An Empirical Investigation of HRM Practices of Pakistani-Owned SMEs in the UK

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Abstract
This article is based on empirical investigation of HRM practices of Pakistani-owned SMEs in the UK. The topic of the research was investigated through literature review and field survey. Keeping in view nature of research topic a semi-structured questionnaire comprising a wide range of open-ended and close-ended questions was prepared to undertake field survey. The literature review contributed in making conceptual foundation of the study; whereas, field survey discovered useful primary data about HR concepts and their applications at managerial and operational levels of these companies. The study was mainly focused on recruitment & selection, training & development, rewards management, performance management and employment relations in these companies. It was aimed to explore strategic frameworks of these companies in organizing and managing their HR resources to survive, grow and compete in the UK’s multicultural business environment. The ultimate objective of the research was to discover some empirical facts and figures from the real world of these businesses in the interest of ethnic minority SMEs in general and Pakistani SMEs in particular. The findings of the research contain some valuable information for the students, researchers and practitioners in the field of human resource management. The study sensitizes contemporary researchers to pay some attention on an important but ignored business segment (ethnic minority SMEs) of the UK.

Key words: HRM, SMEs; UK; Recruitment; training; rewards; performance; employment relations

1.0 Introduction

This study was directed to investigate HRM strategies and practices of Pakistani-owned SMEs based in major cities of the UK. These areas of Pakistani-owned SMEs were located by some secondary sources including UK – Pakistan Chamber of Commerce, UK – Pakistan Business Directory, Internet and personal visits. A wide range of Pakistani-owned businesses are operating in urban and rural areas of the UK; however, majority of them are involved in micro businesses with less than 10 employees. Only a small number of entrepreneurs have been found with small (with more than 10 employees) and medium (with more than 50 employees) level business enterprises. Majority of these businesses are at their growth stage and few of them have emerged as very successful enterprises. The study was aimed to discover HRM practices of Pakistani-owned SMEs with successful business experiences and to make their success stories as a source of learning and development for other similar businesses operating across different cities of the UK. The topic of research was investigated through field survey undertaken around 50 Pakistani-owned SMEs with 100 respondents performing at managerial level. A semi-structured questionnaire was used to facilitate survey process. To place the work at wider context and to ensure reliability of the results, respondent enterprises were selected from different business sectors and from different territorial backgrounds. Cross-sectional approach of selecting respondents from heterogeneous businesses contributed a lot in generating wider mix of comparative primary data containing different operational perspectives of these enterprises.

Analysis of the data discovered a wider mix of findings related to HR strategies and practices of these enterprises. In majority of cases these enterprises were found informal and flexible in their overall ways of employment relations. There was wider use of references, walk-in interviews, temporary appointments, informal employment agreements, on-the-job training, flexible work schedules, frequent rotations, informal communication patterns, use of native languages, voluntary work covers and cash in hand payments. However, informality and flexibility of managing people varied from small to medium companies. Small companies were found more informal compared to medium companies. Moreover, majority of these companies (both small and medium) were found informal at administrative and operational levels; whereas at managerial level they were found in use of formal and set procedures to conduct their employment activities. Respondent entrepreneurs were found of the opinion that due to limited resources and time constraints they were unable to adopt costly
and lengthy procedures to recruit people at middle and lower levels. However, despite these limitations, at managerial level due to sensitivity of these positions, they were used to apply formal tests and interviews and make formal agreements with their employees. Employee training and development was another important phenomenon of these enterprises. Small companies were found with an orientation of on-the-job and off-the-job training for their employees within company premises with an ambition to enhance knowledge and skills of their employees. Medium companies were found more conscious about training and development needs of their employees as compared with small companies. They were found in continuous process of seminars, group discussions and workshops at both internal and external levels. Because of these activities majority of their employees were found knowledgeable and skilled with enough potential to perform according to the needs and requirements of these organizations.

