The lack of centralised control generated some confusion and conflict between the company and its stakeholders. Decentralisation also led to some complaints about favouritism at lower levels of recruitments. Furthermore, an undesirable gap was found between the top management and operational management, ultimately affecting the process of consultation and coordination in these companies.

As argued by over 80% of respondents from both interviews and surveys, the appropriateness of a decentralised approach was linked with competency and sincerity of managerial staff of a company. Decentralisation proved effective in the situation where managers understood the limits to their authority, put the interest of the company before their personal preferences, facilitated regular feedback to the top of company about the progress and problems, and avoided favouritism and discrimination in the decision making process. The researcher could not find any secondary evidence detailing centralised or decentralised organisational structure of medium companies.

Around one-third of the respondents from medium enterprises preferred a dual approach. They suggested that key departments such as recruitment, and accounting and finance should be centrally controlled; whereas, operational departments such as sales, customer services, security and caretaking should be decentralised. Similarly major decisions should be taken by the top management; whereas, routine decisions at operational level should be taken by the middle and lower management. The primary evidence was found to be in line with the secondary evidence. According to the literature, the owner-managers of both small and medium companies were reluctant to delegate critical tasks (such as recruitment, transfers, performance appraisal) to their subordinates. In their opinion, because of less experience on the part of managerial or supervisory staff, it might result in serious consequences to SMEs if not handled properly (Matlay, 1999).

**6.2.3.2 Nature of roles and responsibilities:** It was identified that around 80% Pakistani-owned small companies preferred an informal and generalised distribution of roles and responsibilities, with homogeneous work schedules for most of their employees. Tasks were

structured so that employees performed multiple roles rather than a limited range. The empirical results highlighted that small companies favoured an informal and generalised approach of work organisation in order to develop an atmosphere of team spirit among employees and to facilitate necessary adjustments and changes in work schedules in accordance with given circumstances.

The views of many authors were found similar to the primary research conducted for this study. The scholars found that SMEs were generally characterized as relatively informal as compared with large organisations (Bewley et al., 2006; Marlow, 2005). They believed that informal employment relations were mainly based upon unwritten customs and the tacit understandings that arise out of the interactions of the parties at work (Marlow et al., 2010). These understandings were reached through a pragmatic process of ‘mutual adjustments’ on either side, resulting in a relatively stable position once a mutually acceptable agreement was achieved. They argued that most tasks in small companies are “operating” in nature, requiring limited skill and experience to perform them; therefore, informal distribution of tasks with frequent transfers or rotations is more appropriate for those companies (Marlow, 2005; Marlow et al., 2010).

The empirical investigation also discovered Pakistani-owned small companies were found inclined to apply standardised work schedules for a majority of their employees (except part-time or contract employees), with identical working hours, equal work loads, and overtime opportunities; in order to convey a sense of equality and fair-play in the minds of employees. According to over 60% of respondents from small companies, generalised and standardised structures and styles of work were applied more often at operational levels than in non-technical positions. However, this approach was seen as less effective at technical and managerial levels, where a higher level of professional ability and skills were needed to meet the requirements of the job. A number of scholars were found in agreement with the above findings. As they suggested, it was not possible to draw a hard line between relevant application of formality and informality of HR practices in SMEs. As Marlow et al. (2010) state, informality and formality must be thought of as a dualism rather than a dichotomy. Similarly, some other authors emphasized an interplay between both tendencies, in accordance with any given situation (Barrett et al., 2009; Hoque and Bacon, 2006).

This study also identified some limitations associated with the informality of practices in small companies. Despite having favourable views and feelings about generalised approach of operational activities in small companies, a number of respondents from senior positions expressed concern about the difficulties experienced by the management in recognising and differentiating between high performers and low performers. All were considered equal, and credited on equal basis because of team work and frequent transfers from one department to another department. Consequently, high performing employees were demoralised. On the other hand, low performers were not bothered about their weaknesses, with negative consequences for the long term interests of small companies. Respondents highlighted that it was administratively and operationally appropriate to continue the policy of generalisation; however, they were considering introducing greater individual responsibility through effective distribution of work and keeping a close check on individual activities instead of focusing their attention solely on group performance. The literature was silent about these findings; hence, this finding adds new information to the existing body of knowledge.

However, unlike small companies, medium companies operated with specialised and formal distribution of roles and responsibilities. They preferred differentiated and rotated work schedules at all levels; though, at lower levels some evidence was found of homogeneous work schedules. A clear majority of interviewees (75%) and survey participants (83%) were of the opinion that bearing in mind the aptitudes and skills of the people, long-term placements at particular positions could generate better results as compared to frequent changes and staff rotations. Respondents emphasised that an individual who performed at the same position on a permanent basis improved his skills and developed his career in the same organisation; whereas, an individual who performed at different positions on temporary basis remained at the same ability level despite serving the company for many years. Thus medium companies were more inclined towards specialisation than small companies.

To maintain consistency and effectiveness of specialisation, medium companies preferred long-term and formal distribution of work among employees according to their knowledge, ability and aptitudes. As discussed in chapters 4 and 5, except sensitive matters such as finance and recruitment (at higher levels), most of work in the Pakistani-owned medium companies was widely distributed among departments and functional units to ensure efficiency of organisational and operational activities. The majority of respondents (over

70%) from medium companies preferred delegation of authority and freedom to act rather than centralised authority and undue interruption by top management in the day to day affairs of the employees performing in different departments or working units. As they argued, a policy of long-term and formal distribution of work contributed in building a confident, efficient and skilled workforce, with potential to achieve higher performance. Regarding these findings, a close conformity was found between both the case studies and the field surveys.

The literature also confirmed these findings and divulged that specialised or generalised, formal or informal distribution of roles mainly depended on nature, size and growth of enterprises. It was pointed out that management formality increased and generated better results as the firms grew (Storey et al., 2010; Kersley et al., 2006, Kotey and Slade, 2005; DTI, 2007). Some other authors authenticated these findings and said that faster-growing firms, with increasing scale, scope and complexity of their managerial and operating activities, made greater use of formal and specialised distribution of roles and responsibilities (Kersley et al., 2006, Kotey and Slade, 2005). They argued that delegation of authority and formal distribution of roles at higher levels contributed to develop a dynamic, trustworthy and skilled workforce; both in small and large organisations. However, they believed that application of these HR practices varied, depending upon size, structure and resources of different enterprises (Carlson et al., 2006; Heneman et al., 2000).

**6.2.3.3 Individual or collective responsibilities:** The majority of the respondents (70%) highlighted an approach of collective responsibility and accountability in small companies. With a few exceptions at managerial level, a majority of employees performing at operational levels were collectively responsible and accountable to the management for their roles and responsibilities. The entrepreneurs of small companies were found of the opinion that an orientation of collectivism developed an atmosphere of teamwork and cooperation among employees. Instead of keeping them limited to their own job they were inclined to share responsibilities of others.

The respondents also expressed that the concept of collective responsibility worked well where people were generally trained to perform multiple roles instead of specific roles. To achieve a true sense of collectivism and team work, the entrepreneurs and owner-managers of

these companies aimed to develop a generalised approach and ability among their staff. For this purpose, people were frequently transferred and rotated between tasks. The interviewees and survey participants were of the opinion that an orientation of collective responsibility and accountability developed feelings of mutuality and unity among employees.

The literature-based evidence was found in line with the primary research. According to the literature, collectivism 'is characterised by a tight social framework in which people distinguish between in-groups and out groups, they expect their in-groups to look after them, and in exchange for that they feel they owe absolute loyalty to it' (Hofstede, 1980b: 45). In collectivistic cultures, people are 'we'-conscious, their identity is based on the social system to which they belong, and avoiding loss of face is important (Hofstede, 1980b, 45; Downing-Burn and Cox, 1999).

Unlike small companies, Pakistani-owned medium companies in the UK believed in individual responsibility and accountability of their employees. As reported by 63% interview-based respondents and endorsed by 75% from questionnaire-based respondents, because of wider organisational structure and clearly defined roles and responsibilities in these companies, every manager and supervisor was answerable to top management for the overall performance of his own department; similarly every individual was answerable to the manager of his respective department instead of others. However, as pointed out by some respondents, collective responsibility became functional where people were deputed to perform group assignments and where results mostly depended upon the group efforts.

One of the important findings of this research was that the policy of specialisation or individual responsibility was not without limitations. About 40% respondents from medium companies pointed out that this approach generated better results on the part of individuals performing at managerial and administrative level; however, in some cases this approach created a situation of '*unbridled individualism*' among their employees. They further divulged that because of individual responsibility and accountability, employees became self-centred and watched their own interest instead of helping or supporting others in the organisation. They became absorbed in their own job and were not bothered about the problems and difficulties of others. There was less frequent communication culture in these companies. A similarity was found between primary and secondary data, which revealed that

SMEs were more inclined to individualism in contrast to collectivism. Some authors (Hofstede, 1980b; Collings and Wood, 2009) reiterated that individualism was based upon loosely knit social framework in which people were supposed to take care of themselves and of their immediate families only. They further commented that individualistic cultures were low-context communication cultures with explicit verbal communication. In individualistic cultures, this self-orientations, or “I” consciousness, resulted in an emotional independence of the individual from organizations and institutions (Hofstede, 1980b, 45; Collings and Wood, 2009). However, despite the above-stated similarity, unlike empirical evidence, the literature did not provide any comparative view of small and medium companies regarding the extents of individualism or collectivism in these companies.

**6.2.3.4 Discipline:** The empirical findings reflected a soft image of Pakistani-owned SMEs in the UK in terms of discipline or the use of disciplinary proceedings against employees. Instead of using the term discipline as the weapon of fear and punishment, it was used to advise staff about the need to avoid violation of the rules and set procedures. Around 75% interviews and survey participants highlighted that disciplinary proceedings such as suspension, demotion, and termination were used as *‘a matter of last resort’* when no better option was left to correct the situation. These companies preferred to be lenient and flexible with their employees and avoided taking serious action when mistakes were made. The entrepreneurs and managers of these companies believed that no one was perfect, and therefore mistakes and omissions could be expected. They preferred a gradual approach to correcting and improving the performance of their employees.

Around 65% respondent employers and owner-managers (both from small and medium companies) expressed their preference to work with employees and help them to perform better, instead of putting them under the pressure of disciplinary measures. These respondents/entrepreneurs/owner-mangers suggested that employees performed better within *‘a culture of tolerance and forgiveness’* than in *‘a culture of fear and punishment’*. In their opinion, people who worked under pressure remain demoralised and also lost their self-confidence; therefore, companies needed to be tolerant of the ordinary mistakes of their employees to provide them with a peace of mind while living and working with them.

The empirical investigation further revealed that the concept and meaning of the term 'discipline' differed somewhat from small to medium companies. In small companies, discipline meant observing rules and regulations, and implementing work schedules; to ensure punctuality, and to control employees' performance at work. More than 80% respondents from small companies (both case study and survey) disclosed that the term discipline did not mean to exploit weaknesses of employees rather it was an approach to manage employees' behaviour at work. However, despite having a soft image of the term 'discipline', some cases of disciplinary actions (such as demotion, dismissal) were reported in Pakistani-owned small companies in the UK.

Primary and secondary findings were found identical relating to disciplinary proceedings SMEs in the UK. According to the literature, SMEs preferred to keep employees on the right track through soft measures such as oral and/or written reminders, and informal staff meetings. They were found less likely to take disciplinary actions against their employees. They aimed to take disciplinary actions after using all means of correction and improvement. However, some events of disciplinary actions against employees such as dismissal were reported in SMEs. The literature further revealed that employees had less access to union representatives in SMEs than their counterparts in large organizations (Collings and Wood, 2009; Forth et al., 2006).

**6.2.3.5 Work-life balance:** The empirical investigation further divulged that both small and medium companies owned believed in flexibility of rules and regulations to achieve the desired performance at work. As reported by over 70% interview and survey participants (the majority from small enterprises), work rotas remain flexible and adjustable according to the personal circumstance of the employees. They were allowed to attend any urgent appointments outside company premises without the loss of their pay. The respondents believed that an imbalance of work and family life led to conflict between personal and family life and generated problems for the individuals. A number of contemporary researchers have expressed similar views as well (Camuffo and Comacchio, 2005; Feldstead et al., 2002; Moen et al., 2008). According to them, small companies were found to be more concerned to facilitate work-life balance than large companies. They were looking after their employees (particularly female employees) when setting their work schedules. The scholars highlighted the fact that employers of small enterprises were found flexible when granting



special leave to their employees to meet any incidental or emergency needs (Camuffo and Comacchio, 2005; Feldstead et al., 2002; Moen et al., 2008). A research report published by the Advisory, Conciliation and Arbitration Services (ACAS) has also reported similar findings. According to the report, SME managers were inclined to take their employees into their confidence when assigning various tasks to them. Their family matters were duly considered when setting their work timings (ACAS, 2009).

A close conformity between empirical results and the literature dispelled the impression of a 'Bleak House' perspective of small companies reflecting poor conditions of work-life balance. However, in the literature, some of the authors supported the 'Bleak House' perspective and discovered that SMEs were still lagging behind in facilitating appropriate work-life balance conditions of their employees, consequently facing retention as one of the major challenges (Beechler and Woodward, 2009; Tarique and Schuler, 2010).

**6.2.3.6 Performance-oriented working environment:** The overall performance management practices of Pakistani-owned SMEs in the UK were enriched by a favourable and friendly working environment. These companies were aiming to attract and retain a workforce that helped them compete in the market. A clear majority of interviewees (67%) and questionnaire respondents (70%) from both small and medium companies highlighted unity and teamwork as leading features of the working environment. They commented that the terms boss and subordinates were rarely used. The managers and supervisors were not allowed to become harsh and inflexible with the people working under them. They were expected to take them into confidence while assigning different roles and tasks to them. They were required to develop a team of employees which was open-minded and well-behaved with everyone in and out of company premises, loyal and obedient to senior staff seniors and helpful and compassionate to the juniors.

A number of contemporary researchers have closely substantiated these findings. These scholars argued that employee satisfaction in SMEs was best understood in the light of favourable working environment and personal relationship between the employers/owner-managers and their employees (Edwards et al., 2007; Truss et al., 2006).

The study further revealed, that these companies adopted a flexible working environment - an environment where an employee could chose a role according to his aptitude, with freedom to perform his job, ask for guidance and support of others, and has been given the necessary facilities to perform his job and to maintain a desired level of balance between his work and personal commitments. Some recent research findings confirmed that the organisational commitment was higher in SMEs because of flexible working times (in the form of banked hours and part-time attendance) and family-friendly working environment (Fisher, 2010; Saridakis et al., 2013; Forth et al., 2006). These findings provide some *prima facie* support for the 'small is beautiful' perspective, which suggested that small firms offer some highly valued non-material benefits, such as variety of work, involvement, face to face relationship, and a 'community' or familial environment, which are difficult to replicate in large firms (Holliday, 1995; Wilkinson, 1999). Other benefits may include a sense of equity, achievement, mutual trust and friendship (Sirota et al., 2005).

The primary data collected for this study divulged that the respondent companies aimed to develop a working environment where employees were free of any religious prejudice or conflict and there was mutual respect for each other's religions and religious affiliations. As reported earlier, Hindu-Mat (the religion of Hindus), Islam (the religion of Muslims) and Christianity (the religion of Christians) were the main religions of the people working with these companies. Because of different religious backgrounds, employees talked about and raised questions about each other's religions and sometimes this developed into arguments or conflict among them which negatively affected their efficiency and output at work.

Medium companies were more affected by this situation than small companies. To control the situation, most of the companies banned any type of religious discussion on company premises. However, a majority of respondents from both small and medium companies emphasized that there was no restriction of any type on their personal religious or political affiliations. The secondary research did not reveal any information about the efforts of SMEs to develop religious harmony among employees. The current study contributed to the knowledge, while highlighting some important data about efforts of these enterprises to control religious conflicts in order to develop a peaceful working environment.

**6.2.3.7 Cultural influences on the performance management practices:** This research study discovered a number of cultural factors influencing performance management practices of Pakistani-owned SMEs in the UK, with variable effects on small and medium companies. According to 80% respondents from case-studies, the performance management practices of small companies were strongly influenced by culture, ethnicity, religion, beliefs and values. In their opinion, an Asian-styled joint-family system and interdependence of family members relating to economic and social matters directly influenced their punctuality and commitment to their jobs. Accordingly, these firms duly considered personal and family related commitments of their employees when preparing work rotas to facilitate them with work-life balance. The same finding was confirmed by the data collected through majority of respondents (72%) from the field surveys.

A number of scholars have also emphasised the consideration of cultural differences of employees and for making necessary changes and adjustments in work schedules to facilitate employees to fulfil their cultural needs and requirements. The literature also illuminates that the dealings of employers employees from different backgrounds can very well determine whether it becomes a source irritation and litigation for employees, or a step on the road to become an employer of choice to a new generation of workers (Mitchell, 2006). Similarly, as commented by Allen White (Senior Adviser at ‘Business for Social Responsibility’), company leaders may face unwelcome surprises that could jeopardize consumer and investor confidence in a company’s management acumen if they do not recognise the influence of cultural and spiritual traditions (White, 2008).

