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# Investigating cultural influences on HR practices of Pakistani-owned SMEs in the UK

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## Abstract

*This article 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 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. 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 strategies and practices of Pakistani-owned SMEs in the UK. The study contributed to the existing body of knowledge by furthering our substantive understanding about cultural influences on human resource management 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*

**Key words:** Culture, HRM, SMEs, UK, Triangulation, Religion, Values, Ethnicity, Diversity, recruitment, training, rewards, performance, employment relations, motivation

## 1.0 Introduction

The main themes of this paper revolve around cultural influences on people management strategies of Pakistani-owned SMEs in the UK. The study was aimed to conduct an empirical investigation around cultural factors and their relevant influence in shaping employment relations in these enterprises. The ultimate objective was to obtain a real picture of ongoing state of affairs (in the view of cultural effects) and to explore the use of HR strategies of these companies in surviving, growing and competing in the UK markets. The topic of the research was investigated through literature review, case studies and questionnaire-based field survey. 7 cases (4 small and 3 medium) with 18 respondents were investigated through face to face in-depth interviews. The majority of respondents were selected from entrepreneurs/owner managers. To place the work at wider context and to ensure more and more validity of the research findings, a field survey covering 50 companies with 100 respondents (from top and middle management) was conducted through a structured questionnaire. The triangulation approach of the study helped in offsetting weaknesses of a specific method by strengths of other methods.

The empirical investigation discovered a range of cultural factors such as religion, values, traditions, ethnicity, diversity, languages and communication patterns playing a pivotal role in evolving and shaping HR related strategic frameworks of Pakistani-owned SMEs in the UK. The entrepreneurs/owner managers of these companies are pursuing to establish a working environment where people can perform their respective roles and responsibilities according to their religious values and beliefs; where they can avail breaks during working hours to perform their religious obligations and where employees of these companies are allowed to enjoy paid leaves to celebrate their annual festivals. Respondents were found of the opinion that employees feel them more comfortable in the organizations where they are allowed to meet emergencies or to attend their urgent appointments during working hours; where they can satisfy their spiritual needs alongside their material needs and where they can manage to maintain a desired balance between their personal and organizational life.

Overall analysis of the data revealed that there is more effect of religious values, ethnicity, beliefs and traditions on small companies and less on medium companies. Contrarily, there is more effect of diversity, languages and communication patterns on medium companies and less on small companies. More or less cultural influences are quite evident on HR strategies and practices of these companies. Small companies because of their Asian centric products and services prefer to recruit employees from Muslim and Asian-ethnic backgrounds to provide better services to the customers from similar backgrounds. Medium companies because of their wider business networks prefer to have employees from diverse backgrounds. As reported by the majority of respondents, these companies are gradually pursuing to apply diversity management (DM) and equal employment opportunities (EO) policies as per requirement of UK employment legislation; however, because of their Pakistani and Islamic origins and orientations they are still far behind to apply DM and EO policies in a letter and spirit. Respondents from both groups of companies highlighted the fact that employees are allowed to adopt multi-lingual communication patterns including frequent use of native languages to deal customers from diverse backgrounds; however, this trend is more functional and effective in medium companies as compared with small companies.

With regards to rewards management data reveals that small companies prefer to apply equal rewards policy for the people working at the same level regardless of high or low performance for the organization; on the other hand medium companies prefer to apply performance based rewards even for the people working at the same level based upon their efforts and contributions. Islamic spirit of rewards is a common phenomenon in these companies. Paying higher than agreed rewards, loan without interest, paid breaks, paid holidays, non-refundable financial support to needy employees are few examples of Islamic culture of rewards in these companies. Overall employment relations in these companies are based on brotherhood, voluntary covers for each other at work, respect, trust, equality, flexibility, tolerance, optimism, appreciation and recognition. Employer and employee relations are based on low power distance, consultation, participation, mutual trust and cooperation. The terms boss and subordinate are rarely used in these organizations. The entrepreneurs/owners managers clearly acknowledged the role of Islamic values and Asian traditions in developing and strengthening employment relation in their companies. They asserted that a culture of respect and request is far better to win motivated and loyal employees in contrast to the culture of orders and dictations.