The study discovered some valuable insights and thoughts 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 favored these strategies because of Asian-ethnic influence on overall administrative and operational structure of these companies. Findings of the study as highlighted in above paragraphs and detailed in section 4 below contain some practical lessons for the contemporary SMEs from Asian background (particularly from Pakistani background). These enterprises can learn how to manage and utilize human resources to grow, compete and succeed in the market. They can streamline their HR policies and practices in line with these findings to enhance efficiency, productivity and outputs of their business entities. HR managers can also benefit from the results of the study to plan, implement and evaluate overall employment relations in their companies to develop a motivated, dedicated, loyal and capable workforce in the long-term interest of their organizations. The study also provides some significant insights to students, teachers and researchers to design and execute their research activities.

2.0 Literature review
2.1 Perspective
It has been widely recognized by many authors/researchers that the small and medium enterprises (SMEs) are playing a vital role in the economic development of countries around the world. These enterprises are making 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). Despite the pivotal role of SMEs as growth engines in the UK economy, this sector is still under researched and reflects a lack of interest on the part of contemporary researchers. Therefore, the researchers were naturally inclined to make some research contribution in the SME sector of the UK.

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 (Flamholtz et al., 2002; Ballot et al., 2006). As emphasized by many researchers the use of formal HR practices by large organizations is generating better results for these organizations. 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; Kotey and Folker, 2007; Kotey
and Slade, 2005). Particularly the situation is more critical in ethnic minority SMEs. They are lacking enough knowledge and ability to understand value of formal HR practices in the growth and development of their companies (Carlson et al., 2006). 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). Rising role of HRM in the growth and development of the UK business sector and lack of formal HR research around ethnic minority businesses (EMBs) pushed the researchers to conduct this piece of research around an important group of EMBs. The objective was to discover some facts about prevailing use of HR practices in these enterprises and to highlight the need and scope of HRM applications for other similar business entities in the UK.

2.2 HRM practices in SMEs

According to the literature 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. In this perspective a considerable diversity has been reported in the literature in the ways in which HR practices are used by SMEs. The key HR practices seen in large organizations, such as Equal Employment (EO), monitoring of job applicants and formalized job descriptions and selection processes are rarely in evidence in SMEs. 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).

The empirical evidence reveals that recruitment and selection are used more than any other practice in SMEs. In the majority of these companies ‘word of mouth’ strategy (recruiting recommended individuals) is preferred. 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). Small companies’ recruitment 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 (Davidson, 2011). As compared with small companies, in medium companies interviews and practical tests (trial shifts) are frequently used by the employers. In some of these companies interviews are used in conjunction with trial shifts for chefs, healthcare assistants or technicians to evaluate their potential employees. 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. 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). Given the lack of in-house expertise in human resource management techniques and the nature of labor 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 employee training and development, the primary data revealed a general reluctance among SMEs to provide formal training to their employees. 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 organizations 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. A majority of entrepreneurs/owner-managers in SMEs have been found to favor 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; Johnson et al., 2006). 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 realized by the business from accrediting such activity either internally or externally (SSDA, 2006).

In relation to pay and incentives schemes of SMEs, the literature reveals that despite having some formal schemes (fixed pay schedules, computerized 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 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 utilize a performance or incentive-based system for employee remuneration (Forth et al., 2006: 61). 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). 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 National Minimum Wage (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).

One of the more contradictory images of HRM in SMEs is the apparent coexistence of ‘informality’ with a new wave of ‘professionalized’ performance management strategies. The new agenda covers a range of practices that are similar to the ‘high performance work-place’ of larger organizations (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).

The literature-based evidence further highlights the fact that higher levels of employee satisfaction and commitment are linked with a favorable 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 organization which creates a closer identification with the organization (Hodson and Sullivan, 1985). Contrary to above evidence, some authors are of the opinion that organizational commitment within organizations 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,
organizational commitment would be lower in SMEs with low employee satisfaction as compared to SMEs with high employee satisfaction (Saridakis et al., 2013).