Another aspect of cultural influence was linked to the religious and values system of Pakistani-owned SMEs in the UK. As highlighted by around 75% of respondents, because of their religious attachment, small companies avoided putting employees under pressure through extra work burden or difficult work targets. The entrepreneurs remained flexible and compassionate towards their employees. People were allowed to perform their religious functions during working hours. Similar thoughts were found in the literature. A number of contemporary researchers emphasised that today’s business organisations, be they small or large, need to be aware and take due care about the values and beliefs of the employees working with them. They argued that employees preferred to work with those organisations where they were free to choose their own value-systems, beliefs and life-styles. According to

them, employees convinced and committed with their faith and culture were more comfortable and loyal to those organisations whose organisational culture match their cultural needs and expectations (CMI, 2008; Griffiths, 2007; Roomi and Harrison, 2008).

Over 70% interview and survey participants were of the opinion, that value system of these enterprises reflected unity, integrity, equality, honesty, respect and mutual trust and confidence. Their belief-system was based upon centrality, informality, generalization, collectivism and low power distance. They acknowledged the positive influence of these factors in shaping performance management practices of these companies. The literature did not provide any detailed information about value systems of SMEs and their relative influence on performance management practices of these companies.

A close conformity was found between the interview and survey results regarding the cultural influences on performance management in Pakistani-owned medium companies in the UK. As compared with small companies, performance management practices of medium companies were more influenced by diversity, languages and communication patterns, and less affected by religion, values, beliefs and traditions. As reported by around 70% respondents (both interview and survey participants), because of workforce diversity these companies spent additional time and efforts controlling conflict and maintaining perceptions of fairness regarding work schedules, helping and facilitating people at work, job rotation, performance evaluation, learning-opportunities, and career-development. The researcher could not find any comparative findings in existing body of knowledge about cultural influences on people-management practices of small and medium companies (as reported by this study).

**6.2.3.8 The role of religion in decision making process:** Another important finding of this research study was an evident influence of religion on the decision making process Pakistani-owned SMEs in the UK. The entrepreneurs habitually consulted employees about organisational decisions, particularly any decisions impacting their personal and professional lives. Some of them quoted a saying of the Holy Prophet Muhammad (PBUH) that '*all their affairs are settled with mutual consultations*', and pledged to follow the sacred saying of the Holy Prophet while taking employees into their confidence in all types of decisions. In this regard, respondents from small companies were found more consultative than the respondents

from medium companies. As asserted by over 70% of respondents from small companies and over 50% of respondents from medium companies (both case study and survey), the Islamic spirit of staff's involvement and consultation in overall affairs of the company contributed significantly to developing trustworthy relations between employers and employees. This resulted in employees showing more commitment to decisions in which they have been involved rather than decisions imposed from above. In this vein, the respondents also voiced that decisions taken by the top management and imposed on employees could create misunderstandings.

The empirical investigation further revealed that a majority of these companies aimed to provide a relaxed and comfortable working environment to their employees. Many of them referred to an Islamic spirit of employment and emphasised the importance of people treating others like brothers and sisters instead of treating them like servants. A number of respondents quoted saying of the Holy Prophet Muhammad (PBUH) *'do not put so much work burden on them (employees) that they are unable to bear, also lend your help to them'*, and expressed their heartfelt desire to treat their employees in accordance with enlightened teachings of the Holy Prophet.

Around 70% interview and survey participants from Pakistani-owned small and medium companies in the UK highlighted the use of some special economic incentives to win sincere, motivated and committed employees. The employees were paid additional sums over and above their normal wages on special occasions such as annual celebrations. Furthermore, some special incentives like Qarz-e-Hasana (interest free loan), paid leave to meet emergencies and extra financial benefits on special occasions are the results of an Islamic culture in these organisations. The literature did not reveal any information about the role of religion in performance management practices of SMEs.

## **6.2.4 Employment Relations**

**6.2.4.1 The nature of relations:** The employers-employees as well as employee-employee relations remained informal in most of the Pakistani-owned SME in the UK, as articulated by 80% of the respondents. They frequently discussed matters and exchange views of mutual interest without having any formal appointments with each other. The respondents commented that people in these companies mixed so well with each other that it was difficult

to distinguish between the employer and the employee or the boss and the subordinate. Because of friendly working relations they commonly helped or shared each other's roles and responsibilities.

A number of researchers have also confirmed the informality of employment relations in small firms. They talked about how the unwritten customs and informal work procedures significantly contributed in developing frequent interactions and friendly relations between employers and employees in SMEs. They suggested that people displayed more loyalty to the organisation where they made friends and where they were covered by their work fellows in the case of emergencies (Leung, 2003; Harney and Dundon, 2006; Marlow et al., 2010). These findings were further confirmed by a most recent empirical research conducted under the supervision of Advisory, Conciliation and Arbitration Services (ACAS). The research revealed that employees in SMEs were found very keen to emphasise that they were working with good people and fair employers. The main concern in these enterprises was that to make sure that everyone is doing what he is supposed to be doing (ACAS, 2012).

The majority of medium companies had more formal employer-employee as well as employee-employee relationships as highlighted by 75% participants in the case studies. They articulated that most of position holders at managerial and administrative levels kept themselves formal and reserved because of the specialised nature of their work. They preferred not to be interrupted and most oral or written communication amongst them remained formal. More than 70% respondents of the field survey confirmed these findings and augmented the literature based evidence as well, which states that employment relations in medium enterprises were more formal than small enterprises. The authors were of the opinion that informal networks were no longer appropriate, when business grew and informal styles of management communication were stretched, and the owner became overextended and needed to delegate responsibility to more professional management (Hornsby and Kuratko, 1995; Kotey and Slade, 2005).

Around 50% of the respondents from both small and medium companies expressed reservations about undue informality of relations during working hours. In their opinion informality among employees diverted their attention from their jobs towards non-business activities. Informality led to staff discussing political or social matters, contacting friends, or

family members to settle domestic matters whilst on company premises. In their opinion, this type of informality at work negatively affected their attention and interest at work and ultimately performance of the company. They also suggested that informality of relations and free interaction and collaboration among employees should be limited to organizational and business matters instead of personal and social matters. The existing literature did not report any findings about negative effect of informality on employee performance at work as reported above.

**6.2.4.2 The nature of employment agreements:** Informality of relations in Pakistani-owned companies in the UK (both small and medium) was also evident in relation to employment agreements between employers and employees. Small companies were more informal than medium companies. Around 80% of small enterprises preferred oral and informal agreements with their employees; whereas, medium companies were more inclined towards a mixed approach of both formal and informal agreements. A number of entrepreneurs/owner-managers from small companies were of the opinion that informal/oral agreements were flexible and could be changed, or even terminated by the mutual consent of employer and employee without any danger of litigation against each other; whereas, formal/written agreements might instigate in legal proceedings if either party needed to change or end the contract because of changing circumstances. The researcher could not find any secondary evidence about formality or informality of employment agreements in SMEs.

**6.2.4.3 Power distance:** Low power distance was identified in the majority of small Pakistani-owned companies in the UK. Around 75% interview and survey participants indicated close and consultative relations between employers and employees. The employees of these companies were not introduced by their ranks or status. They respondents highlighted that employees were entrusted with important assignments and were closely supervised and supported by their managers. Similarly, managers and their subordinates worked together and avoided blaming each other for mistakes or omissions.

In contrast to small companies, high power distance was reported in the majority of medium companies. The majority (63%) of the case-based respondents reported a power-based distance between employers and employees. Employees were recognised by their ranks and designations in Pakistani-owned medium companies. Managers kept a distance from their

subordinates and socialised less with them. These views were supported by 70% respondents of the field survey. The secondary evidence was in line with the above findings as well.

The authors were of the opinion that application of high or low power distance in SMEs varied depending on nature, size and number of employees. They found that as companies grew and recruited more people, they preferred to professionalise and formalise their HR practices. This resulted in formal distribution and identification of roles at top, middle or lower levels. This type of identification widened the distance between higher and lower position holders. High power holders were allowed to get privileges deprived of the powerless; coercive and referent powers were emphasised; others were viewed as a threat to one's power and rarely are to be trusted (Hofstede, 1980b; Wilkinson, 1999). They also remarked that large companies reflected high power distance as compared to small companies (Hofstede, 1980b; Harney and Dundon, 2006; Marlow et al., 2010).

**6.2.4.4 The culture of consultation:** The primary data revealed that '*a culture of consultation*' was playing an important role in strengthening the mutual relations of employers and employees in these companies. The employees were duly consulted in relation to the decisions affecting their personal and working life as conveyed by the majority (75%) of respondents from small and medium companies,. They were taken into confidence while preparing their work schedules, or when they were rotated from one job to another or transferred from one department to the other. The respondents were of the opinion that a consultative and democratic approach towards employees contributed significantly to maintain a positive balance of relations between employers and employees as compared to a non-democratic and authoritative approach.

The employees' influence in decision making process has also been acknowledged by contemporary researchers. The literature revealed that employees in SMEs were consulted about decisions impacting their organisational and family life. They felt themselves being involved and informed about managerial decisions as they were encouraged to feed their views and opinions to the management in the interest of organisation (Forth et al., 2006; Truss et al., 2006).



**6.2.4.5 Fulfilling mutual expectations:** The mutuality and reciprocity was found to be central in developing better working relations between employers and employees in Pakistani-owned SMEs in the UK. The ideas and views expressed by over 80% of respondents from both small and medium companies were found to be identical regarding the mutual expectations of employer and employees. As articulated by them, an employer offered a place and a package of benefits to an employee and in return expected a number of services from him; similarly, an employee offered his time and efforts in exchange of certain financial and social benefits from employer. As long as both parties met each other's expectations, working relations continued on a satisfactory basis. In their opinion, fulfilling mutual expectations contributed significantly to developing strong and successful organizations. The present SME literature did not account any evidence identical to these findings.

**6.2.4.6 Cultural influences on employment relations:** Cultural influences were mainly investigated in an Islamic and Asian perspective. The researcher could not find any formal study in this domain of the research. Hence, the following findings added some new and interesting information in the existing body of knowledge.

The simultaneous influence of cultural factors including religion, values, beliefs and traditions was reported by the majority of respondents from these companies. Small companies were more influenced by these factors than medium companies. Around 75% participants of both case studies and the field survey clearly acknowledged the role of religion in developing a culture of brotherhood, consultation, cooperation, voluntary covers, sacrifice and tolerance in both small and medium organizations.

In line with above findings, 68% respondents referred to freedom at work, equality, optimism, tolerance, unity, appreciation, respect, mutual trust and confidence as value-based influences in these companies. Around 60% of the participants highlighted some traditional influences in these companies.

According to over 80% respondents from both small and medium companies, the adoption of formality or informality, generalization or specialization, centralization or decentralization, individualism or collectivism, high power distance or low power distance totally depended

upon personal visions and beliefs of the entrepreneurs/owner-managers of Pakistani-owned small and medium companies in the UK.

An Islamic spirit of brotherhood was stated as the essence of mutual relations in these companies. While quoting some Hadiths (the sayings of the Holy Prophet) such as: *'Muslims are like brothers'*, *'Muslims are like single existence, if any component feels stress and pain the whole existence feels anxiety and trouble'*. Around 60% of the respondents from small and medium companies pledged to build their mutual relations according to the teachings of the Holy Prophet (PBUH).

The influence of Islamic brotherhood frequently reflected in small companies. Over 70% of respondents from small companies quoted the sayings of the Holy Prophet such as: *'God loves kindness when you deal with one another'* and *'the best of mankind is one who is beneficial for others'* and asserted they followed Islamic instructions in order to develop a real sense of 'brotherhood' in their companies. These companies aimed to develop a mode of mutual relations where people made sacrifices for each other, loved and respected each other and were courteous, cooperative and supportive to each other.

Alongside brotherly and friendly relations in Pakistani-owned SMEs in the UK, around 40% of respondents from both types of companies indicated some incidents of conflict arise in their companies. Most of these instances of conflict occurred between individuals working in the same department. Typical causes included blaming each other for lack of punctuality, irregularity of attendance, and non-commitment at work. Some conflicts were related to the diverse cultural backgrounds of the employees. For example, employees from different ethnic origins or religions adopted hostile attitude towards each other. Some conflicts were also reported between company management and employees in relation to pay disparities between people working at similar positions in the same department.

It was observed that the culture of *'appreciation and recognition'* played an important role in building better relations between employers and employees in Pakistani-owned SMEs in the UK. Over 90% of interview-based respondents believed that the efforts and contributions of their employees should be duly recognized by the management to create and maintain a loyal workforce in their organisations. In their opinion, the oral feedback to good performers

contributed significantly to developing friendly relations between employers and employees. These views were supported by over 80% participants of field surveys. As reported earlier, in addition to oral feedback, a majority of these companies granted some special awards/bonuses for employees who met or exceeded their assigned targets.

In addition, respondents emphasised that positive and optimistic feelings about the potential and performance of their employees brought employers and employees close to each other. As suggested by the majority of respondents, it was better to be positive and avoid raising questions about the ability and credibility of employees. They argued that positive and optimistic feelings about the ability, sincerity and efforts of employees generated a true spirit of respect and trust in the minds of employees about company and its management; whereas, pessimistic feelings generated doubts, confusion and negatively affected their mutual relations.

Another phenomenon of better relations in these companies was linked to the lenient and respectful behaviour of employers towards their employees. The investigation indicated that most of the owner-managers of these companies displayed leniency and respect while advising people about their errors avoiding harshness and anger. The data gathered also highlighted that open criticism and insulting culture was taboo in these companies. In many cases, it was reported that disciplinary tools were used as a matter of the last resort when no alternative was left to correct an undesirable situation.

Around 40 % of both case-based and survey participants expressed some reservations about the lenient and tolerant behaviour of employers towards their employees. They commented that some staff members took undue advantage of Pakistani and religious profile of these companies. They lacked a spirit of reciprocity in response to the company's concessions and extra benefits for them. They were lacking regularity of attendance and punctuality at work. Surprisingly, some individuals also left the company premises to deal with their personal affairs without giving a formal notice to the company. Despite these and other complaints on the part of employees, a majority of entrepreneurs were in favour of tolerance and leniency towards their employees. They were of the opinion that patience and tolerance, accompanied by continuous moral pressure upon employees was better than taking any disciplinary action against them.

Languages and communication patterns played an important role in shaping employment relations in these companies. As reported by around 75% of respondents from small companies, most employees in these companies had Asian backgrounds, as did their potential customers. Consequently, these companies preferred to encourage a multi-lingual culture of communication patterns (primarily based upon their native languages) to develop close and trustworthy relations between staff members and also with customers. These companies also had a small number of British born young employees to deal with British born English speaking customers. A close conformity was found between both the interviewees and field survey participants.

Unlike small companies, over 60% interview and survey-based respondents from medium companies highlighted that most of their employees and customers consisted of the people from diverse backgrounds; therefore these companies aimed to develop uniform communication patterns with a preference for the use of English language (despite allowing native languages) in order to develop cross-cultural harmony and unity among people from different cultures. As they commented, this approach also helped in controlling potential ethnic conflict among employees.

And last but not the least; the investigation reflected a clear influence of religion on communication patterns of these companies. As highlighted by around 60% case-based respondents from both the small and medium companies, these companies were inclined to encourage Islamic manners of mutual conversation and communication. Around 70% survey-based participants also acknowledged the influence of religion on communication patterns of their companies. Around 40% of participants quoted some Hadiths (sayings of the Holy Prophet) such as *'say good or keep silence'*, *'do not speak harshly, loudly and angrily to your brothers and sisters'*, and pledged to follow these words of the Holy Prophet in order to encourage a communication environment where people spoke politely and softly and avoided speaking loudly or harshly in an attempt to dominate others.

## **6.2.5 Rewards Management**

**6.2.5.1 The process of setting rewards:** The case-based investigation further revealed that medium companies were more formal in setting rewards for their employees than small companies. These companies preferred to pay their people according to prescribed schedule

(daily, weekly or monthly) through formal channels such as bank transfers based on formal pay scales and annual increments for their employees. Similar evidence appeared in the survey-based results, as 63% respondents from medium companies confirmed using formal reward systems and 37% respondents from small companies confirmed a mix of formal and informal reward systems in these companies. The respondents were of the opinion that formal pay systems with written pay agreements provided peace of mind for both employer and employee because of clear and transparent terms and conditions with prescribed pay schedules.

In relation to the pay and incentives schemes of SMEs, the secondary evidence was found in agreement with the primary evidence. The literature confirmed the introduction of formal pay schemes such as pay scales and prescribed pay schedules in these enterprises. The medium companies were more concerned to apply these schemes as compared to small companies (Duberley et al., 2000; Cassell et al., 2002; Cox, 2005). The authors further explained that SMEs needed to take further initiatives to ensure real implementation of formal pay schemes to get satisfied and motivated employees.