The empirical investigation around chosen area of the research discovered a wide range of findings as reported in section 4.0 below. These findings clearly reflect a vital role of Islamic and Asian culture in shaping overall HR strategies and practices of these companies. However, they are gradually moving forward to develop their bi-cultural image (Asian and British) to survive, grow and compete in the UKs' multicultural business environment. The study contains some valuable implication for Asian minority SMEs in general and Pakistani SMEs in particular. It provides some new avenues for business students and researchers to conduct research in the area of culture and human resource management.

## **2.0 Literature review**

### **2.1 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, 2007). The European Commission (DTI, 2007) 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 1 below gives a brief overview of SMEs’ definition as mentioned in DTI’s report produced in 2005. It also provides some statistical information to differentiate micro, small and medium enterprises.

**Table 1: Definition of SMEs**

Enterprise category	Head count: annual work unit (AWU)	Annual Turnover or	Annual balance sheet total
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, 2007

An important fact about SMEs is that they are not homogenous but differ in terms of context, family and kinship, along with variable labor and product markets (Edwards and Ram, 2009). These conditions need to be recognized more fully in much of the mainstream literature surrounding HRM and SMEs.

**2.2 The role of HRM in SMEs**

As highlighted by Hendry et al. (1995), much of management theory continues to emphasize 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; 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 emphasized 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.

**2.3 Cultural influences on HR practices of SMEs**

A number of cultural factors including ethnicity, diversity, values and religious practices at work 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 21st century are less concerned with material needs and more concerned to spend their time according to their values, beliefs and lifestyles. They prefer to work with those organizations whose organizational 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, 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 organization to develop a conflict free working environment (ACAS, 2009). Despite sensitivity of cultural issues and their impact on HR practices and people behavior at work, the cotemporary researchers could not pay reasonable attention to investigate cultural influences on HR practices of SMEs except few institutional reports (Home Office Survey, 2004, SHRM, 2008) and limited research papers (White, 2008). Because of rising influence of culture at work places (as discussed in these sections) the researcher was motivated to conduct a comprehensive piece of research in this important but ignored area of the research.

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

**2.4.1 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 (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 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 are more comfortable and loyal to those organizations whose organizational culture match with their cultural needs and expectations.

**2.4.2 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).

**2.4.3 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).

### **2.5 Conflict free working environment**

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).

## **3.0 Methodology**

**3.1 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. To ensure wider coverage, a cross-sectional strategy was chosen (particularly in field survey) while selecting Pakistani-owned enterprises as units from different contexts, both geographical and industrial (Easterby Smith et al., 2009). The application of triangulation enabled the researchers 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).

**3.2 Sampling procedures:** As mentioned earlier, the nature of the current research topic was purely subjective requiring interpretative and qualitative approach of data gathering process, therefore for the first phase of data collection (case studies) the researcher decided to apply non-probability procedures (while using his own judgment) to select representative samples out of the target population. Literature reveals that this form of sampling is often used when working with very small and differentiated samples and when a researcher wishes to select cases that are particularly informative (Newman, 2002). In this perspective, instead of selecting many cases with similar characteristics, the researcher preferred to select a few (7 out of 42 cases in total) but different cases, with different products and with different reflection of their managerial and operational activities.

In addition to the data collected through case studies of seven companies, the researchers 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. To determine the sample size, the researchers 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 researchers decided to cover at least 100 respondents to minimize risk of errors in data gathering and analyses process.

## 4.0 Findings

### *4.1 Ethnic and religious influences on recruitment and selection process of these companies:*

The empirical data clearly reflect ethnic and religious influence on recruitment and selection process of these companies. Table 2 and Table 3 below provide a brief view of ethnic and religious based distribution of staff in these companies.