3.0 Methodology

3.1 Research design: Research design is one of the components or phases of the complete empirical research process (Sekaran, 2003: 56). It is a framework of the research in action and can be exploratory, descriptive and/or explanatory (Miles and Huberman, 1994; Yin, 2009). This study applied a cross-sectional and exploratory research design by investigating and discovering ideas and facts about a wide range of firms with heterogeneous industrial domains scattered in different geographical areas. The objective was to get comparative and contrasting perspectives about target population instead of gathering primary data with similar characteristics. To place the work at wider context and to take a broader perspective, a field survey was conducted around 50 (small 30 and medium 20) companies covering 100 respondents (2 from each firm) from managerial and operational levels. The survey was conducted with the help of a structured questionnaire comprising 84 main questions and a wide range of sub-questions. A concurrent triangulation strategy was used in an attempt to confirm, cross-validate, or corroborate findings within a single study. The application of triangulation enabled the researchers to remove biases and develop a holistic view of the theory or phenomenon under investigation (Creswell, 2003).

3.2 Sampling: An informal survey conducted around Pakistani business community in the UK revealed that thousands of Pakistani entrepreneurs are involved in different types of business activities; however, over 90% of these entrepreneurs are running micro companies with less than 10 employees. Less than 10% of these businesses qualified the criteria laid down for SMEs. The Pakistani business community in the UK is mainly divided into two groups: ‘Trading’ (for example – whole sale and retail stores) and ‘Services’ (for example - travel management, cargo and money exchange) comprising a wide range of enterprises involved in large scale commercialization of products and services (UKPCCI, September 2012). After spending a couple of weeks, the researchers 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. The researchers 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 researchers succeeded in achieving a minimum target of 50 companies and 100 respondents.

4.0 Findings

4.1 Recruitment and Selection: The empirical investigation discovered 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 news-papers, 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. 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 centers 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.
The data further revealed that use of references is very common in these companies, particularly in small companies. 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 regards 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. The involvement of close relatives and friends had a direct influence on recruitment process of small companies. 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. 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 80% respondents from these companies, most of the managerial, administrative and technical positions were filled through prescribed procedures. On the other hand 20% participants highlighted a clear impact of family and friends in the recruitment process of these companies.

As far as recruitment structure is concerned, it remained centralized in small companies. According to 53 out of 60 respondents (88%) from small companies, most of the recruitment decisions were taken by entrepreneurs/owner-managers in these companies; only 7 out of 60 (12%) respondents reported a decentralized structure where managers were authorized 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 centralized recruitment structure at all levels in these companies.

Table 1 below gives a comparative view of recruitment practices of Pakistani-owned SMEs in the UK.

<table>
<thead>
<tr>
<th>No.</th>
<th>Variables</th>
<th>Small Companies Response (%)</th>
<th>Medium Companies Response (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Formal/informal recruitment</td>
<td>Informal 70, Formal 30</td>
<td>Informal 20, Formal 80</td>
</tr>
<tr>
<td>2</td>
<td>Recruitment structure</td>
<td>Centralized 88, Decentralized 12</td>
<td>Centralized 22, Decentralized 78</td>
</tr>
<tr>
<td>3</td>
<td>Employment agreement</td>
<td>Informal 80, Formal 20</td>
<td>Informal 40, Formal 60</td>
</tr>
<tr>
<td>4</td>
<td>Use of references</td>
<td>Use rate 68, No use 32</td>
<td>Use rate 35, No use 65</td>
</tr>
<tr>
<td>5</td>
<td>Family/friends involvement</td>
<td>High involvement 75, Low involvement 25</td>
<td>High involvement 20, Low involvement 80</td>
</tr>
</tbody>
</table>

Source: Primary data gathered through field survey

4.2 Employee training and development: The empirical data identified that employees’ training was an integral part HR practices of these companies. All of these companies (100 %) 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 (2-8 weeks) to train different employees selected to perform at top, middle and lower positions. In addition to initial training, periodically these companies (particularly medium companies) arranged special training events as refresher courses for their employees. The primary data further revealed that most of
the training processes in small companies 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 organized 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 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.