The primary data revealed that majority of respondents from small companies preferred oral or informal agreements subject to change in different circumstances. Around 70% interviewees and survey participants preferred informal or oral reward systems in their companies arguing that informal pay and reward agreements were flexible and adaptable. Changes and adjustments could be made in these agreements through mutual negotiation and consent of both parties. Also this reduced the possibility of litigation against each other whenever any dispute took place between the employer and the employees.

By contrast, around 30% respondents operating at managerial level in small companies pointed out some issues or potential problems associated with these agreements. For example, both parties (employers and employees) were less likely to respect such agreements. Because agreements were oral, employers could pay less than the legal minimum wage or might not bother to pay their employees on weekly or monthly basis.

**6.2.5.2 Non-existence of union representative:** The investigation did not find any sign of union representation or collective bargaining in Pakistani-owned SMEs in the UK. The pay

and incentive packages were determined by mutual negotiation and consent of both the parties. In majority of cases, the pay packages were decided by the employers. Consensus was found among interview and survey participants from both small and medium companies expressing the non-existence of union representatives in these companies. With only slight variation, the empirical evidence was confirmed by the literature. The literature revealed that the role of collective bargaining or negotiation was limited in SMEs. Only a small proportion of employees (5%) in SMEs had their pay determined by collective negotiation (Forth et al., 2006).

**6.2.5.3 Differentiated or similar rewards:** The analysis of the data discovered some important strategic aspects of employee rewards and benefits prevailing in Pakistani-owned SMEs in the UK. It was found that both small and medium companies observed a strategy of differentiated rewards for employees working at different levels. In other words people working at top, middle and lower levels of management received different rewards on the basis of different nature of their jobs and also because of their different qualifications and skills.

On the other hand, small and medium companies differed in the way they rewarded people performing at similar positions in Pakistani-owned SMEs in the UK. The case-based findings indicated that in all the small companies employees working at similar positions were paid similarly, regardless of their qualifications or contribution for the company; whereas, in all medium companies it was found that employees working at the same level with different qualifications, experience and length of service were paid differently, while working even at the same level. Disparity of rewards was more common in medium companies; whereas, in small companies (with few exceptions) employees were paid similarly performing at similar positions. These results were in conformity with the findings of the contemporary literature.

The literature reported that rewards systems in SMEs were mainly depended upon employees' qualifications, skills and roles. Higher or lower rewards were linked with higher or lower positions in the organization. The scholars were of the opinion, that medium companies were inclined to reward people on the basis of their performance. However, majority of these companies were lagging behind to implement performance-based rewards. On the other hand, because of team-based operations there was no existence of performance-

based rewards in small companies. Furthermore, compared to small companies medium companies were found stricter on differentiated reward systems on the basis of different input (such as ability and efforts) and output of employees (Cox, 2005; Forth et al., 2006; Gilman et al., 2002).

The above findings were augmented by the findings of the field survey as well. As reported by 68% respondents, small companies applied homogeneous pay packages for the most of their employees working at similar positions; whereas majority of medium companies (75%) clearly preferred differentiated rewards (even for employees working at similar positions) depending upon nature of the job, ability and contributions of the employees for the company.

The majority of participants from small companies were found in favour of similar rewards for the people working at similar positions (despite different inputs and outputs) to dispel any impression of favouritism or discrimination among employees. As they argued, similar rewards for the people performing at similar positions helped to develop psychological satisfaction and a sense of togetherness instead of any rivalry or mutual jealousy among employees. They compete to perform better instead of competing to get more rewards or letting down others in the organisation. However, this approach of rewards was not adopted for more skilled and high performing employees who received performance-based rewards instead of hourly or daily based rewards.

According the majority of entrepreneurs/owner-managers from small companies because of the generalised nature of jobs in small companies, and frequent rotations and transfers from one position to another, it was not possible to recognise the performance of any particular individual or group of individuals. Most of the work of these companies reflected collective instead of individual efforts; therefore credit goes to whole team of employees instead of individuals. In their opinion, it was more fair and sensible to allow equal or similar rewards for the people performing at equal levels.

The data further exposed that the owner-managers from a majority of medium companies believed that policy of homogenous rewards was not possible because of different qualifications, experience and skills of employees, even those working at the same or similar

levels. However, this approach had also caused some unrest among their employees resulting in arguments and conflict between management and employees. The respondents quoted some examples of individuals who had left these companies because they were concerned about the unfairness of higher wages being paid to their counterparts performing similar roles. Despite facing a difficult situation, the data indicated that medium companies were committed to continuing the use approach of differentiated rewards to retain competent people.

**6.2.5.4 Application of performance-based rewards:** Another similarity and consistency between interview and survey findings was related to the non-existence of performance-based rewards in small companies. As suggested by the majority of both interview and survey participants 80% and 83% respectively, they preferred to reward employees on the basis of their time, efforts, commitment and loyalty for the company instead of merely the quantity of their output. In their opinion, because of centralized organisational structure and team-based operations, any individual performance-based reward system was irrelevant. As suggested by the respondents, it was better to show appreciation to high performers and help low performers improve their performance on a par with their fellows, instead of discriminatory rewards on the basis of high or low performance.

Unlike small companies, it was found that medium companies preferred performance based rewards at all levels except for those who were deputed to perform group tasks. These companies measured the performance of their employees on the basis of their inputs and outputs for the organisation instead of mere efforts and commitment for the organization. A clear majority of interview participants (88%) and survey participants (7%) argued in favour of performance based rewards in their companies to encourage high performers and encourage low performers to improve their performance; whereas, equal rewards regardless of high or low performance of employees discouraged high performers and kept low performers at similar performance level for longer.

Furthermore, unlike in small companies, most of the work in medium companies was distributed among departments and individuals with the most of specialized roles and responsibilities. Therefore, these companies were able to measure the performance of departments and individuals and pay differentiated rewards accordingly. The application of



performance-based rewards as reported above, does not match with literature. In contrast to the above findings (related to the medium companies), the literature based evidence highlighted the fact that only around 20% SMEs utilized a performance or incentive-based system for employee remuneration (Forth et al., 2006; Cox, 2005).

**6.2.5.5 Religious influences on reward systems:** The empirical investigation revealed that employers in Pakistani-owned SMEs in the UK gave high priority to economic welfare of their employees as a result of their religious persuasion. In this regard, a close resemblance was found between the qualitative and quantitative findings of this research study. The majority of Pakistani entrepreneurs/owner-managers in the UK were inclined to follow religious principles in looking after the people working with them. A clear majority of interview participants (72 %) and endorsed by a similar majority of survey participants (65 %) acknowledged the role of religion in shaping the rewards system of these companies. The respondents believed that pay alone played only a small role in motivating employees. Therefore, these organisations were doing more in terms of extra incentives to win selfless, loyal and motivated employees.

According to the literature, SMEs were taking certain initiatives such as special awards and annual bonuses for good performers to acknowledge their commitment and efforts for the organisation (Mitchell, 2006), however, these initiatives were not linked with any religious influence. The respondents especially highlighted the role of religious belief in paying higher than minimum wage. A large number of entrepreneurs/owner managers quoted one of the sayings of Holy Prophet Muhammad (PBUH) '*pay their wages before their sweat dries*' and pledged to pay people rewards regularly without any delays as directed by the Prophet Muhammad (PBUH). However, the secondary evidence did not confirm the views of higher than minimum limits of wages as prescribed by the government. According to the literature, most SMEs preferred to keep wages within the prescribed minimum limits by the government. This approach was mostly adopted for the people working at operating levels (Forth et al., 2006; Gilman et al., 2002).

In addition to the above, these companies also paid special attention to ensuring the economic welfare of the people working for them. Around 63% respondents (from both small and medium enterprises) listed a number of '*special payments*' being granted by these companies over and above normal wages. These include Qarz-e- Hasna (A loan without interest), Eid/

Diwali/Charismas bonuses (special payments at annual celebrations), marriage/death bonuses and contingency collections (within company premises) for unforeseen expenditures of employees. They especially mentioned the Islamic spirit behind these special packages for deserving employees. Some of them quoted sayings of two Holy Verses from Holy Quran as: *'spend for Allah Almighty for those who deserve' 'look after poor and dependants to please Almighty Allah'*, and expressed their heartfelt desire to look after their employees according to these Qur'anic dictations. The SME literature did not reflect any data in line with these findings.

By contrast, approximately (37%) interview and survey participants did not mention any religious influence in determining pay or offering any extra financial support to their employees over and above their normal wages. Even a small number of respondents refused to accept any relationship between religion and reward management. Overall, small companies were found more inclined to follow a religious perspective with regards to their employees compared to medium companies.

### **6.3 Conclusion**

This chapter discusses a critical and comprehensive view of empirical results. The empirical findings emanated from both the case studies and field survey have been integrated with the wider literature to identify and evaluate similarities and dissimilarities between theory and practice. Interestingly, findings of case studies were confirmed by the survey-based research; however, some this study was able to contribute some opposing views to the literature.

The critical evaluation of the findings indicate that Pakistani-owned small companies in the UK are different as compared to medium companies in terms of nature, size, structure and resources; therefore, a clear difference of opinions and practices has been found between the small and the medium Pakistani-owned companies. Overall, a close resemblance has been found in HRM practices of the same category of enterprises. With quite a few exceptions, most of the findings derived out of the 7 case studies (4 small and 3 medium companies) were confirmed by 50 cases (30 small and 20 medium companies) investigated through field

surveys. There is also a greater degree of conformity between empirical and literature results with exception of few dissimilarities. However, literature said less about a number of concepts and practices relating to cultural influences on the HR practices of SMEs as discovered by the empirical investigation.

A comparative analysis of the primary data around small and medium companies reveals that small companies used formal HRM practices less widely. Most of their HR processes remained simple and straightforward. They were found to be informal, generalized and flexible in the use of these practices. There was least power distance between managers and people working under them irrespective of their higher or lower ranks of designations in the company. Compared to small companies, most entrepreneurs in medium companies were found to be formal, organized, and specialized while applying generic functions of HRM in their companies. There was more formality at managerial and administrative levels and less at operational/working levels.

The study also discovered a number of cultural factors including religion, values, beliefs, traditions, cross-culture, languages and communication patterns that played a visible role in shaping the people management strategies of these companies. According to the research findings, small companies were more influenced by these factors than medium companies. Furthermore, because of their dual socialization, while living and working in Pakistan and the UK, Pakistani entrepreneurs were found applying '*a blend of both cultures*' in the process of people management in order to promote a '*dual image*' of their companies to achieve greater adjustability and acceptability in the UK's multicultural environment.

Another important feature of the research findings is linked to the Muslim and Pakistani image of these companies. It has been identified that entrepreneurs/owner managers of these companies are Muslim by religion and Pakistani by origin. They feel proud to be associated with these identities. Most of them had spent their early lives in Pakistan in a religious environment; therefore a clear footprint of Islamic and Pakistani culture was found in their personal, social and professional lives. As most of them asserted, they were doing their best to follow the teachings of Islam in every aspect of their life. This type of orientation in their lives was the result of their Islamic socialization while living with their parents in Pakistan. The analysis of the data suggests that Pakistani entrepreneurs were endeavouring to maintain their identity and image as Muslim and Pakistani because of their initial upbringing and

socialization in Pakistan. These feelings and spirits about Muslim and Pakistani identity were endorsed by the majority of respondents during field surveys.

## Chapter 7 Conclusions

### 7.1 Introduction

During the last few years, cultural factors including ethnicity, diversity, religion, values, beliefs and faith friendly work environment have gained importance as key factors influencing people management strategies and practices of SMEs in the UK. Given the increasing importance of SMEs as growth engines in the UK economy and role of people management in the growth and development of these enterprises, it was vital to understand different influencing factors playing their role in shaping HR related strategic frameworks of these enterprises. Despite the importance of cultural factors and their impact on HR practices and people behaviour at work, limited research has been conducted in this domain. Hence, the study of cultural factors and their influence on HR strategies and practices of SMEs constituted the empirical heart of this research.

This chapter takes the following path to conclude the thesis. Section 7.2 provides a comparative and critical view of primary and secondary findings. This section brings together empirical results and previous literature on SMEs in relation to cultural factors and HR practices of these enterprises. Section 7.3 provides a brief view of overall research objectives and their achievement through literature review and empirical investigation. Section 7.4 assesses the various contributions of the study to empirical knowledge based on findings and the discussion conducted in chapters 4, 5 and 6. Section 7.5 elucidates the validity and generalizability of the research. The chapter also identifies the main limitations of the study in Section 7.6 and outlines possible directions for future research in Section 7.7.

### 7.2 A comparative and critical view of primary and secondary findings

This section aims to conduct a critical discussion around primary data in relation to the existing body of knowledge in order to make confirmation of previous knowledge and/or present any new perspectives discovered through empirical investigation. It covers cultural factors and HR strategies and practices of these companies. The objective is to identify similarities and dissimilarities between primary and secondary findings in order to determine contributions of the study into existing body of knowledge.

## 7.2.1 Influencing factors and HR strategies

**7.2.1.1 Recruitment and selection:** As detailed in chapters 4 and 5, the recruitment and selection process of majority of these companies was influenced by the ethnic origin (see table 5-1) and religion (see table 5-2) of their owner managers. The entrepreneurs from small companies were of the opinion that religious and ethnic homogeneity contributed to the development of good working relations and better understanding among employees. This confirmed the findings of the research report published by the Department of Work and Pensions (DWP) about the role of ethnic and religious homogeneity in evolving better organizations (Davidson, 2011). According to the literature (Figure 2-4) there was an extensive use of co-ethnic labour recruited through informal and co-ethnic networks in South Asian enterprises (Ram and Smallbone, 2003; Fadahunsi et al., 2003). A similarity was found between primary and secondary findings with regards to ethnic influence. However, the researcher could not find any detailed data regarding religious influence on recruitment process of SMEs in the literature. This research study has added to our knowledge (as detailed in chapters 4 and 5) about influence of religious factor on employment process of these companies.

While comparing the small and medium companies in the sample, medium companies were found more balanced than smaller companies regarding the involvement of their ethnic and religious preference in their recruitment process. Because of their large scale business networks, it was their requirement to have people from diverse backgrounds; therefore, these companies were gradually moving forward to abide by the policy of '*equal employment opportunity*' (EO), while recruiting people at all levels regardless of their religious and ethnic background. However, because of the Pakistani and Muslim image of these companies, still a majority of their staff (over 60%) belonged to Pakistani and Islamic backgrounds. Secondary data closely confirmed these findings. As depicted in Figure 2-5, SMEs (particularly medium companies) were inclined to adopt some formal and written approaches to implement EO and DM policies; however, as reported by Research Institute for Business and Management (Manchester Metropolitan University), these companies were lacking real understanding and substantive initiatives to implement EO and DM policies (RIBM, 2007; Hoque and Noon, 2004; Kirton and Greene, 2005; Hwang and Lockwood, 2006). Unlike this, the previous research did not provide a comparative view of small and medium companies with regard to ethnic or religious influences on recruitment process of these companies.

The primary data further revealed that recruitment process of both small and medium companies was influenced by some external factors like family and friends - generating difficulties for these companies. Respondents were of the opinion that employees joining in through these routes tried to get undue advantages of family relations with the company management. The literature also confirmed the findings of this research study. As highlighted by a number of researchers, '*word of mouth strategy*' was putting pressure on SMEs to adopt *ad-hoc* and informal recruitment approaches (Ram, 1991; Ram and Holiday, 1993; Ram and Smallbone, 2003). According to the literature, because of family influence, many firms were torn between the demands of family values and business principles, when they tackled issues such as recruitment, salaries and promotions; or the roles of males versus females (McCarthy, 2007; Ram and Smallbone, 2003). However, some of these companies gradually moved from using informal networks to a more formal approach to recruitment and selection (McCarthy, 2007).

In this study, very few respondents were found in favour of recruiting people from relatives and friends to save much of the time, efforts and resources needed to adopt lengthy and formal procedures to recruit outsiders. Some authors were also found in agreement with these thoughts. As they argued, '*word of mouth*' strategy was preferred in the context of '*resource poverty*' (Figure 2-1), because it was simple and cost-effective (Cassell et al., 2002; Holliday, 1995; Carroll et al., 1999).

As far as overall recruitment procedures are concerned, analyses of the primary data reflected a dominant use of informal ways to fill most of their administrative and operating positions; however, before making final selection, around 60 % applicants were tested and tried for a few days on the job to check their ability and fitness. On the other hand, majority of technical and managerial positions (particularly in medium enterprises) were filled through formal procedures with the wider use of vacancy announcements, application forms, formal interviews and practical tests, etc. Furthermore, a majority of respondent entrepreneurs from both small and medium companies were of the opinion that size of the company, nature of positions, company resources and growth of business activities were the real factors which determined the extents of formality or informality in these companies.