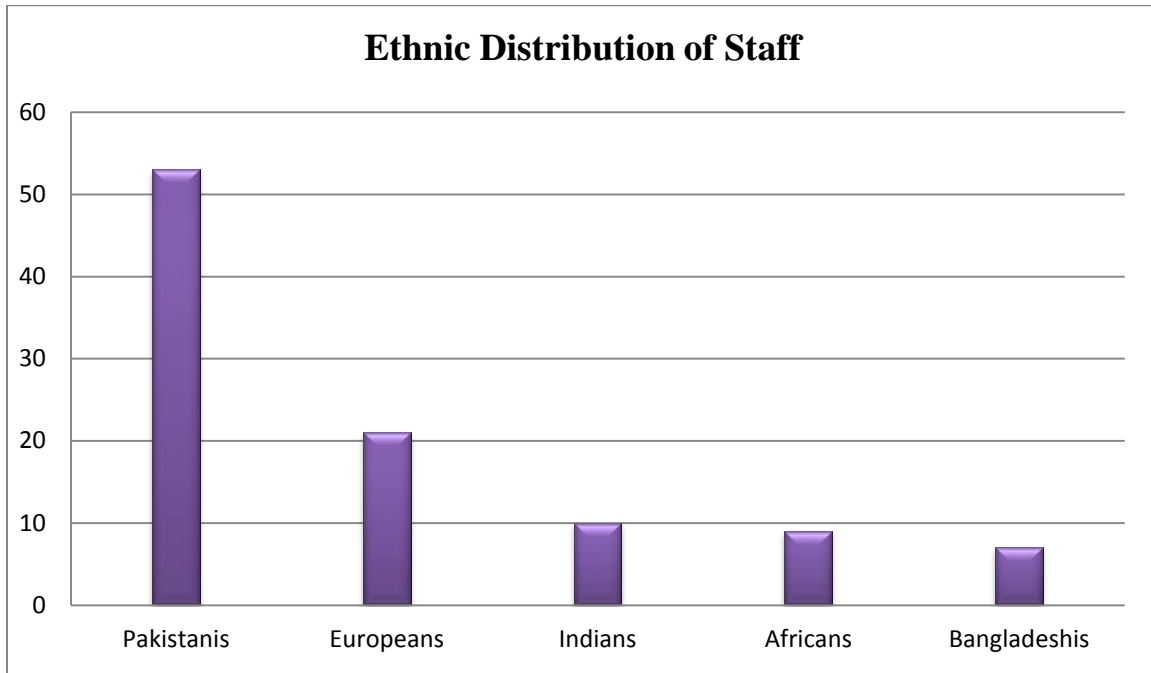
**Table 2: Ethnic distribution of staff**

No.	Categories	Total staff	Percentage
1	Pakistanis	1144	53
2	Indians	210	10
3	Bangladeshis	151	7
4	Europeans	451	21
5	Africans	194	9
6	Total	2150	100

**Source:** Primary data gathered through case studies and field survey

Table 2 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 3 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.

The following columns show percentage of ethnicity based distribution of staff as shown in table 2 above.



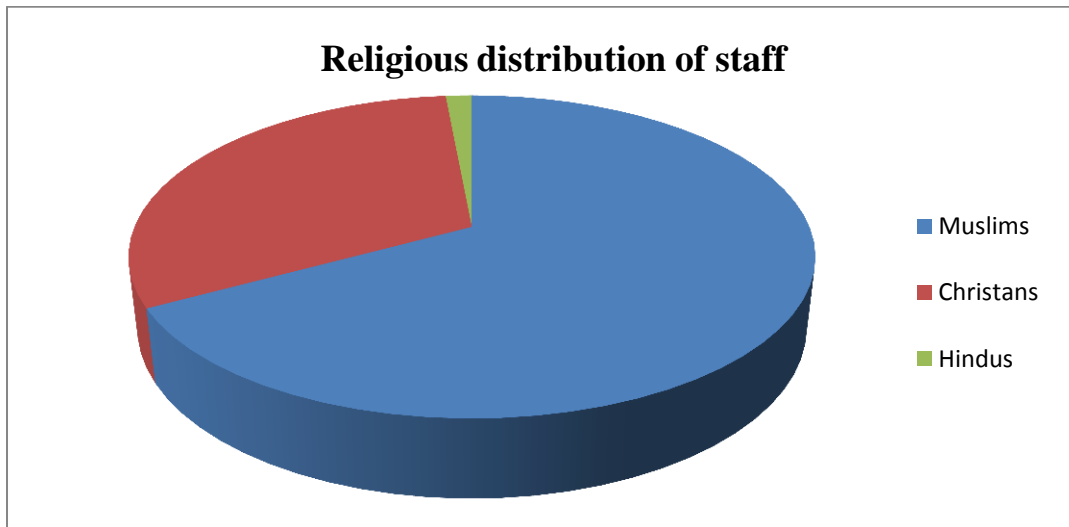
**Table 3: Religious distribution of staff**

