EXPLORING HIGH PERFORMANCE MANAGEMENT PRACTICES AND THEIR IMPACT UPON THE SUSTAINABILITY OF SMALL AND MEDIUM-SIZE ENTERPRISES IN PAKISTAN

A dissertation submitted by

Abdul Raziq

*BBA, MBA & M.S*
Student Number: 0050105714

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School of Management and Marketing
Faculty of Business and Law
University of Southern Queensland
Australia
Small and Medium Enterprises (SMEs) play a significant role in the economic development of a country both through employment creation and income generation. Prior research emphasises the optimal utilisation of human resources, technology and processes as a key to strengthen the SME sector. Within SMEs each employee constitutes a larger percentage of the total workforce than in large organisations thus highlighting the crucial importance of employing high performance management practices (HPMP) which create an environment within which the skills and capabilities of employees could be optimised and organisational sustainability could be enhanced.

This study on HPMP in SMEs was conducted within the Pakistani SME sector. SMEs comprise the largest and constantly growing proportion of the Pakistani economy, and the majority of these firms manufacture products and provide services to national and international markets. Pakistan has a unique culture and SMEs face quite unique challenges compared to other countries, which makes a study focusing on HPMP a worthwhile endeavour. Although there has been an increase in research emphasising the role of HPMP as a basis of competitive advantage, there is still a dearth of systematic research available on the nature and implementation of these practices, as well as the link between these practices and human resource and economic sustainability outcomes in the Pakistani SMEs. This study is filling a gap in relation to theory and practice regarding the nature and extent of HPMP and its association with Sustainability Outcomes in Pakistani SMEs. For the purposes of this study a SME is defined as a business employing twenty to two-hundred-and-fifty employees.

The objective of this study was to examine the nature and extent of adoption of HPMP and their impact upon Sustainability Outcomes in Pakistani SMEs. Four main research questions (RQ) were developed to inform this research objective, including: what is the extent (frequency) and nature (in terms of patterns of adoption) of HPMP in SMEs?; to what extent do firm size, strategic planning, industry type, and the presence of a HR manager, relate to the prevalence of HPMP in SMEs?; is there a significant positive relationship between HPMP (i.e. recruitment, selection, training
and development, compensation, performance appraisal and consultation) and sustainability outcomes (economic sustainability outcomes and HR sustainability outcomes) of SMEs?; and to what extent do HR sustainability outcomes mediate the relationship between HPMP and SME Sustainability Outcomes (economic sustainability outcomes and HR sustainability outcomes)? Twenty-eight hypotheses were developed and tested to inform RQ2; fourteen hypotheses to inform RQ3; and two hypotheses to inform RQ4.

To answer the research questions, the study employed a quantitative methodology. Data were collected through a self-administered survey questionnaire. The questionnaire was adopted from a previous validated survey measuring HPMP in Australian SMEs. The target population consisted of SMEs operating in the city of Karachi, Pakistan. Stratified random sampling was applied to collect data from two strata: manufacturing and service-sector SMEs. A total of 703 firms were selected, contacted by phone, and invited to participate in this survey. Of these firms, 357 SMEs (50.78 percent response rate) accepted the invitation to fill out the survey questionnaire. Most of the respondents who agreed requested that the researcher visit their organizations personally. The data was analyzed using multivariate data analysis techniques including exploratory factor analysis, independent sample t-tests, hierarchical linear regression methods, and mediation analysis by using Sobel test.

The results indicate that SMEs adopted high performance management practices (HPMP) to a low to moderate extent, with only thirteen of the one-hundred-and-sixteen practices (11%) adopted at a high level (practices adopted by more than 70% of SMEs). A mixed picture emerged regarding the overall picture of the impact of firm size on HPMP. In relation to industry type, overall the main trend evident is a significant greater adoption of HPMP by service-based firms compared to manufacturing firms, especially HPMP practices that are formal in nature. With regard to the impact of strategic planning upon HPMP, overall the results were mixed and partially supportive of a positive relationship. According to the findings, a significant positive relationship between the presence of a HR manager (firms with a designated person responsible for HR in the firm) and the adoption of HPMP was partially supported. Even though only fifty-two percent of respondent SMEs
employed a person responsible for HR issues, service-based SMEs employed a HR manager to significantly greater extent than manufacturing firms. This presence may explain the greater emphasis in service-based firms on HPMP compared to manufacturing firms.

The results indicate a positive significant relationship between HPMP and economic sustainability outcomes. The findings also indicate a partial mediation effect of HR sustainability outcomes on the relationship between HPMP and economic sustainability outcomes showing that employee motivation, turnover, commitment, and skill development (HR sustainability outcomes) are key determinants of SME firm performance.

The conclusion was drawn that the respondent SMEs have a low to moderate affinity for a ‘bright prospect’ scenario and as such tend to have leanings towards a ‘bleak house’ scenario. However, the bleak house scenario evident from the findings, may not be all be negative since several initiatives to further develop and grow SMEs in Pakistan have been initiated in recent years. These initiatives combined with the proposed recommendations presented in this study, have the potential to assist SMEs in transforming themselves to a more high performance and ‘bright prospect’ scenario.
CERTIFICATION OF DISSERTATION

I declare that the work presented in the thesis is, to the best of my knowledge and belief, original and my own work, except as acknowledged in the text, and that the material has not been submitted, either in whole or in part, for a degree at this or any other university.

__________________________________________  ________________________________
Signature of Candidate                  Date

ENDORSEMENT

__________________________________________  ________________________________
Signature of Supervisor/s              Date

__________________________________________  ________________________________
                                      Date
Publications arising from this thesis


DEDICATION

To my respected parents

For their life-long support, belief and love

To my dear brothers, sisters, wife, little son (Waseem) and niece (Madia)

For their so much encouragement, good wishes, love and joy

To my uncle (Abdul Khaliq)

For his financial and moral support throughout my academic career.
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