These findings were found to be in line with the findings from the literature. As reported by a number of contemporary researchers, informal strategy (Figure 2-3) always played an important role in the recruitment process of SMEs (Marlow, 2005; Marlow et al., 2010; Forth et al., 2006). Some scholars were of the opinion that use of formality or informality mainly depended on growth and expansion of enterprises. As a firm grew, management formality increased, and faster growing firms were found with a greater use of formal HR procedures (Storey et al., 2010; Kersley et al., 2006; Carlson et al., 2006).

Overall, as compared with empirical findings, literature provides less information about factors influencing recruitment and selection procedures of SMEs. The previous studies provided a generalized material about employment practices of SMEs without presenting any comparative view of small and medium companies. This research study provides a detailed and comparative account of small and medium companies with regard to the factors influencing recruitment strategies and procedures of these companies.

***Compliance with UK employment legislation:*** As discussed above, recruitment process of the majority of small companies was found under influence of ethnic and religious factors. Despite having awareness about Equal Employment Opportunity (EO) and Diversity Management (DM) policy of the government, they were compelled to recruit majority of their employees from Islamic and Asian-ethnic backgrounds. As commented by the majority of entrepreneurs, because of ‘resource poverty’ they were unable to advertise their vacant positions in print media or hire services of recruitment agencies. Similarly, because of limited resources they were in lack of potential to become mainstream companies. Most of their products and services were offered to Muslim and Asian customers. Consequently, they were inclined to have more employees from Muslim and Asian-ethnic backgrounds to deal better with customers from similar backgrounds. Because of Muslim and Asian image, majority of the people seeking jobs in these companies was comprised over Muslims and Asians. People from other backgrounds like Africa and Europe were less likely to approach these companies for jobs. Therefore, despite having an orientation to abide by EO and DM policies, they were still behind to apply these policies in a letter and spirit. Analysis of the data further revealed that compared to small companies, medium companies (as reported in above paragraphs) because of their wider business networks, were gradually moving forward to apply EO and DM policies in accordance with the UK employment legislation.



**7.2.1.2 Employee training and development:** A comparative analysis of the primary data indicated that small and medium companies applied different training procedures to the training of people at the top, middle and lower positions. It was identified that people performing at important and senior positions were provided with long-term, formal and organized training compared to the people performing at operating positions. The data further indicated that training tools, methods, schedules, approaches were directly linked with the nature, requirements and resources of these companies. As displayed in Tables 4-3 and 5-4, majority of small companies were less interested to provide formal and organized training to their employees. Because of their budget constraints they preferred on-the-job training for their employees instead of allowing them to leave the job to attend any formal training events. Similarly, according to the literature, in most of small companies training process remained informal, unplanned and reactive. Further, the nature of the work in these companies, and their budget constraints made it difficult for them to fund formal and off-site training (Litz and Stewart, 2000; Johnson and Devins, 2008; Keep, 2006; Lynch and Black, 1998).

The investigation further revealed that majority of entrepreneurs believed in generalized training (under supervision of a senior staff member) without any declared training schedule aiming to prepare them for multiple roles instead of specialized roles. The above findings were echoed by the secondary findings. According to the literature, much skills-acquisition in these companies occurred naturally as part of everyday operations and was informal or incidental, seldom reliant upon formal or structured training (NESS, 2005; Johnson and Devins, 2008; Kitching and Blackburn, 2003).

Unlike uniform training events or methods in small companies, medium companies (with exception of few common events) arranged different training events (internal as well as external, on-the-job as well as off-the-job) with different schedules keeping in view the nature and requirements of their roles and responsibilities. However, like small companies, most of the operational staff in medium companies received informal on-the-job training for 2-3 weeks under close supervision of senior staff members. As far as literature sources with regard to above findings about medium enterprises were concerned, the researcher could not find any comparative research material differentiating training practices of small and medium companies. The most of the material covered SMEs in general with more focus on small

organizations. This study covered both types of companies while investigating comparative view of training determinants and applications in these companies.

Further to above, the empirical investigation identified a number of general factors including organizational structure, size of the company, nature of the jobs, technology, customers and competitors influencing training styles and strategies of these companies. A research report published by the department for Business Enterprise and Regulatory Reforms (UK) endorsed these findings. According to the report, nature of organizational structure, work distribution, use of technology, size and scope of SMEs were the key factors that influenced propensity of SMEs to undertake training and development activities (BERR, 2006).

In addition to general influences, the study also identified some cultural influences on training process of these companies. Cultural factors were playing a moderate role in shaping training activities of these companies. The respondents acknowledged the need to develop a favourable working environment where people felt themselves free to express their faith and beliefs; they were comfortable to live according to their culture and traditions and there was no danger of any social and cultural conflict. The literature-based evidence (as reported in Section 2.14) was found in agreement with these thoughts. The authors were of the opinion that today's business organizations, be they small or large, need to be aware and take due care about values and beliefs of the people working with them. People convinced and committed to their faith and culture were more comfortable and loyal to those organizations whose organizational culture matched with their own cultural needs and expectations (Schmidt, 2004; Griffiths, 2007).

In line with the above findings, Pakistani-owned SMEs were found somewhat awakened to develop cultural harmony in their working environment. The primary data revealed that over 70% of employees and customers of these companies belonged to Asian communities, therefore, from time to time these companies arranged some formal and/or informal cultural events to familiarize people about different features of Asian culture in order to improve relationships among different stake holders. Medium companies were more vulnerable compared to small companies while facing a challenge of bi-cultural influences (both Asian and British) while managing employees and dealing with customers from diverse backgrounds. In this perspective, these companies were used to of arranging some special

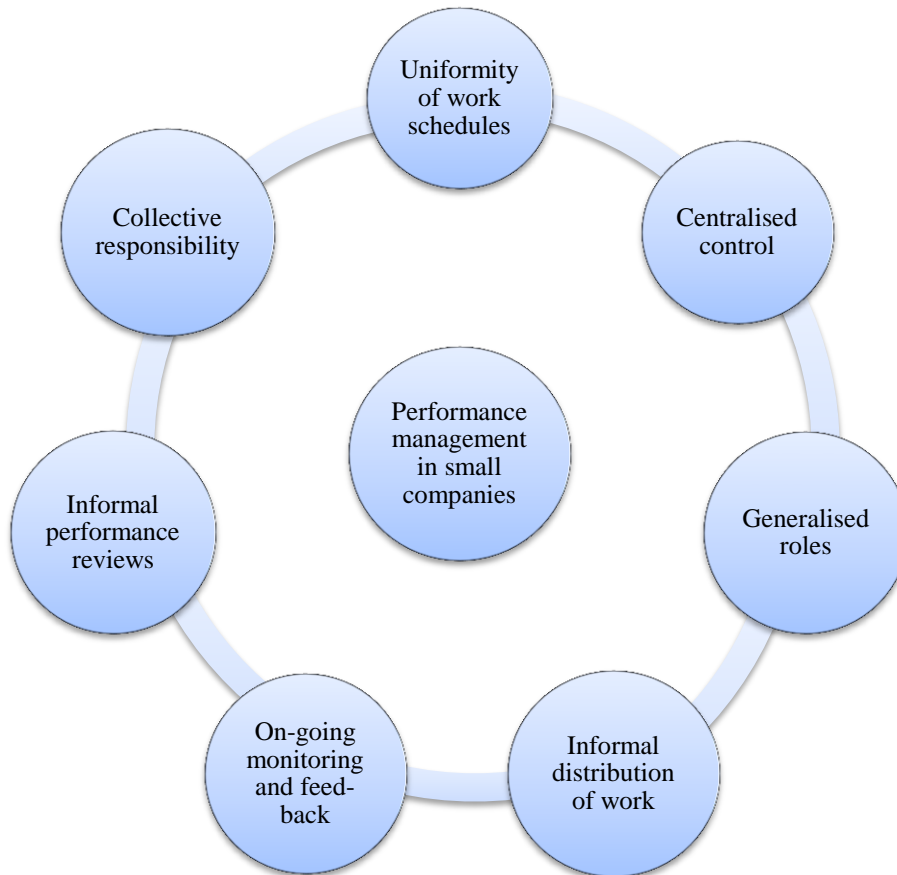
training events enabling their employees to behave others keeping in mind their cultural backgrounds. These training events were particularly focused on developing religious harmony and multi-lingual communication patterns among employees to behave people according to their cultural requirements.

As far as secondary evidence was concerned, the literature review did not reflect any practical examples about cultural events in terms of employee training as found in existing research. This was somewhat new phenomenon found by this research study in Pakistani SMEs. However, as suggested by the respondents of these companies, they were still at initial stage of sensing role and importance of cultural awareness and harmony, and needed to take more organized initiatives to build a working environment where people can live and work according to their faith, beliefs and traditions.

**7.2.1.3 Performance management:** The primary findings related to performance management practices of these companies have been displayed with the help of a number of tables (4-6, 5-6) and figures (4-3, 4-4); detailed in chapters 4 and 5 and integrated in chapter 6. Figure 7-1 provides a quick review of performance management practices of small companies. According to these findings, majority of small companies preferred a centralized organizational structure. Progress at work was centrally monitored, reviewed and controlled. The respondents from these companies were of the opinion that centralized control facilitated uniformity of instructions and operations; and people worked in teams rather than as individuals. Similar views were reported in the literature. According to the literature, because of their smaller organizational structure and narrowed operation, small companies preferred to keep central control over day to day activities of their employees. The literature further illustrated that centralized approach helped these firms to develop an atmosphere of teamwork and cooperation (Ram et al., 2001; Dundon et al., 2001; Cullinane and Dundon, 2006).

Alongside merits of centralized control as discussed above, this study also discovered some problems associated with centralized system. A large number of respondents admitted that the centralized structure of their companies was a leading cause of unnecessary delays in all types of decisions. Managers of small companies found themselves under pressure when dealing with and controlling a wide range of processes and operations.

**Figure 7-1: Performance management practices of small companies**



**Source:** Primary data gathered by the researcher

The study found that, in contrast to small companies, the majority of medium companies (Figure 7-2) because of their taller organizational structure preferred decentralized control and delegation of authority over most of their administrative and operational activities. The respondents from medium companies believed that a decentralized organizational structure facilitated speedy decisions, quick feedback, and ensured a smooth flow of operational activities. However, overall analysis of the data revealed some issues associated with decentralized structure of these companies. Over-dependence upon people performing at managerial or administrative level, negatively affected the quality of decisions and quality control in the day-to-day activities of these companies. Decentralization also led to some complaints about favouritism at lower levels of recruitments. The respondents were of the

opinion that decentralization proved effective in the situation where managers were sincere and understood the limits to their authority, and avoided favouritism and discrimination in the decision making process.

The existing literature does not reflect any comparative or critical material with regard to merits and demerits of centralized or decentralized control in small and medium companies. This study added some value to the literature by giving a comparative view of organizational structures of those companies.

The primary data further revealed that majority of small companies (Figure 7-1) preferred an informal and generalized distribution of roles and responsibilities. They favoured this approach of work organization in order to develop an atmosphere of team spirit among employees. The views of many authors (Figure 2-3) were similar to the above findings. The scholars were of the opinion that SMEs were generally characterized as relatively informal as compared with large organizations. They argued that most tasks in small companies are 'operating' in nature, requiring limited skill and experience to perform them; therefore, informal distribution of tasks with frequent transfers or rotations is more appropriate for those companies (Forth et al., 2006; Marlow, 2005; Marlow et al., 2010).

This study identified some limitations associated with the informality of practices in small companies. Despite having favourable views and feelings about informal/generalized approach of operational activities in small companies, a number of respondents from senior positions expressed concern about the difficulties experienced by the management in recognizing and differentiating between high performers and low performers. Consequently, high performing people were demoralized. On the other hand, low performers were not bothered about their weaknesses. Respondents highlighted the fact that it was administratively and operationally appropriate to continue the policy of generalization; however, they were considering introducing greater individual responsibility through effective distribution of work and keeping a close check on individual activities instead of focusing their attention solely on group performance. The literature was silent about these findings; hence, this insight also adds some new information to the existing body of knowledge.

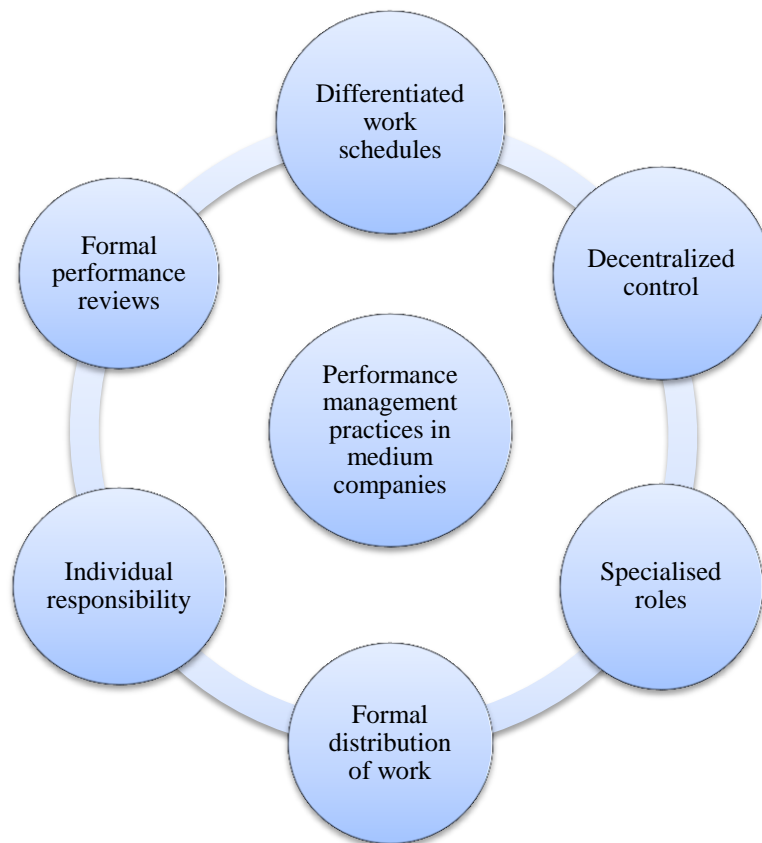
Unlike small companies, medium companies (Figure 7-2) operated with specialized and formal distribution of roles and responsibilities. They preferred differentiated and rotated work schedules at all levels; however, at lower levels some evidence was found of homogeneous work schedules. To maintain consistency and effectiveness of specialization, medium companies preferred long-term and formal distribution of work among people according to their knowledge, ability and aptitudes. The respondents from medium companies were of the opinion that a policy of long-term and formal distribution of work contributed in building a confident, efficient and skilled workforce, with potential to achieve higher performance.

The literature revealed some identical views with the above findings. According to the literature, specialized or generalized, formal or informal distribution of roles mainly depended on nature, size and growth of enterprises. It was pointed out that management formality increased and generated better results as the firms grew (Storey et al., 2010; Kersley et al., 2006; Kotey and Slade, 2005; DTI, 2007). Some other authors authenticated these findings and said that faster-growing firms, with increasing scale, scope and complexity of their managerial and operating activities, made greater use of formal and specialized distribution of roles and responsibilities. However, they believed that, application of these HR practices varied, depending upon size, structure and resources of different enterprises (Carlson et al., 2006).

In addition to above, the primary findings further revealed that majority of small companies (Figure 7-1) preferred an approach of collective responsibility and accountability. To achieve a true sense of collectivism and team work, the entrepreneurs and owner-managers of these companies aimed to develop a generalized approach and ability among their staff. For this purpose, people were frequently transferred and rotated between tasks. The literature-based evidence was close to the current findings. According to the literature, the concept of collectivism worked well in small firms where most of employees were deputed to do semi-skilled or unskilled jobs at operating levels; where performance was based upon team efforts instead of individual efforts. However, authors of these views favoured an approach of individual responsibility for managerial and technical positions (Downing-Burn and Cox, 1999).

In contrast to small companies, medium companies (Figure 7-2) believed in individual responsibility and accountability of their employees. Because of wider organizational structure and clearly defined roles and responsibilities in these companies, every manager and supervisor was answerable to the top management for the overall performance of his own department; similarly every individual was answerable to the manager of his respective department instead of others. The policy of specialization or individual responsibility was not without limitations. As reported by a number of respondents

**Figure 7-2: Performance management practices of medium companies**



**Source:** Primary data gathered by the researcher

From medium companies, in some cases this approach created a situation of '*unbridled individualism*' among their employees. As they commented, because of individual responsibility and accountability, people became self-centered and less concerned about the overall performance of the company. The secondary evidence was found somewhat similar to the primary evidence. According to the literature, SMEs were more inclined to individualism

in contrast to collectivism. Because of this approach people were more concerned with their own performance, instead of overall performance of the organization (Collings and Wood, 2009). However, despite the above-stated similarity, unlike empirical evidence, the literature did not provide any comparative view of small and medium companies with regards to the extents of individualism or collectivism in these companies.