No.	Categories	Number	Percentage
1	Muslims	1376	64
2	Christians	645	30
3	Hindus	129	6
	Total	2150	100

**Source:** Primary data gathered through case studies & field survey

Table 3 above reflects a clear majority of Muslims (64 %) in these enterprises. Other categories (Christians and Hindus) appear as 30 % and 6 % of total staff in these enterprises. The above percentage is shown in the following pie-chart as follows.





Entrepreneurs from small companies believed that religious and ethnic homogeneity contributed in developing good working relations and better understanding among employees. For example an owner manager of a small company 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”.*

Another respondent from same company Mr. T. K. endorsed views of Mr. A. B. and said:

*“We prefer to have Islamic minded people with us, because we understand that religious people are more dutiful, trustworthy and respectful”.*

On the other hand, medium companies were found flexible pertaining to religious and ethnic involvement in their recruitment process. Because of their large scale business networks they needed multiethnic 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”.*

The investigation further revealed that both groups 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 (78%), Asian staff found it easier to deal with customers mainly from Pakistani, Indian and Bangladeshi backgrounds. 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. (a senior manger 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”.*

A comparative view of small and medium companies indicates that 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 are aiming to become mainstream companies through employing multi-ethnic employees to deal with customers from diverse backgrounds.

#### **4.2 Islamic spirit of economic satisfaction and motivation of employees:**

The majority of respondents from these enterprises 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 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. The respondents highlighted 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 celebrations), 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. Mr. S. K. quoted the saying of The Holy Prophet (PBUH) as follows:

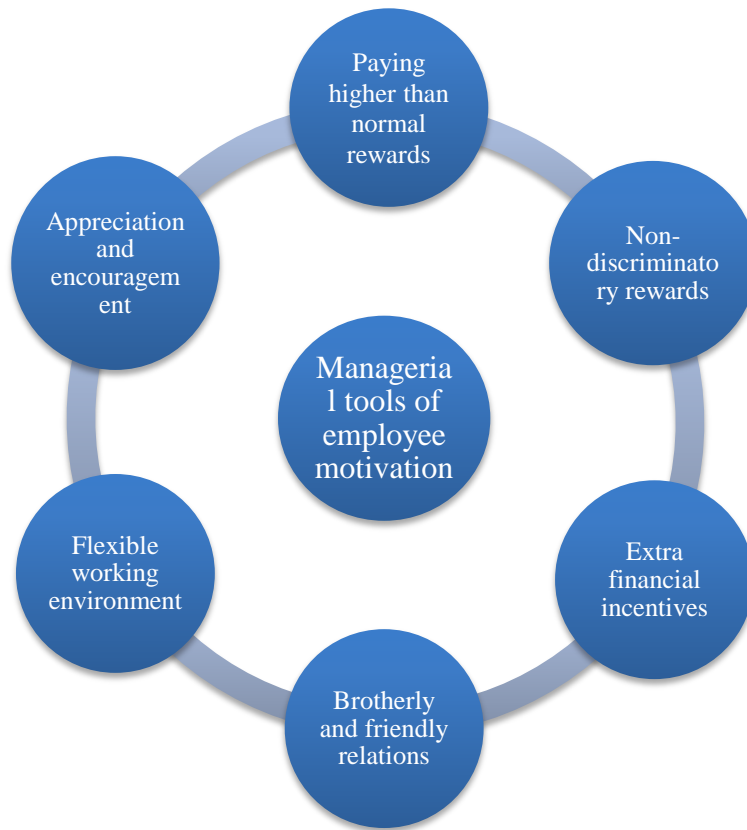
*“Allah has placed who are around you (workers) under you; they are your brothers and sisters, so provide them with clothes you like for yourself and provide them with the food you yourself like to eat and do not put so much burden on them that they are unable to bear, Also lend your help to them”.*

Mr. A. H. expressed his 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”.*

The figure 1 below highlights some managerial tools of these enterprises to motivate employees at work.