With regards to 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%) respondents 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. On the other hand, 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. Analysis of the primary data further revealed that majority of small companies preferred a generalized training for their employees. According to 46 out of 60 respondents (77%) most of the training activity in these companies remained standardized 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. Compared to small companies, medium companies preferred a specialized approach to train their employees performing at managerial and administrative level (doing skilled jobs); whereas, a majority of employees performing at operating/working level were provided with generalized training enabling them to perform a range of team jobs and also preparing them to provide frequent cover for each other.

With regards to allocation of training budget in these companies, 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. 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. On the other hand, a small number of respondents (12 out of 40; 30%) reported the use of informal budget allocations to facilitate training events in their companies. Table 2 below provides a review of training activities in Pakistani-owned SMEs.

Table 2: Training systems and procedures in Pakistani-owned SMEs

<table>
<thead>
<tr>
<th>No.</th>
<th>Variables</th>
<th>Small companies Response (%)</th>
<th>Medium companies Response (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Formal/informal training</td>
<td>Informal 75</td>
<td>Informal 20 Informal / formal 80</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Formal / informal 25</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Training sources</td>
<td>Internal 88</td>
<td>Internal 78</td>
</tr>
<tr>
<td></td>
<td></td>
<td>External 12</td>
<td>External 22</td>
</tr>
<tr>
<td></td>
<td></td>
<td>On-the-job 88</td>
<td>On-the-job 63</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Off-the-job 12</td>
<td>off-the-job 37</td>
</tr>
<tr>
<td>3</td>
<td>Training approach</td>
<td>Specialized 23</td>
<td>Specialized 40</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Generalized 77</td>
<td>Generalized 60</td>
</tr>
<tr>
<td>4</td>
<td>Training budget</td>
<td>Informal allocation 87</td>
<td>Informal allocation 30</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Formal allocation 13</td>
<td>Formal allocation 70</td>
</tr>
</tbody>
</table>

http://www.ijmsbr.com
Source: Primary data gathered through field survey

4.3 Reward Management: 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.

It was further identified that a majority of small companies paid similar rewards to their employees performing at equal levels regardless of their qualification, experience, efforts and contributions for the organization. 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. Table 3 below displays a comparative view reward systems in small and medium enterprises.

Table 3: Rewards management in Pakistani-owned SMEs

<table>
<thead>
<tr>
<th>No.</th>
<th>Variables</th>
<th>Small companies</th>
<th>Response (%)</th>
<th>Medium companies</th>
<th>Response (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Formal rewards Mixed system (formal/informal)</td>
<td>Formal</td>
<td>33 Mixed</td>
<td>Formal</td>
<td>63 Mixed</td>
</tr>
<tr>
<td></td>
<td>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.</td>
<td>Mixed system (formal and informal) 67</td>
<td></td>
<td>Formal reward system is preferable in these companies except for some temporary or contract appointments.</td>
<td>37</td>
</tr>
<tr>
<td>2</td>
<td>Similar rewards/ differentiaed rewards</td>
<td>Similar rewards</td>
<td>68 Differentiated rewards</td>
<td>22 Similar</td>
<td>75 Differentiated rewards</td>
</tr>
<tr>
<td>3</td>
<td>High or low rewards</td>
<td>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</td>
<td>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</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary data gathered through field survey
4.4 Performance management

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 favor 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.

With regards to work scheduling, 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 favored 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, generalization 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. Contrary to small companies, a clear majority (83 %) of medium companies preferred differentiated work schedules, formal distribution of work and specialized roles and responsibilities. In their view, such 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 organization as in small companies; technical jobs however remained specialized 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.