The empirical findings reflected a soft image of these companies in terms of discipline. Instead of using the term discipline as the weapon of fear and punishment, it was used to advise staff about the need to avoid violation of the rules and set procedures. The entrepreneurs and managers of these companies believed that no one was perfect, and therefore mistakes and omissions could be expected. The majority of respondent employers and owner-managers stated that they preferred to work with people and help them to perform better, instead of putting them under the pressure of disciplinary measures. In their opinion, companies needed to be tolerant of the ordinary mistakes of their employees to provide them a peace of mind while living and working with them.

With regard to discipline, similarity was found between primary and secondary findings. According to the literature, SMEs preferred to keep people on the right track through soft measures, such as oral and/or written reminders, and informal staff meetings. They were less likely to take disciplinary actions against their employees. However, some events of disciplinary actions against employees such as dismissal were reported about SMEs. The literature further revealed that employees had less access to union representatives in SMEs than their counterparts in large organizations (Collings and Wood, 2009; Guest and Conway, 1999; Forth et al., 2006). Compared to empirical findings, the literature-based findings provided less information about discipline and disciplinary procedures in SMEs.

In line with the above findings, the empirical investigation further revealed that both small and medium companies believed in flexibility of rules and regulations to achieve the desired performance at work. Work rotas remained flexible and adjustable according to the personal circumstance of the employees. The respondents believed that an imbalance of work and family life led to conflict between personal and family life and generated problems for individuals. A number of contemporary researchers expressed similar views. According to them small companies were found to be more concerned to facilitate work-life balance than



large companies. They were looking after their employees when setting their work schedule. The scholars highlighted the fact that employers of small enterprises were flexible when granting special leave to their employees to meet any incidental or emergency needs (Camuffo and Comacchio, 2005; Feldstead et al., 2002; Moen et al., 2008; ACAS, 2009).

A close conformity between empirical results and literature dispelled the impression of a '*Bleak House*' perspective of small companies reflecting poor conditions of work-life balance in SMEs. Though, few authors were supporters of the '*Bleak House*' perspective as according to them, SME were still behind in facilitating appropriate work-life balance conditions of their employees. Consequently, retaining talent has emerged as a great challenge for these companies (Beechler and Woodward, 2009; Tarique and Schuler, 2010).

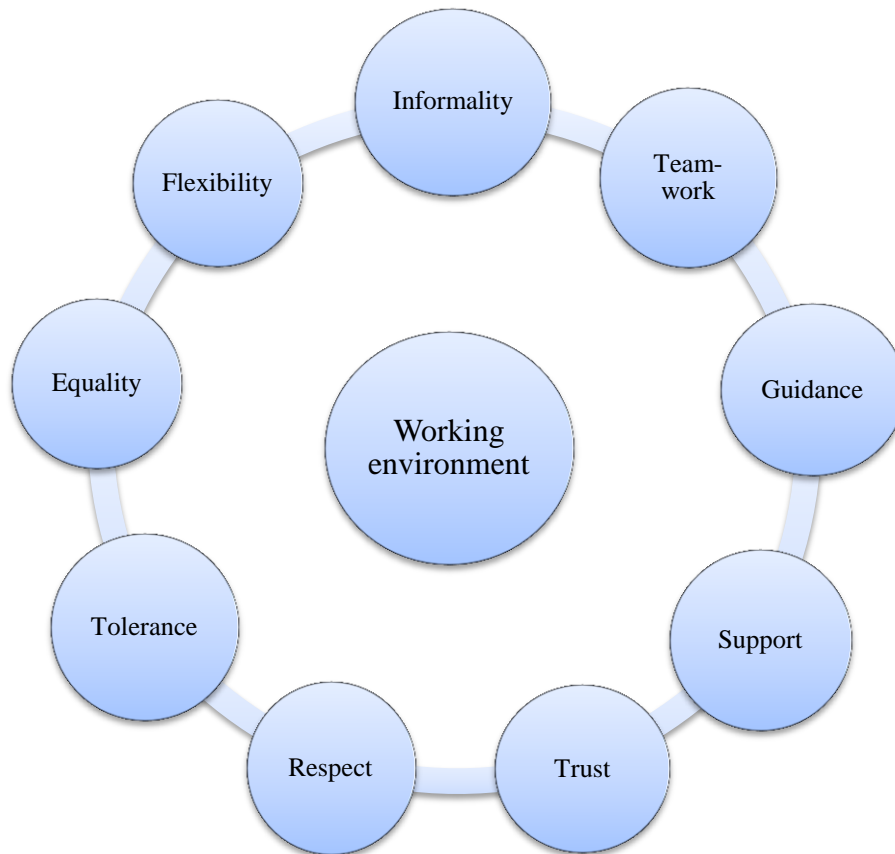
The overall performance management practices of these companies were enriched by a favourable and friendly working environment (Figure 4-5). A clear majority of respondents from both small and medium companies highlighted unity and teamwork as leading features of the working environment of these companies. The managers and supervisors were not allowed to become harsh and inflexible with the people working under them. They were required to develop a team of employees which was open-minded and well-behaved. A number of contemporary researchers endorsed these views. They argued that employee satisfaction in SMEs was best understood in the light of favourable working environment and personal relationship between employer and owner-manager. As they commented, people in these enterprises, feeling well-informed, find opportunities to feed views upwards and influence managerial decisions (Edwards et al., 2007; Truss et al., 2006).

The study further revealed, that these companies adopted a flexible working environment - an environment where an employee could chose a role according to his aptitude, with freedom to perform his job, ask for guidance and support of others, be given the necessary facilities to perform his job and also able to maintain a desired level of balance between his work and personal commitments. Some recent research findings confirmed that organizational commitment was higher in SMEs because of flexible working times (in the form of banked hours and part-time attendance) and family-friendly working environment (Fisher, 2010; Saridakis et al., 2013; Forth et al., 2006). These findings provide some *prima facie* support for the '*small is beautiful*' perspective, which suggested that small firms offer some highly

valued non-material benefits such as equity, friendship, variety of work, involvement, face to face relationship, and a 'community' or familial environment, which are difficult to replicate in large firms (Holliday, 1995; Wilkinson, 1999; Sirota et al., 2005).

The empirical investigation discovered a number of cultural factors influencing performance management practices of these companies, with variable effects on small and medium companies. Analysis of the primary data revealed the fact that performance management practices of small companies were strongly influenced by family culture, ethnicity, religion, beliefs and values. In their opinion, an Asian-styled joint-family system, and interdependence of family members regarding economic and social matters, directly influenced their punctuality and commitment to their jobs. In line with these findings, a number of scholars emphasized consideration of cultural differences of employees and make necessary changes and adjustments in work schedules to facilitate people to fulfill their cultural needs and requirements (Mitchell, 2006; White, 2008)

**Figure 7-3: Attributes of working environment in respondent companies**



**Source:** Primary data gathered by the researcher

Another aspect of cultural influence was linked to the religious and value-system of these companies. As reported by the majority of respondents, because of their religious attachment, entrepreneurs remained flexible and compassionate towards their employees. People were allowed to perform their religious functions during working hours. A number of contemporary researchers also emphasized, that today's business organizations, be they small or large, need to be aware and take due care about the values and beliefs of the people working with them. According to them, people convinced and committed with their faith and culture were more comfortable and loyal to those organizations whose organizational culture match their cultural needs and expectations (CMI, 2008; Griffiths, 2007; Roomi and Harrison, 2008). The value system of these enterprises reflected unity, integrity, equality, honesty, respect and mutual trust and confidence. Their belief-system was based upon

centrality, informality, generalization, collectivism and low power distance. They acknowledged the positive influence of these factors in shaping performance management practices of these companies. The literature did not provide any detailed information about value systems of SMEs and their relative influence on performance management practices of these companies.

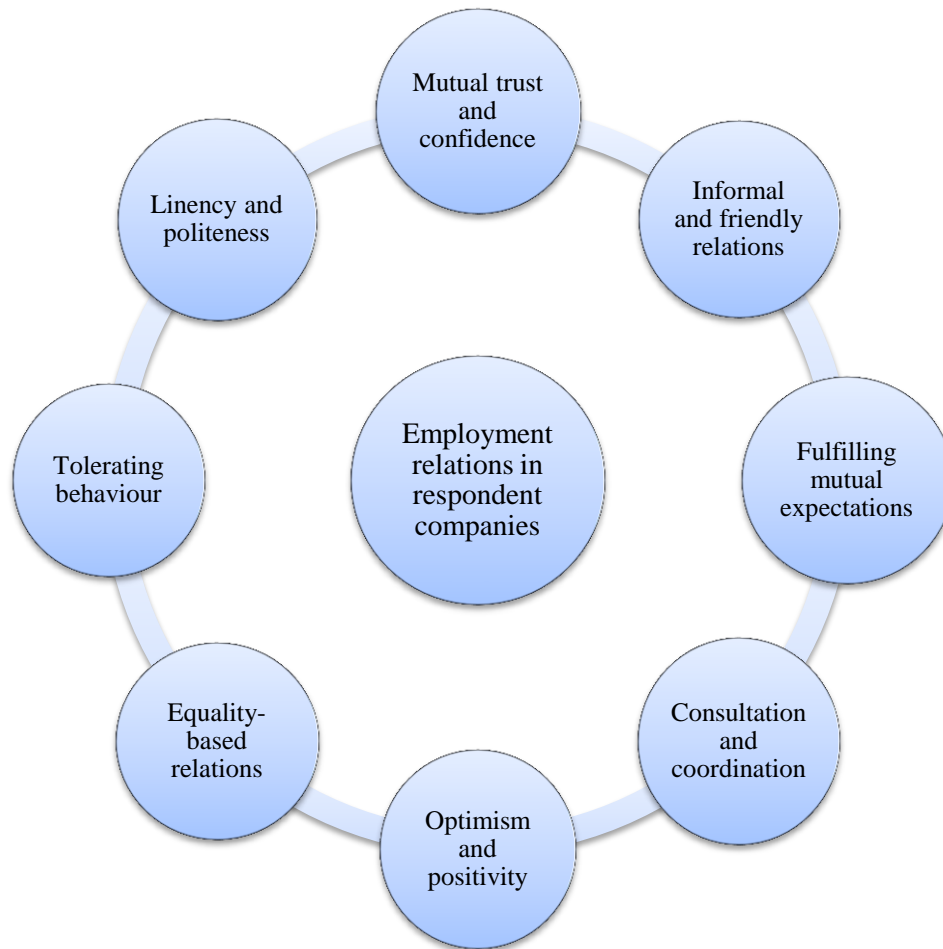
**7.2.1.4 Employment relations:** As highlighted in Figure 7-4, in most of small companies, relations between an employer and employees, as well as between employees themselves remained informal. They frequently discussed things and exchange views of mutual interest without having any formal appointments with each other. Because of friendly working relations they commonly helped or shared each other's roles and responsibilities. A number of researchers confirmed the informality of employment relations in small firms. As they viewed, unwritten customs and informal work procedures significantly contributed in developing frequent interactions and friendly relations between employers and employees in these companies. People in SMEs were very keen to emphasize that they were working with good people and fair employers (Leung, 2003; Harney and Dundon, 2006; Marlow et al., 2010; ACAS, 2012).

Compared to small companies, the majority of medium companies had more formal relationship. Most of position holders at managerial and administrative levels kept themselves to themselves because of specialized nature of their work. Similarly, as reported in the literature, employment relations in medium enterprises were more formal than small enterprises. The authors were of the opinion that informal networks were no longer appropriate, when business grew, and the owner became overextended and needed to delegate responsibility to more professional management (Hornsby and Kuratko, 1995; Kotey and Slade, 2005).

Informality of relations in these companies (both small and medium) was also evident with regard to '*employment agreements*' between employers and employees. Small companies were more informal than medium companies. Majority of small enterprises preferred oral and informal agreements with their employees; whereas, medium companies were more inclined towards a mixed approach of both formal and informal agreements. A number of entrepreneurs/managers from small companies were of the opinion that informal/oral

agreements were flexible and could be changed, or even terminated by the mutual consent of employer and employee without any danger of litigation against each other. The researcher could not find any secondary evidence about formality or informality of employment agreements in SMEs.

**Figure 7-4: Employment relations in respondent companies**



**Source:** Primary data gathered by the researcher

The primary data further revealed that '*a culture of consultation*' was playing an important role in strengthening mutual relations of employers and employees in these companies. People were duly consulted for the decisions affecting their personal and working life. Respondents were of the opinion that a consultative and democratic approach towards employees contributed significantly to maintain a positive balance of relations between employers and employees compared to a non-democratic approach. The primary evidence

was substantiated by the secondary evidence. As highlighted in the literature, employees in SMEs were consulted about decisions impacting upon their organizational and family life. They were encouraged to feed their views and opinions to the management in the interest of the organization (Forth et al., 2006; Truss et al., 2006).

The mutuality and reciprocity was found to be central in developing better working relations between employers and employees. As reported by the respondents, an employer offered a place and a package of benefits to an employee and in return expected a number of services from him; similarly, an employee offered his time and efforts in exchange of certain financial and social benefits from employer. As long as both parties met each other's expectations, working relations continued on a satisfactory basis. In their opinion, fulfilling mutual expectations contributed significantly to developing strong and successful organizations. The present SME literature did not account any evidence identical to these findings.

In addition to above, the study discovered a range of cultural factors including religion, values, beliefs and traditions influencing mutual relations of employers and employees in these companies. These factors were playing pivotal role in developing a culture of brotherhood, consultation, cooperation, voluntary covers, sacrifice and tolerance in both small and medium organizations. In line with these findings, freedom at work, equality, optimism, tolerance, unity, appreciation, respect, mutual trust and confidence were found as value-based influences in these companies. Participation in joys and sorrows, felicitating each other on annual days, celebrating birthdays, and celebrating national days were highlighted as leading influences of Asian traditions in these companies. Furthermore, the majority of respondents were of the opinion that the adoption of formality or informality, generalization or specialization, centralization or decentralization, individualism or collectivism, high power distance or low power distance totally depended upon personal visions and beliefs of the entrepreneurs/owner-managers of these companies.

Islamic spirit of brotherhood was reported as the essence of mutual relations in these companies, while quoting some Hadiths (sayings of Prophet) such as: *'Muslims are like brothers'*, *'Muslims are like single existence, if any component feels stress and pain the whole existence feels anxiety and trouble'*, *'God loves kindness when you deal with one another'* and *'the best of mankind is one who is beneficial for others'*. The respondent entrepreneurs

pledged to build their mutual relations according to the teachings of the Holy Prophet (PBUH). These companies aimed to develop a mode of mutual relations where people were courteous, cooperative and supportive to each other.

Alongside brotherly and friendly relations in these companies, a number of respondents indicated that some incidents of conflict arose in their companies. Typical causes include blaming each other for lack of punctuality, regularity of attendance, and commitment at work. Some conflicts were related to the diverse cultural backgrounds of the employees. Some conflicts were also reported between company management and employees regarding pay disparities between people working at similar positions in similar departments. With these exceptions, good staff relations were reported by the majority of respondents from all of these companies.

Further to above, respondents emphasized that positive holding and optimistic feelings about the potential and performance of their people brought employers and employees close to each other. As suggested by the majority of respondents, positive and optimistic feelings about the ability, sincerity and efforts of employees generated a true spirit of respect and trust in the minds of employees about company and its management; whereas, pessimistic feelings generated doubts, confusion and negatively affected their mutual relations. Another phenomenon of better relations in these companies was linked to the lenient and respectful behaviour of employers towards their employees. The investigation indicated that most of the owner managers of these companies displayed leniency and respect while advising people about their errors, avoiding harshness and anger.

Contrary to above, some respondents expressed some reservations about the lenient and tolerant behaviour of employers towards their employees. They commented that some staff took undue advantage of Pakistani and religious profile of these companies. They were lacking regularity of attendance and punctuality at work. Surprisingly, some individuals also left the company premises to deal with their personal affairs without giving a formal notice to the company. Despite these and other complaints on the part of employees, a majority of entrepreneurs were in favour of tolerance and leniency towards their employees to develop and maintain better relations.

Languages and communication patterns also played an important role in shaping employment relations in these companies. As reported by the respondents, most employees in these companies had Asian backgrounds, as did their potential customers. Consequently, these companies preferred to encourage a multi-lingual culture of communication patterns (primarily based upon native languages) to develop close and trustworthy relations between staff members and also with customers. Unlike small companies, medium companies highlighted that most of their employees and customers consisted of the people from diverse backgrounds; therefore these companies aimed to develop uniform communication patterns with a preference for the use of English language (despite allowing native languages) in order to develop cross-cultural harmony and unity among people from different cultures.

Overall communication patterns of these companies were found under influence of religious factor. As highlighted by the majority of respondents from both small and medium companies, these companies were inclined to encourage Islamic manners of mutual conversation and communication. The participants quoted some Hadiths (sayings of the Holy Prophet) such as *'say good or keep silence'*, *'do not speak harshly, loudly and angrily to your brothers and sisters'*, and pledged to follow these golden words of the Holy Prophet in order to encourage a communication environment where people spoke politely and softly and avoided speaking loudly or harshly in an attempt to dominate others.