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



**Source:** Primary data gathered through case studies and field survey

**4.3 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 organizations 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.

***4.4 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. (a manager from small company) asserted:

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

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

*“We do our best to fulfill 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 organizational structure. Mr. H. B. remarked:

*“In our company, there is no room for favoritism 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”.*

***4.5 Consultative and democratic approach of decision making process:*** The cultural influence was also evident in decision making process of these companies. This approach was the result of their Islamic socialization while living in Pakistan. Mr. G. S. (Managing Director of medium company) commented:

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

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

*“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 collective decisions compared to the decisions taken by the few people sitting at the top management”.*

***4.6 Putting bearable work burden on employees:*** The majority of respondents aimed to provide a relaxed and comfortable working environment for their employees. Mr. S. M. highlighted the Islamic spirit of treating employees at work as follows:

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

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 demoralize employees and reduce their performance at work. They were found in favor 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. The entrepreneurs of these companies duly considered personal and family related commitments of staff when preparing work rotas to facilitate people’s work-life balance.

**4.7 Relations based upon Islamic spirit of brotherhood:** Islamic spirit of ‘brotherhood’ is the essence of mutual relations in these companies. Mr. R. M. of (General Manager of a medium 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*

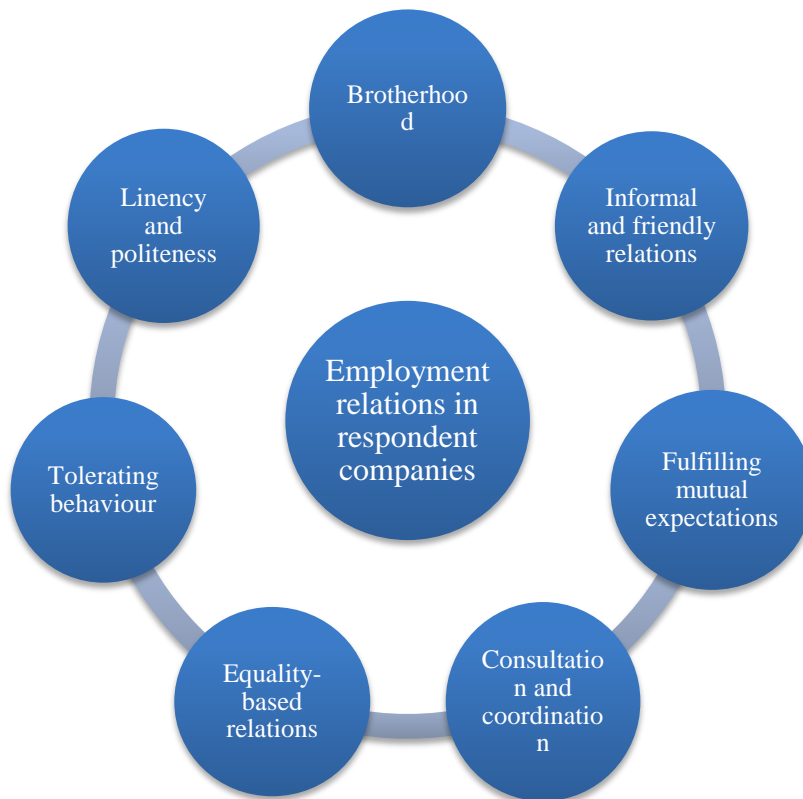
Mrs. R. M. endorsed the views of her husband and added: *“We want a culture of ‘mutual respect’ in our company, where people call proper names of each other; they speak softly and politely with each other; and they do not pass insulting remarks against their colleagues”.*

Mr. H. B. (Owner-Manager of a small company) 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. The figure 2 below displays some features of employment relations in these enterprises.