The empirical investigation further revealed that 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 generalized and team based operational activities. On the other hand, 17 out 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 organized 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 favored 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 favor of collective responsibility instead of individual responsibility in order to develop a sense of mutuality and togetherness among employees. The table 4 below reflects a brief view of performance management practices in these companies.
Table 4: Performance management practice of Pakistani-owned SMEs

<table>
<thead>
<tr>
<th>No</th>
<th>Variables</th>
<th>Small companies Response (%)</th>
<th>Medium companies Response (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Centralized</td>
<td>Decentralized</td>
</tr>
<tr>
<td>1</td>
<td>Organizational structure</td>
<td>Centralized 80%</td>
<td>Decentralized 20%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Centralized 15%</td>
<td>Decentralized 85%</td>
</tr>
<tr>
<td>2</td>
<td>Employee involvement in decisions</td>
<td>High involvement 72%</td>
<td>Low involvement 28%</td>
</tr>
<tr>
<td>3</td>
<td>Distribution of roles and responsibilities</td>
<td>Formal 23%</td>
<td>Informal 77%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Collective 78%</td>
<td>Individual 22%</td>
</tr>
<tr>
<td>4</td>
<td>Performance reviews</td>
<td>Formal 28%</td>
<td>Informal 72%</td>
</tr>
<tr>
<td>5</td>
<td>Responsibility and accountability</td>
<td>Collective 78%</td>
<td>Individual 22%</td>
</tr>
<tr>
<td>6</td>
<td>Disciplinary measures</td>
<td>Disciplinary measures 25%</td>
<td>Non-disciplinary measures 75%</td>
</tr>
</tbody>
</table>

Source: Primary data gathered through field survey

4.5 Employment Relations
The questionnaire based survey further revealed 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 specialized 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 generalized 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.

With regards to power distance between employer and employees, 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. Managers and their subordinates worked together and did not blame each other for mistakes or errors. On the other hand, 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 socialized 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.

The analysis of the data discovered some trends of individualism or collectivism in these companies. 44 out of 60 (73%) respondents from small companies clearly acknowledged a tendency towards collectivism. They mentioned teamwork, 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 generalized or specialized 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.

Table 5 below provides a comparative view of employment relations in these companies.

### Table 5: Employment relations in Pakistani-owned SMEs in the UK

<table>
<thead>
<tr>
<th>No.</th>
<th>Variables</th>
<th>Small Companies Response (%)</th>
<th>Medium Companies Response (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Formality/informality of relations</td>
<td>Formal relations 17 Informal relations 83</td>
<td>Formal relations 75 Informal relations 25</td>
</tr>
<tr>
<td>2</td>
<td>Power distance</td>
<td>High power distance 23 Low power distance 77</td>
<td>High power distance 70 Low power distance 30</td>
</tr>
<tr>
<td>3</td>
<td>Collectivism/individualism</td>
<td>Collectivism 73 Mixed (collectivism and individualism 27</td>
<td>Collectivism 22 Mixed (collectivism and individualism 78</td>
</tr>
</tbody>
</table>

**Source:** Primary data gathered through field survey

### 5.0 Conclusion

Overall analysis of primary data gathered through field surveys 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. 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 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).

Employee training and development was found as an important phenomenon in these companies. 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. 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 in small companies 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 SMEs occurred naturally as part of everyday operations and was informal or incidental, seldom reliant upon formal or structured training (Johnson and Devins 2008). 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.

Nature and style of organizational structure plays an important role in overall performance of the organization. The empirical results highlighted the fact that small and medium companies were operating with different organizational structures. Majority of small companies were found with 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). Compared to small companies, the majority of medium companies 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.

The primary data further revealed that majority of small companies preferred an informal and generalized distribution of roles and responsibilities. They favored this approach of work organization in order to develop an atmosphere of team spirit among employees. Unlike small companies, medium companies 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 views of many authors 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).

Overall employment relations in these companies were found informal and friendly. In most of small companies, relations between an employer and employees, as well as between employees themselves remained
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).

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). 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 diverse backgrounds.

References


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