This is first study in its nature which conducted an in-depth investigation around cultural influences on employment relations in SMEs. These influences were mainly investigated in an Islamic and Asian perspective. The researcher could not find any formal study in this domain of the research. Hence, findings reported in the following sections added some new and interesting information in existing body of knowledge.

**7.2.1.5 Rewards management:** The analysis of the primary data highlighted the fact that medium companies were more formal in setting rewards for their employees than small companies (tables 4-4, 5-5). These companies preferred to pay their people according to prescribed schedule and formal channels. The respondents were of the opinion that formal pay systems with written pay agreements, provided peace of mind for both employers and the employees. The secondary evidence was found in agreement with primary evidence. The literature confirmed the introduction of formal pay schemes such as pay scales and prescribed



pay schedules in these enterprises. The medium companies were more concerned to apply these schemes as compared to small companies (Duberley et al., 2000; Cassell et al., 2002; Cox, 2005).

Unlike medium companies, majority of small companies preferred oral or informal agreements changeable in changing circumstances. The respondents from these companies argued that informal pay and reward agreements were flexible and adaptable. By contrast, around 30% respondents pointed out some issues or potential problems associated with these agreements. For example, both parties (employers and employees) were less likely to respect such agreements. Because agreements were oral, employers could pay less than the legal minimum wage or might not bother to pay their employees on weekly or monthly basis.

The analysis of the data discovered some important strategic aspects of employee rewards and benefits prevailing in these companies. It was found that both small and medium companies observed a strategy of differentiated rewards for employees working at different levels. On the other hand, small and medium companies differed in the way they rewarded people performing at similar positions in these companies. In all the small companies people performing at similar positions were paid at the same level. The majority of the participants from small companies were in favour of similar rewards for the people working at similar positions (despite different inputs and outputs) to dispel any impression of favouritism or discrimination among employees. As they suggested, it was better to show appreciation to high performers and help low performers improve their performance on par with their fellows, instead of discriminatory rewards on the basis of high or low performance. In their opinion, because of centralized organizational structure and team-based operations, any individual performance-based reward system was irrelevant.

As compared with small companies, in all medium companies people working at the same level with different qualification, experience and length of service were paid differently, even where working at the same level. The respondents from medium companies argued in favour of performance based rewards in their companies to encourage high performers and sensitize low performers to improve their performance; whereas, equal rewards regardless of high or low performance of employees discouraged high performers and kept low performers at similar performance level for longer. The views of contemporary researchers were similar to

these findings. The scholars were of the opinion, that medium companies were inclined to reward people on the basis of their performance. However, majority of these companies were still lagging behind to implement performance-based rewards. The literature based evidence highlighted the fact that only around 20% SMEs utilized a performance or incentive-based system for employee remuneration (Forth et al., 2006; Cox, 2005). On the hand, because of team-based operations there was no existence of performance-based rewards in small companies (Cox, 2005; Forth et al., 2006; Gilman et al., 2002). The literature lacked in-depth knowledge regarding the issue of performance-based or similar rewards in SMEs.

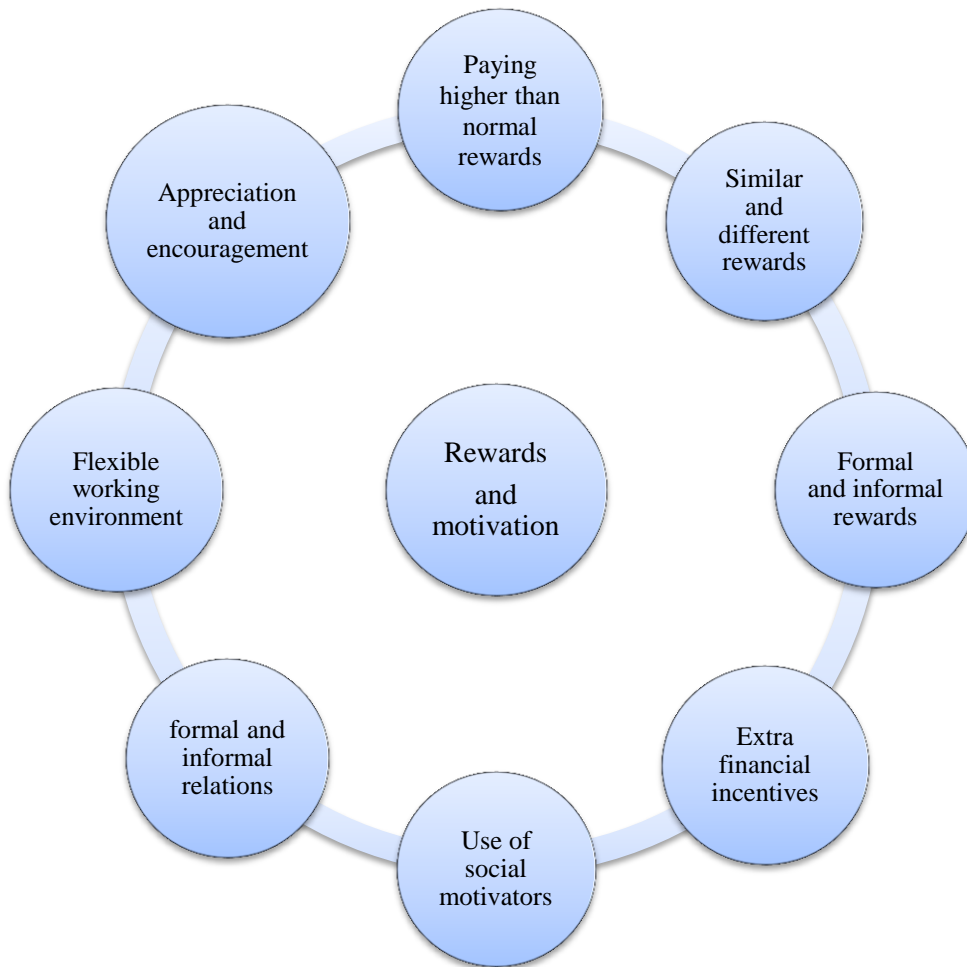
Further to the above discussion, it was found that the owner-managers from a majority of medium companies believed that policy of homogenous rewards was not possible because of different qualifications, experience and skills of the people, even those working at the same or similar levels. However, this approach had also caused some unrest among their employees resulting in arguments and conflict between management and employees. The respondents quoted some examples of individuals who had left these companies because they were concerned about the unfairness of higher wages being paid to their counterparts performing similar roles.

The empirical investigation further revealed that employers in these companies as a result of their religious persuasion gave high priority to economic welfare of their people (Figure 4-1). The majority of entrepreneurs/owner-managers from both groups of companies were inclined to follow religious principles in looking after the people working for them. These organizations were doing more in terms of extra incentives to win selfless, loyal and motivated employees. According to the literature, SMEs were taking certain initiatives such as special awards and annual bonuses for good performers to acknowledge their commitment and efforts for the organization however these initiatives were not linked with any religious influence (Mitchell, 2006).

In addition to the above, these companies also paid special attention to ensuring the economic welfare of the people working for them (Figure 4-1). The respondents (from both small and medium enterprises) mentioned a number of '*special payments*' being granted by these companies over and above normal wages. These include Qarz-e-Hasna (A loan without interest), Eid/Dewali/Charismas bonuses (special payments at annual celebrations),

marriage/death bonuses and contingency collections (within company premises) for unforeseen expenditures of employees. They especially mentioned the Islamic spirit behind these special packages for deserving employees. Some of them quoted sayings of two verses from Holy Quran as: *'spend for Allah Almighty for those who deserve'* *'look after poor and dependants to please Almighty Allah'*, and expressed their heartfelt desire to look after their employees according to these Qur'anic dictations. The SME literature did not reflect any data in line with these findings.

The investigation did not find any sign of union representation or collective bargaining in these companies. The pay and incentive packages were determined by mutual negotiation and consent of both parties. In a majority of cases, the pay packages were decided by the employers. Consensus was found among interview and survey participants from both small and medium companies in regards to non-existence of union representatives in these companies. With only slight variation, the empirical evidence was confirmed by the literature. The literature revealed the fact that role of collective bargaining or negotiation was limited in SMEs. Only a small proportion of employees (5%) in these companies had their pay determined by collective negotiation (Forth et al., 2006).

**Figure 7-5: Rewards and employee motivation at work**

**Source:** Primary data gathered by the researcher

### 7.3 Research summary

The research into the cultural factors and their influence in evolving, shaping and developing HR frameworks of SMEs was motivated by the surge of ever increasing role and importance of SMEs in mobilizing resources, creating jobs, transforming/stimulating technology and fostering diversification of business and economic activities in many countries around the world (Kongolo, 2010; Inyang and Enouh, 2009).

Another phenomenon experienced during the last two decades is growing need and importance of HRM in administrative and operating structure of all types of businesses including SMEs. Indeed, HRM has been acknowledged as one of the more vital managerial

decision areas affecting the strategic growth and development of SME business sector of the UK (Kuratko et al., 2005; Noe et al., 2010; Debic et al., 2011). Despite the growing role and importance of HRM in business sector of the UK, the literature revealed the fact that still a majority of SMEs did not use formal HRM policies and practices as frequently as large organizations (Kotey and Folker, 2007; Kotey and Slade, 2005). Indeed they were lacking enough knowledge and ability to understand value of formal HR practices in the growth and development of their companies. Lack of formal research, and dilemma for SMEs concerning the extent of formal or informal use of HR practices pushed this researcher to explore the extent of HR applications in these enterprises. The results of the study extended and strengthened our knowledge about this important component of management in the area of small business sector (Carlson et al., 2006).

The leading and central segment of the study was related to cultural factors and their influence in the evolution and development of HR related strategic frameworks of SMEs. The role and importance of cultural factors in shaping HR strategies of SMEs was clearly acknowledged by the contemporary researchers (ACAS, 2009; Mitchell, 2006). The researchers were of the opinion that people of 21<sup>st</sup> century are less concerned with material needs and more concerned to spend their time according to their faith, values, beliefs and lifestyles. Despite rising influence of cultural factors on SMEs, the existing body of knowledge did not reveal any higher level research in this domain of the study. The researcher duly acknowledged this fact and took these factors as leading and central part of his overall research activities.

The main aim of the research was to *'investigate impact of cultural factors on people management strategies and practices of SMEs in the UK'*. To achieve this aim, the research project had five objectives. The first of these *'to perform a detailed literature review in the domains of cultural factors and their influence on HRM strategies of UK-based SMEs'* was achieved in chapter 2 (literature review). The researcher conducted an in-depth review of relevant literature sources and succeeded in generating a bulk of secondary data around selected domains of the research. Few sections of the chapter highlighted some general aspects of the topic under research including the role of SMEs in the UK economy, subject matter of HRM, evolution and growth of HRM in SMEs, role of HRM in SMEs, HRM and

ethnic minority SMEs. These sections provided some basic facts about role and importance of HRM in SMEs.

Another part of the chapter presented a comprehensive account of generic HR functions including recruitment and selection, employee training and development, performance management, employment relations and reward management. These items reflect a wide range of strategies and practices of SMEs to attract, retain and develop right people; utilize them effectively to achieve desired goals and objective; to develop better relations among them and to reward them according to the agreed terms and conditions. In addition, the literature review chapter also presented 5 models reflecting application of HR policies and practices in these enterprises. These models highlighted, SME employers' recruitment decisions, application of HR practices in SMEs, factors influencing HRM applications in SMEs, theoretical HR management process of SME growth and a conceptual framework of equal opportunity/diversity management policies in SMEs.

The last section of the chapter detailed cultural factors and their influence in shaping HR strategies and practices of SMEs. This section also covered cultural related issues and problems faced by these enterprises and their strategies to resolve them. Achieving the first objective provided a substantive understanding of HRM, role of HRM in SMEs, application of generic HR functions in SMEs, cultural factors and their role and importance in shaping HR strategies of these enterprises.

The second objective of the research project *'to have a critical look on existing body of knowledge (contributions of contemporary researchers) to identify shortfalls / gaps to place this work at right context and to determine boundaries and domains of this study'* was achieved through critical review of theoretical perspectives that had emerged in existing literature focusing on three main variables: cultural factors, HRM and SMEs. The process of critical review helped in identifying gaps/shortfalls in existing body of knowledge. After a critical and careful evaluation of the literature review chapter, the researcher came to the conclusion that most of the current knowledge in the field was generalized in its nature and only few studies were conducted by some research institutes/centres of the UK in chosen area of the research. As a matter of fact the researcher could not find any single study at higher level of research which had addressed cultural factors and their role in shaping HR related

strategic frameworks of Pakistani-owned SMEs. These gaps provided enough avenues for the researcher to establish his research domains/boundaries and outline his pursuits.

The third objective *'to conduct in-depth empirical investigation around selected domains of the study to get firsthand knowledge about cultural factors and their role in shaping HRM strategies of SMEs'* was achieved through case studies and field surveys around 57 Pakistani-owned SMEs in the UK. The empirical results/findings have been reported in chapters 4 and 5. These findings have been derived through a critical analysis and interpretation of the primary data gathered in the process of empirical investigation. Chapter 4 was divided into two parts. The first part reported a number of cultural and social factors including family and friends, education and experience, dual socialization of entrepreneurs, clarity of goals and objectives, professionalism, friendly working environment and work-life balance had played a vital role in the earlier growth and development of SMEs. The second part of the chapter detailed a range of cultural factors including ethnicity, diversity, religion, beliefs, values, traditions, languages and communication patterns which had played a key role in the evolution and development of HR strategies and practices of these companies. The empirical finding reported in chapters 4 and 5, generated valuable knowledge around selected domains of the study.

The fourth objective was *'to build a new theory in the light of empirical findings and relate these findings with wider literature to identify similarities and dissimilarities between secondary and primary findings'*. This objective was achieved in chapter 6. This chapter integrated the findings emanated from literature review, case studies and field surveys as reported and discussed in chapters 2, 4 and 5. The triangulation of integrating the findings proved very helpful in formulating similarities and dissimilarities between theory (literature based findings) and practice (the findings based upon empirical research). Interestingly a close resemblance was found between case study and survey results. However, integration of primary and secondary findings reflected both similarities and dissimilarities. As reported in Section 7.2, a large number of primary findings confirmed previous knowledge; however in many cases the literature said less and/or literature sources were found quiet about empirical findings. Particularly, the existing knowledge provided limited data pertaining to cultural influences on HR strategies of these enterprises as compared with the empirical findings. In this perspective, the researcher succeeded in generating a wide range of theoretical

perspectives (also projected through 5 new models) while strengthening or deepening previous knowledge and adding new perspectives into existing body of knowledge.

The fifth and the last objective of the research was *'to strengthen, extend and develop further understanding about culture and its relationship with people management strategies of SMEs'*. This objective was also accomplished in chapter 6. This chapter extended and developed our substantive understanding of how cultural factors and HR strategies of SMEs work together in achieving goals and objectives of an organization. As discussed in the above section, the empirical findings detailed in chapters 4 and 5 were explored theoretically and integrated in chapter 6. Also a number of new perspectives were projected with the help of 5 models (Section 7.2) based on primary data.

An important theoretical conclusion of the study is that cultural factors (dominated by Asian and Islamic perspectives) had played a positive, constructive and productive role in strategic evolution and development of Pakistani-owned SMEs in the UK. These factors had contributed in developing friendly working relations between employers and employees, flexible working environment and winning motivated and loyal employees. Because of cultural influences, entrepreneurs/owner-managers of these enterprises had realized the fact that their people were less concerned with their material needs and more concerned to spend their time according to their faith, values, beliefs and lifestyles. Therefore, they needed to take duly care for both physical and spiritual health of their workforce to create a *'consistent ethical culture'* to develop a conflict free working environment in their organizations.

## **7.4 Contribution to Empirical Knowledge**

### **7.4.1 Theoretical contributions**

- It is first piece of research at doctoral level in the UK exploring around 57 Pakistani-owned SMEs in the area of culture and human resource management. The study discovered a range of cultural factors (religion, values, beliefs, traditions, ethnicity, diversity, languages and communication patterns) and their role in shaping generic HR functions (recruitment and selection, training and development, performance management, reward management and employment relations) of these enterprises. The study succeeded in generating a detailed and rich material around chosen area of



the research and relevant research questions and objectives. The findings of the study (as detailed in chapters 4 and 5) added a wide range of new ideas, insights and thoughts into existing body of knowledge.