Figure 2: Employment relations in respondent companies



**Source:** Primary data gathered through case studies and field survey

**4.8 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 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 organization. This type of tendency on the part of employers and employees contributed to the development of trustworthy relations between them.

**4.9 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 behavior and politely remind them to change their behavior 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’.*

The overall disciplinary conduct of small and medium companies could be seen as an offshoot of Islamic values. This was clearly acknowledged by the majority of respondents from both groups of companies. The concepts of patience, moderation, compassion, flexibility, politeness, tolerance, help, guidance and forgiveness were repeatedly emphasized 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 over 70% of respondents, instead of disciplinary measures, these companies preferred to use moral and social influence on their employees to correct their behavior and to improve their performance at work.

**4.10 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 (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 the 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.

**4.11 Flexible work environment:** The empirical investigation further revealed that most of these companies (particularly small companies 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:

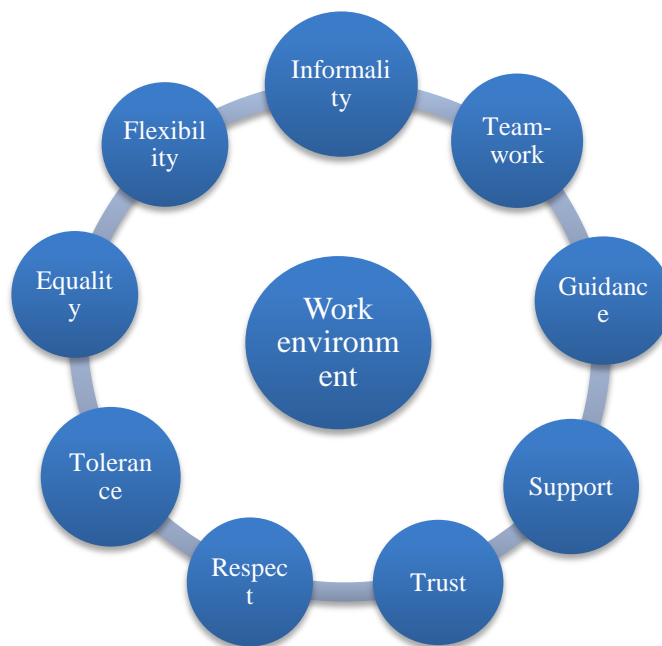
*“I favor an approach of flexible working environment where things are not imposed on employees; rather they are taken into confidence while taking certain decisions impacting their personal and professional life”.*

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

*“We favor 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”.*

Overall, the majority of 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. Figure 3 below reflects some prominent features of the working environment being observed by these companies.

**Figure 3: Attributes of work environment**



**Source:** Primary data gathered through case studies and field survey

#### 4.12 Cultural factors and training process



Around 60% participants (from both groups of enterprises) expressed the opinion that cultural factors played a moderate role in shaping and executing training activities of these companies. In small companies over 70% 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 stake holders. Informality, flexibility, tolerance, bargaining, credit buying, non-business relations (such as social and religious affiliations) were highlighted as leading features of Asian culture. To meet Asian cultural requirements these companies were used to arrange some special events to train their employees to behave people according to their Asian-based cultural backgrounds. The majority of respondents 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, color 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, workshops 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 people according to their nature and requirements.

## **5. Conclusion**

As detailed in above sections the recruitment and selection process of majority of these companies was influenced by the ethnic origin and religion 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). 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 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).

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.

Another aspect of cultural influence on HR practices of these enterprises 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.

Islamic spirit of brotherhood was reported as the essence of mutual relations in these companies, while quoting some Hadiths (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', '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. Another phenomenon of better relations in these companies was linked to the lenient and respectful behavior 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 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. 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. 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 Quranic dictations. The SME literature did not reflect any data in line with these findings.

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.

## **6. Some avenues for further research**

The researcher would like to detail some new research avenues that emerged out 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 and more business sectors could not be covered in existing research.
- 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.

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