- The process of integrating the empirical results with the wider literature highlighted a range of similarities and dissimilarities between primary and secondary findings. A number of secondary findings were confirmed by primary findings; for example, informality, paternalism, low power distance, generalization, non-existence of union representatives, close and friendly relations between employers and employees. On the other hand, dissimilarities were related to changing system and structure of medium companies. Unlike similarities (as listed above), the study discovered that medium companies were different as compared to small companies in regards to their HR styles and strategies. Formality, pluralism, decentralization, individualism, specialization and high power distance were found as leading strategies of medium companies. This was entirely a new phenomenon discovered by the current research. In continuation of above discussion, in many cases (as discussed and detailed in chapters 2 and 6), literature said less or literature was found quiet about empirical findings. Particularly less data was found in literature with regard to cultural influences on HR strategies of SMEs. In this perspective, the researcher succeeded in filling some of the gaps left by the contemporary researchers.
- On the basis of primary data gathered through case studies and field survey, the researcher developed 5 new models about cultural factors and their impact on people management strategies of SMEs. These models (as discussed in Chapter 4) added a wide range of strategic concepts and their application into the real world of business and its management. Of course, these models have made theoretical contribution into existing body of knowledge.
- Compared to other studies (as reported in Chapter 2), this study was privileged to conduct a combined research around generic functions of HRM including - recruitment and selection, training and development, performance management, reward management and employment relations. This type of combined and integrated investigation around vital HR functions and a wide range of findings as reported in

chapters 4 and 5 and integrated in chapter 6, greatly contributed in furthering, developing and strengthening our knowledge about strategic frameworks of human resource management in SMEs.

- This is first piece of higher level research which presented a comparative view of small and medium companies in terms of cultural factors and human resource management. Previous studies dealt SMEs as single entity, whereas this study conducted a comparative investigation around strategic frameworks of SMEs while appreciating and recognizing dissimilarities between small and medium companies in terms of their nature, size, structure and resources. This comparative approach of the study generated a lot of comparative knowledge about cultural influences on HR strategies of small and medium companies. This is another important dimension of knowledge contributed and added by the researcher into existing body of knowledge.
- The triangulation approach of the research (while taking multiple perspectives) discovered a wide range of findings through literature review (Chapter 2), case studies (Chapter 4) and field surveys (Chapter 5). These findings were integrated in chapter 6 to give a combined and integrated reflection of similarities and dissimilarities as found in theory (literature review) and practice (empirical results). The process of integrating the primary findings with secondary findings added a wide range of new perspectives in the field of culture and human resource management.

#### **7.4.2 Practical contribution**

The research discovered a wide range of new insights and thoughts (as detailed in chapters 4 and 5) about cultural influences on people management strategies of SMEs. Majority of respondents from both small and medium companies were found of the opinion that cultural factors including religion, values, traditions, ethnicity, diversity and communication patterns had played an important role in evolving, shaping and developing HR related strategic frameworks of these enterprises. Performance management, reward management and employment relations were particularly influenced by these factors. The findings of the research provided a wide range of practical guidelines to Asian SMEs in general and Pakistani SMEs in particular to design their HR strategies in line with these findings to grow, compete and succeed in the market. Quite a few examples are given as follows.

- Recruitment and selection process of the majority of small companies was directly influenced by religious and ethnic backgrounds. Majority of their employees belonged to Muslim and Asian communities. Instead of lengthy procedures of tests and interviews they preferred to recruit people on the recommendation of close relatives and friends. This strategy saved much of their time and resources; however, they were facing difficulties in becoming mainstream companies. Despite doing business in the UK's multi-ethnic business environment, their business was still limited to Asian communities. In the perspective of these findings, there was a need for Pakistani (Asian) companies to expand their recruitment platform while recruiting people from European, African and White British communities to become mainstream companies. They need to apply the policy of equal employment opportunities (EEO) to recruit people on merit basis instead of references and recommendations. This approach will help them to have competent people from diverse backgrounds with potential to effectively compete in the market.
- The majority of medium companies were found under the influence of diversity factors. They were inclined to the policy of equal employment opportunities (EEO) to become mainstream companies. Around 40% of their employees belonged to European, African and white British communities. The influence of diversity factors on recruitment process of these companies helped them to become mainstream companies while attracting customers from diverse backgrounds. On the other hand they were facing some difficulty in managing people from Asian, African, European and white British backgrounds. A number of respondents reported some conflicts among employees on the basis of ethnic and religious differences. To control conflicts, these companies were arranging common gatherings/events like informal meetings, workshops, seminars, annual celebrations like Eids (annual holiday for Muslims), Christmas (Annual day of Christians) and Dewali (annual day for Hindus). These joint events were contributing in minimizing conflicts and developing cross-cultural awareness and harmony among employees. These findings provide some important practical guidelines to Asian-ethnic SMEs in general and Pakistani SMEs in particular to manage people from diverse backgrounds. The shift towards a diverse workforce means these organizations need to make diversity management a central component of their policies and practices. These companies need to arrange cross-

cultural events (periodically) to control conflicts and to develop a culture of respect, trust and unity among employees.

- Another practical scenario of these companies was linked with multi-lingual communication environment. Despite using English as the main language, people were allowed to exchange their views in their native languages. Customers and employees (particularly immigrants) were being dealt in their own languages. Multi-lingual communication patterns were playing an important role in developing better business relations between the company and its customers. In the light of these findings Asian-ethnic SMEs need to deal with their employees and customers (particularly immigrants) in their own languages to develop informal and friendly relations with them. The research highlighted the fact that People feel more comfortable while communicating in their native languages. Simultaneous use of Urdu, Punjabi, Mirpuri, Bengali, Hindi, Polish and English languages can help them in attracting customers from diverse backgrounds. Instead of keeping their business limited to Asian community they can expand their business in other communities to grow and succeed in the market.
- The study discovered some valuable insights and thoughts (as detailed in chapters 4 and 5) about performance management practices of these enterprises. Because of the diversity effect, medium companies were inclined towards the strategies of formality, high power distance, decentralization and specialization. According to the majority of respondents from medium companies, these strategies were more feasible and effective to manage and control people from diverse backgrounds. Compared to medium companies, small companies were more inclined towards strategies of informality, low power distance, centralization and generalization. The entrepreneurs from small companies favoured these strategies because of Asian-ethnic influence on overall administrative and operational structure of these companies. The contemporary SMEs from Asian background (particularly from Pakistani background) may learn some practical lessons from these findings (as detailed in chapters 4 and 5). For example, because of large number of employees, decentralized operational structure is more appropriate for medium companies to facilitate quick decisions, quick implementation and close control/monitoring on employees; whereas,

centralized structure is less effective in managing/controlling people from different regions, religions, values and traditions. Similarly, specialized distribution of roles and responsibilities helps in developing specialized skills among employees. This approach also helps in evaluating individual performance and facilitates performance based rewards. On the other hand, centralized and generalized operational structures are more feasible and productive in small companies. While having majority of people from similar backgrounds, these structures can facilitate the companies to develop an atmosphere of team work, unity and equality among employees. The generalized approach of operation and frequent transfers/rotations from one department to other department can also help these companies to develop all round skills among employees with potential to provide frequent covers to each other in the case of emergencies.

Furthermore, because of the religious influence, these companies were reported to keep people comfortable at work. They avoided fixing difficult targets and putting extra burden on their employees. As they claimed, this strategy helped them in winning motivated and loyal employees. A number of respondents from both small and medium companies quoted saying of the Holy Prophet (PBUH) such as, ‘Do not put unbearable burden on your employees, they are human beings like you’ and pledged to treat their employees according to the teachings of Holy Prophet (PBUH). This is another valuable lesson for Asian-ethnic SMEs. Instead of keeping people under extraordinary work pressure, they should be assigned easy, approachable and achievable targets. They should be treated as human beings instead of being treated as slaves. The values like humanity, sympathy and leniency can help these enterprises in winning motivated employees and retaining key employees with them.

- The religion and traditions were playing a central role in shaping rewards and benefits in these enterprises. Because of religious influence, a number of enterprises were reported while paying over and above than agreed terms and conditions. For example, paying over and above during peak-times, during attractive business seasons or when employees met or exceeded their assigned targets. To win loyal, motivated and committed employees these enterprises were paying special financial support to their employees on annual days of Muslims, Hindus and Christians. Similarly, Qarz-e-

Hasana (loan without interest) to needy employees for considerable expenditures such as weddings of their children, and non-refundable financial support to employees during sudden death or disease in their families. The analysis of primary data revealed that these special financial benefits in addition to regular pay/wage were playing an important role in developing close and trustworthy relations between employers and employees. These findings provide useful information to other SMEs from Asian background to devise an attractive compensation structure for their employees. Pakistani-owned SMEs can particularly benefit from these findings to develop strong and trustworthy working relations with their employees.

- Cultural factors were also playing an important role in setting a better mode of employment relations in these enterprises. Because of Asian-ethnic influence, majority of employers were found informal and friendly towards their employees. Similar spirit of relations was found among employees. Entrepreneurs were found working with their employees. They were flexible and helpful to their employees. They were quite friendly, affable and approachable to their employees. This type of working relations had contributed in developing an atmosphere of unity, teamwork and respect among employees. The Pakistani SMEs in the UK and Pakistan need to be enlightened by these findings to establish positive, constructive and productive relations with their employees.
- The analysis of the primary data discovered some useful information about working environment in these enterprises. Overall working environment in these enterprises was composed of friendly relations between the employer and the employees, employee involvement in decision making process, multi-lingual communication patterns, work-life balance, team work, voluntary covers, mutual trust and confidence, appreciation and recognition, flexibility of rules and regulations. People were enjoying equal status and respect regardless of their titles and designations in the organization. They were rewarded similarly while performing at similar positions with similar ability and skills. The researcher could not find any signs of discrimination, favouritism and nepotism in these enterprises. As highlighted by the majority of respondents, a positive and favourable working environment had greatly contributed in the growth and development of these enterprises. These findings

provide some useful knowledge and practical guidelines to SMEs with similar cultural backgrounds. These findings can be utilized by entrepreneurs and business managers of Pakistani-owned SMEs in the UK as well as Pakistani entrepreneurs and managers in Pakistan in shaping their working environment in line with these findings to grow and develop in the markets.

- Last but not least, seven models based on empirical findings (discussed in Chapter 4) provide some useful applications of HRM in SMEs in the perspective of cultural factors. These models can be utilised by ethnic minority businesses (EMBs) in general and by Pakistani-owned SMEs in particular in designing, developing and strengthening of their managerial, administrative and operational networks to achieve their goals and objectives. In addition, because of shared culture, findings of the study would be especially beneficial for ethnic minority businesses with South-Asian background including Indians and Bangladeshis as well to design their HR strategies in line with these findings.

## **7.5 Validity, repeatability and generalisability of the research**

### **7.5.1 Validity of the research**

The researcher did his best to ensure reliability and validity of the research findings by applying the approach of triangulation (getting multiple perspectives and angles on the subject matter) as suggested by management researchers to minimise occurrence of errors during overall research process (Robson, 2002; Bryman and Bell, 2007). It involves combined application of different methods, study groups, research settings and methodological perspectives in dealing with different aspects of research (Flick, 2002). Neuman (2006) suggests that the use of multiple methods helps solving research issues because methodological weaknesses will tend to cancel each other out and hence help to reach a more reliable and valid set of conclusions. In this research, the researcher applied the following forms of triangulation to ensure accuracy of the data and validity of the research findings.

**Sample size for case studies:** To select representative samples out of target population, the researcher divided total population (42 cases) into two groups: trading (19 cases) and services

(23 cases). Again first group was divided into 3 categories and second group was divided into 4 categories. Ultimately, the researcher selected 7 cases (3 medium and 4 small) out of 42 cases while taking 1 case from each of 7 categories. Instead of selecting many cases with similar characteristics, the researcher preferred to select a few but different cases, with different products and with different reflection of their managerial and operational activities. The researcher did his best to ensure that selected samples contain enough potential to represent characteristics of whole population.

**Sample size for field survey:** To determine sample size for the field survey, the researcher followed the formula provided by Stevens in 1996. Stevens recommended that about 15 subjects are required for any one predictor or domain to ensure reliability of results in business research. In this study there were three variables or domains of the research: cultural factors, people management and SMEs. Hence according to Stevens formula the researcher selected  $3 \times 15 = 45$  samples out of target population. To minimize any possibility of sampling biasness, the target population was divided into two industrial sectors - trading and services. Then he multiplied 45 by 2 and got a figure of 90 samples. Ultimately, the researcher decided to cover at least 100 respondents to minimize risk of errors in data gathering and analyzing process.

**Data gathering methods:** The investigation process was conducted through case studies and field surveys. The case studies (interview method) generated qualitative data and field survey (questionnaire method) generated quantitative data. The use of both methods helped in offsetting weaknesses of one method by the strengths of other method. Similarly weaknesses of qualitative data were dispelled by quantitative data and weaknesses of quantitative data were dispelled by qualitative data.

**Derivation of question items:** For case studies the lead questions and themes were derived from research questions, research objectives and wider literature. However, a wide range of questions emerged during different interview sessions with flow of conversation with the respondents. On the other hand, the findings of case studies served as the main source of questionnaire. The objective was to conduct cross-examination of these findings through field survey while covering a large sample of Pakistani-owned SMEs located in major cities of the UK. The researcher did his best to maintain a close conformity between interview



results and questionnaire. The objective was to develop a sense of consistency and homogeneity in the overall investigation process conducted through both interviews and field surveys. In addition to interview findings, the researcher also took some guidance from literature sources while preparing questionnaire.

**Cross-sectional research design:** The researcher did his best to ensure that data gathered through different sources was unbiased, accurate and complete. For this purpose, the cross-sectional research design was applied for both methods of investigation. For case studies (as discussed above) total population was divided into 7 categories to cover 7 different industrial sectors and then 1 case was selected from each of these categories to ensure that data gathered through case studies represents characteristics of whole population. Similarly, for field survey, total population (heavily populated with Pakistani enterprises) was divided into different geographical areas and different industrial sectors based in major cities of the UK. The objective was to pick and chose required number of samples from all areas and industrial sectors with enough potential to represent whole target population.

**Analysis of the data:** The data gathered through case studies and field survey were properly recorded, composed and prepared for analysis. Then ‘Grounded Theory’ was applied to conduct critical analysis and interpretation of the data to derive out relevant, reliable and valid meanings out of the data in accordance with research questions and research objectives. The strategies of grounded theory including open coding, axial coding and selective coding as discussed in Section 3.9.2.1, provided a systematic and logical framework of data analysis and interpretation process. The findings of case studies and field survey were integrated in Chapter 6. Interestingly most of the qualitative findings (interview results) were confirmed by quantitative findings (survey results). The application of triangulation enabled the researcher to remove all types of biases and develop a holistic view of the theory or phenomenon under investigation. In other words, combination of different methods enhanced the reliability and validity of research conclusions through mutual confirmation (Bryman and Bell, 2007).

### **7.5.2 Generalisability of the research:**

Triangulation approach of the research facilitated cross-sectional research design with a wide coverage of Pakistani enterprises from different geographical areas and different industrial sectors; however, overall investigation and findings were mainly linked with Islamic,

Pakistani and South-Asian perspectives. Therefore, despite having potential to represent majority of Pakistani SMEs, wider generalisability of the findings should not be expected in this study.

As an effort of single researcher, this study remained limited to the major cities of England. Despite expecting different perspectives from other cities like Cardiff and Glasgow, the researcher could not approach and cover these cities. Similarly, the researcher could not select samples from all business sectors; apparently manufacturing and construction sectors were missing in data gathering process (though quite a few Pakistanis are engaged in these businesses). Therefore, findings of the study are less likely to represent 100% Pakistani-owned SMEs in the UK.

## **7.6 Research limitations**

Despite the application of a multi-method approach and its promising results, there are some research limitations to this study. These limitations should be noted and may be addressed in future studies.

- Wide coverage in terms of geographical areas and number of respondents is an important requirement of field surveys. This study remained limited to those cities of the UK which were believed to be thickly populated with Pakistani-owned SMEs. Despite expecting some enterprises in other cities like Cardiff and Glasgow, the researcher could not approach and cover these cities. As an effort of a single researcher, the study was constrained by the resources available in terms of time and expenses.
- The researcher received a good response from case-study respondents. However, the response rate remained low in relation to questionnaire-based investigation. Despite consecutive reminders through emails, telephone calls, even face to face contacts, the researcher could only receive 100 responses from a total of 350 launched questionnaires. Low response rate was the result of lack of interest, multiple engagements of respondents and secrecy/privacy policies of some of the entrepreneurs.
- Nature of the research topic and relevant research questions compelled the researcher to select respondents from both entrepreneurs and senior managers. The research findings

represent views and visions of the people sitting at the top management. Some contrary evidence could have been possible while including a number of respondents from administrative or operating staff. This limitation may be addressed in future research.

- While conducting research in any context, social culture, values and norms may influence any individual's opinion, behaviour or response to any specific issues, and respondents are likely to give 'socially accepted' responses (Sekaran, 2003). This may have affected the validity of some of the data in this research. However, the confidential nature of the research and the promise of non-disclosure of personal information may have helped to minimize this bias.

### **7.7 Avenues for future research**

The researcher would like to detail some new research avenues that emerged from the findings, contributions and limitations of the study. The first one is related to geographical and sectoral coverage of the research. There is a need to expand the target population while including more geographical areas (like Glasgow and Cardiff) and more business sectors (like manufacturing and construction) could not be covered in existing research. Conducting similar research in somewhat different social and cultural setting will provide opportunities to study the same questions in the context of different social structure, norms and values.

In continuation of the above suggestion, the second research direction might be increased sampling of the survey and interviews while including people from other ethnic minority SMEs, more respondents from all levels of organizational structure (including people from top, middle and lower management), applying other methods of data collection such as focus groups and using a wider mix of contact methods to ensure high response rate from target respondents. The wider and cross coverage of selected samples is expected to ensure more and more credibility and generalize-ability of the potential research findings.

The existing study was mainly concentrated to investigate cultural factors and their relevant impact on HR strategies of these companies. There is some scope to include social factors (community forums, community based NGOs and trusts), and to investigate a joint influence of cultural and social factors. This type of joint investigation is expected to generate more

concrete and credible results about factors influencing HR related strategic frameworks of SMEs.

Most of the previous research dealt SMEs as single entity and presented them similarly; whereas, this study has discovered the fact that small and medium companies are different in many ways with regards to their HR strategies. Therefore alongside treating SMEs as a single entity it is also important for researchers to take them as small and medium entities to compare and contrast their strategies.

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## Appendices

### Appendix 1

#### Main themes/questions covered in the process of case studies

**Topic:** Cultural factors, People management and Pakistani-owned SMEs in the UK

**Researcher:** Iftikhar Ahmed Butt (University of West London, Ealing)

Dated: \_\_\_\_\_

Respondent: \_\_\_\_\_

Designation: \_\_\_\_\_

Company: \_\_\_\_\_

Start-up date: \_\_\_\_\_

Location: \_\_\_\_\_

Nature of the business: \_\_\_\_\_

#### Main themes/questions covered in the process of case studies

***Theme 1 Basic information about the company:*** Nature of the company, company's products and services, target market, total number of employees, ethnic distribution of staff, religion-based distribution of staff, gender-based distribution of staff etc).

***Theme 2 Evolution of the company:*** Beginning of the business, initial resources, opportunities and problems, contributing factors in the growth and development of the business.

#### ***Theme 3 People management strategies of the company:***

**3.1 Recruitment and selection:** Formal or informal ways, internal and external sources, job description and job specification, vacancy announcement procedures, role of application forms, tests and interviews in the process, influencing factors (references, family, friends, ethnicity etc) formal or informal employment agreements.

**3.2 Employee training and development:** Orientation and induction, approaches of training (specialised or generalised) formal or informal ways of training, internal or external training, venues of training, main events covered during training process, main tools of training, allocation of training budget.

**3.3 Performance management:** Organizational structure (centralised or decentralised), leadership styles (autocratic, participative, democratic), decision making process, distribution of work (specialised or generalised), monitoring and feedback, performance review, discipline, working environment.

**3.4 Employment relations:** Employment agreements, formality and/or informality of employment relations, high or low power distance between employer and employees, consultation and coordination, fulfilling mutual expectations, influence of cultural factors on overall employment relations in these enterprises.

**3.5 Rewards management:** Formality or informality of setting rewards, existence of union representatives and collective bargaining, application of government regulated minimum pay, performance-based rewards, similar or different rewards for the people working at different levels, cultural influences on reward system of these enterprises.

***Theme 4 Cultural influences on people management:***

The role of religion, beliefs, values, traditions, ethnicity, diversity, languages and communication patterns in evolving, shaping and developing people management strategies and practices of these companies was investigated.

## Appendix 2

A questionnaire based field survey around Pakistani-owned SMEs in the UK

Topic: Cultural factors, People management and Pakistani-owned SMEs in the UK

**Researcher: Iftikhar Ahmed Butt (University of West London Ealing)**

Dated: \_\_\_\_\_

Respondent: \_\_\_\_\_

Designation: \_\_\_\_\_

Company: \_\_\_\_\_

Start-up date: \_\_\_\_\_

Location: \_\_\_\_\_

Nature of the business: \_\_\_\_\_

### QUESTIONNAIRE

#### PART ONE: BASIC INFORMATION

**Q1.** How many employees are working in your company?

Ans.

**Q2.** What is distribution of your staff on the basis of employment contract? Please insert number.

Ans. a) full time  b) part-time  c) temporary  d) contractors

**Q3.** What is job-based distribution of your staff? Please insert number.

Ans. a) managerial  technical  b) administrative  c) operational   
d) Others

**Q4.** What is ethnic distribution of your staff? Please insert number.

Ans. a) Asian  b) African  c) European

**Q5.** What is Asian distribution of your staff? Please insert number.

Ans. a) Pakistanis  b) Indians  c) Bangladeshis  d) others

**Q6.** What is gender based distribution of your staff? Please insert number.

Ans. a) male  b) female

**Q7.** What is religion based distribution of staff?

Ans. a) Muslims  b) Non-Muslim

## PART TWO: PEOPLE MANAGEMENT

### 1) Recruitment and selection

**Q8.** What type of recruitment approach do you favour in your company? Please tick one.

Ans. a) formal  b) informal  c) mixed

**Q9.** How do you recruit people through informal ways? Please tick all that apply.

Ans. a) relatives and friends  b) casual callers  c) vacancy notices outside workplaces

**Q10.** What are formal ways of your recruitment? Please tick all that apply.

Ans. a) Press advertising  b) employment agencies  c) company website   
d) other electronic media

**Q11.** What types of selection methods do you apply in your company? Please tick all that apply.

Ans. a) application forms  b) CVs  c) interviews  d) tests

**Q12.** To which extent recruitment process is influenced / controlled by your family members / close relatives?

Ans. a) to a great extent  b) to a moderate extent  c) to a limited extent   
d) not at all

**Q13.** What type of recruitment structure do you prefer in your company?

Ans. a) centralised  b) decentralised  c) mixed

**Q14.** What type of employment agreement do you prefer in your company?

Ans. a) formal / written  b) Informal / oral

**Q15.** To which extent references affect recruitment process of your company?

Ans. a) to a great extent  b) to a moderate extent  c) to a limited extent  
d) not at all

### 2) Employee training and development

**Q16.** What type / style of training do you prefer in your company?

Ans. a) formal  b) informal  c) mixed

**Q17.** What type of training methods / tools do you apply to train different employees?

Ans. a) Managerial \_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_

b) Administrative \_\_\_\_\_

\_\_\_\_\_

c) Operational \_\_\_\_\_

**Q18.** What are the main sources of employee training in your company?

Ans. a) internal  b) external  c) mixed

**Q19.** What are venues of training in your company?

Ans. a) On-the-job  b) off-the-job  c) mixed

**Q20.** What are the main tools of training in your company? Please tick all that apply.

Ans. a) Practical assignments  b) workshops  c) group discussion   
 d) seminars  e) other \_\_\_\_\_

**Q21.** What is main approach of training in your company?

Ans. a) specialised  b) generalized  c) mixed

**Q22.** Which approach is applied on particular type of employees and why?

Ans. a) Specialised \_\_\_\_\_

b) Generalised \_\_\_\_\_

c) Mixed \_\_\_\_\_

**Q23.** What types of events are mainly covered during training process?

Ans. \_\_\_\_\_

**Q24.** Do you allocate any formal budget for the training purpose?

Ans. Yes  No

### 3) Rewards Management

**Q25.** What type / style of rewards do you prefer in your company?

Ans. a) Formal (organized /regular pay schedule / procedure)

b) Informal (unorganized / irregular pay schedule / procedure)

**Q26.** What criterion is followed to fix similar rewards? Tick one or more boxes that apply

- Ans. a) Where people are working at equal levels
- b) Where their inputs (qualifications, skills etc) are equal
- c) Where their efforts and contributions are equal
- d) Where length of service in the company is equal

**Q27.** What criterion is followed to fix different rewards? Tick one or more boxes that apply

- Ans. a) Where people are working at different levels
- b) Where their inputs (qualifications, skills etc) are different
- c) Where their efforts and contributions are different
- d) Where their length of service in the company is different

**Q28.** What types of factors are preferably considered by your company while allocating a particular pay package to different employees? Please tick all boxes that apply.

- Ans. a) nature of the job  b) qualification  c) experience
- d) performance  e) length of service  f) loyalty

**Q29.** Enlist three leading factors from above (Ans. 28) that are particularly considered while allocating higher pay package than standard wages (minimum pay level).

Ans. 1) \_\_\_\_\_ 2) \_\_\_\_\_ 3) \_\_\_\_\_

**Q30.** What types of extra allowances / financial benefits do you allow for your employees?

Ans. a) \_\_\_\_\_ b) \_\_\_\_\_ c) \_\_\_\_\_ d) \_\_\_\_\_

#### 4) Performance management

**Q31.** What type of organizational structure do you prefer in your company?

- Ans. a) Centralized  b) decentralized  c) mixed

**Q32.** To which extent do you prefer to delegate authority to your employees?

- Ans. a) to a great extent  b) to a moderate extent  c) to a limited extent
- d) not at all

**Q33.** What type of leadership style do you prefer in your company? Please tick most appropriate.

- Ans. a) autocratic  b) participative  c) democratic

**Q34.** What type of control do you favour in your company? Please tick most appropriate

- Ans. a) Inflexible  b) flexible  c) moderate

**Q35.** What type of work approach is preferred in your company?

- Ans. a) Generalised  b) specialised  c) mixed

**Q36.** At what level of work a particular approach /style of work is preferable and why?

Ans. a) Managerial \_\_\_\_\_

b) Administrative \_\_\_\_\_

c) Operating \_\_\_\_\_

**Q37.** What type / style of work distribution do you prefer in your company?

Ans. a) formal  b) informal  c) mixed

**Q38.** What type of work schedules do you prefer in your company?

Ans. a) Homogeneous  b) heterogeneous

**Q39.** Is there a system of performance review in your company?

Ans. a) Yes  b) No

**Q40.** What style of performance review do you prefer in your company?

Ans. a) formal  b) informal

**Q41.** What type of responsibility do you prefer in your company?

Ans. a) Individual responsibility  b) collective responsibility  c) mixed

**Q42.** How do you control / improve performance of your employees at work? Please tick all that apply.

Ans. a) monitoring and feedback  b) close supervision  c) Guidance and support  d) corrective measures  e) disciplinary actions

**Q43.** What are leading sources of better performance (as listed above) in your company?

Ans. 1) \_\_\_\_\_

2) \_\_\_\_\_

3) \_\_\_\_\_

**Q44.** How do you encourage good performers?

Ans. a) \_\_\_\_\_ b) \_\_\_\_\_ c) \_\_\_\_\_

**Q45.** How do you correct / improve underperformers?

Ans. a) \_\_\_\_\_ b) \_\_\_\_\_ c) \_\_\_\_\_

## 5) Employment relations

**Q46.** What type of employer – employee relations do you prefer in your company?

Ans. a) Formal  b) informal /friendly  c) moderate

**Q47.** What type of employee - employee relations do you prefer in your company?

Ans. a) formal  b) informal /friendly  c) moderate



**Q48.** What are the main features of employment relations in your company?

Ans. a) \_\_\_\_\_

b) \_\_\_\_\_

c) \_\_\_\_\_

d) \_\_\_\_\_

e) \_\_\_\_\_

**Q49.** Could you give an overall view of employment relations in your company?

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## 6) Discipline

**Q50.** What type discipline do you favour in your company?

Ans. a) Flexible  b) Inflexible  c) moderate

**Q51.** What type of rules and regulation do you favour in your company?

Ans. a) Formal  b) Informal  c) mixed

**Q52.** To which extent you are satisfied about implementation of rules and regulations in your company?

Ans. a) To great extent  b) to moderate extent  c) to some extent   
d) not at all

**Q53.** To which extent do you prefer disciplinary actions against your employees?

Ans. a) To great extent  b) to moderate extent  c) to some extent   
d) not at all

**Q54.** What type of disciplinary actions do you prefer against your employees? Tick any one or more that apply

Ans. a) Penalty  b) Suspension  c) demotion  d) termination   
e) None of these options

**Q55.** What type of other measures do you prefer to correct behaviour of your employees at work?

Ans. \_\_\_\_\_

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**Q56.** Could you give a brief view of disciplinary procedure in your company?

Ans.

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## 7) Working environment

**Q57.** What are the main features of your company's working environment? Please tick all that apply.

Ans. a) mutual trust  b) brotherhood  c) formal relations   
 d) Informal relations  e) work-life balance  f) voluntary covers   
 h) inflexibility  i) flexibility

**Q58.** What are the main sources of employee motivation in your company? Please tick all that apply.

Ans. a) High rewards  b) friendly relations  c) working environment   
 d) guidance and support  e) job satisfaction  f) Discipline

**Q59.** Enlist three most effective sources of employee motivation in your company?

Ans. 1) \_\_\_\_\_ 2) \_\_\_\_\_ 3) \_\_\_\_\_

**Q60.** What types of motivators are more effective in your company?

Ans. a) financial motivators  b) social motivators  c) both are equally effective

## PART THREE: INFLUENCING FACTORS

**Q61.** What types of behavioural factors do influence people management styles of your company? Please tick all that apply.

Ans. a) family culture  b) religion  c) values  d) beliefs   
 e) traditions  f) ethnicity  g) diversity  h) languages

**Q62.** Could you give top-bottom order to above factors keeping in view strength of their influence on people management styles of your company?

Ans. a) \_\_\_\_\_ b) \_\_\_\_\_ c) \_\_\_\_\_ d) \_\_\_\_\_  
 e) \_\_\_\_\_ f) \_\_\_\_\_ g) \_\_\_\_\_ h) \_\_\_\_\_

**Q63.** How does religion affect people management styles of your company?

Ans. a) positively  b) negatively  c) neither positive nor negative

**Q64.** Which types of people management practices are most affected by religion in your company?

Ans. a) \_\_\_\_\_ b) \_\_\_\_\_ c) \_\_\_\_\_  
d) \_\_\_\_\_ e) \_\_\_\_\_ f) \_\_\_\_\_

**Q65.** Which types of people management practices in your company are less affected by religion?

Ans. a) \_\_\_\_\_ b) \_\_\_\_\_ c) \_\_\_\_\_  
d) \_\_\_\_\_ e) \_\_\_\_\_ f) \_\_\_\_\_

**Q66.** To which extent religious affect people management of your company?

Ans. a) To great extent  b) to moderate extent  c) to limited extent   
d) Not at all

**Q67.** Could you give a brief view of religious effects on people management in your company?

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**Q68.** Could you name some leading values being followed by your company keeping in view their relative importance in your value system?

Ans. a) \_\_\_\_\_ b) \_\_\_\_\_  
c) \_\_\_\_\_ d) \_\_\_\_\_  
e) \_\_\_\_\_ f) \_\_\_\_\_

**Q69.** How do values affect overall performance of you employees?

Ans. a) positively  b) negatively  c) neither positively nor negatively

**Q70.** To which extent these values affect overall system of your company?

Ans. a) to great extent  b) to moderate extent  c) to limited extent   
d) Not at all

**Q71.** Could you give a brief view of value-based affects on people management your company?

Ans. \_\_\_\_\_

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**Q72.** What are your personal beliefs about desirable styles of people management in your company?

Ans. a) \_\_\_\_\_ b) \_\_\_\_\_ c) \_\_\_\_\_ d) \_\_\_\_\_  
 e) \_\_\_\_\_ f) \_\_\_\_\_ g) \_\_\_\_\_ h) \_\_\_\_\_

**Q73.** To which extent do you prefer to apply your personal beliefs in your company?

Ans. To great extent  b) to moderate extent  c) to limited extent

**Q74.** Could you give a brief view of your beliefs and their impact on people management styles of your company?

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**Q75.** What types of traditions do you follow in your company?

Ans. a) \_\_\_\_\_  
 b) \_\_\_\_\_  
 c) \_\_\_\_\_  
 d) \_\_\_\_\_  
 e) \_\_\_\_\_

**Q76.** How traditions do affect employee behaviour at work?

a) Positively  b) negatively  c) neither positively or negatively

**Q77.** Could you give a brief view of traditions and their impact on people management styles of your company?

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**Q78.** What types of languages do you prefer in your company?

Ans. a) Native  b) English  c) mixed

**Q79.** To which extent languages and communication patterns affect people management practice of your company?

Ans. To great extent  b) to moderate extent  c) to limited extent

**Q80.** How do people management practices in your company are affected by the use of particular languages and communication patterns?

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**Q81.** To which extent does ethnicity affects overall people management strategies of your company? Tick one answer.

Ans. a) strongly  b) moderately  c) to a limited extent  d) not at all

**Q82.** How does ethnicity affect people management styles in your company?

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**Q83.** To which extent does diversity affect overall strategies of your company?

Ans. a) to a great extent  b) to a moderate extent  c) to a limited extent   
d) not at all

**Q84.** How does diversity affect people management styles in your company?

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**The End**