

THE RELATIONSHIP BETWEEN FIRM SIZE AND HIGH PERFORMANCE MANAGEMENT PRACTICES IN PAKISTANI SMEs

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ABSTRACT

This study is concerned with the relationship between firm size and High Performance Management Practices (HPMP). The study was conducted in the context of Small & Medium-size Enterprises (SMEs) in the service and manufacturing sector in a Pakistani context, more specifically within Karachi. The primary data was collected through a survey of HPMP and as such the study is quantitative in nature. For the purpose of this study, a SME is defined as an organisation employing between 20 and 250 employees with a small organisation employing 20-100 employees and a medium sized organisation employing 101 -250 employees. The target population of the study consisted of SMEs operating in the city of Karachi, Pakistan. Stratified random sampling of 703 firms was applied to collect data from two strata i.e. manufacturing and service-sector SME. Of these firms, 357 SMEs (50.78 percent response rate) accepted the invitation to fill out the survey questionnaire. An independent-sample t-test test was employed to see whether group means of firm size are significantly different in relation to prevalence of HPMP. The firm size was used as independent variables or grouping variable while HPMP as dependent variable. The overall results were mixed and partially supportive of a positive relationship between firm size and the adoption of HPMP.

Keywords: Pakistan; Firm Size; High Performance Management Practices; SMEs.

Introduction:

Small and Medium Enterprises (SMEs) play a significant role in the economic development of a country (Bacon & Hoque, 2005) both through employment creation and income generation (Lange, Ottens, & Taylor, 2000). Key to strengthening the SME sector is through the optimal utilisation of its human resources, technology and processes (Barney, 1991; Huselid, 1995). Within SMEs each employee constitutes a larger percentage of the total workforce (Hill & Stewart, 2000) emphasising the crucial importance of employing high performance management practices (HPMP) which create an environment within which the skills and capabilities could be optimised and contribute to firm performance (Golhar & Deshpande, 1997; Hornsby & Kuratko, 2003). Further to the latter, the focus of this paper is on the less examined position of SMEs in a

developing country, Pakistan, and the relationship between contextual factors (firm size, industry type, strategic planning, and the presence of a HR manager) and HPMP in Pakistani SMEs.

Prior studies have indicated that there is no uniform definition of SMEs in Pakistan (Dasanayaka, 2008; Mustafa & Khan, 2005; Rana, Khan, & Asad, 2007). The Small and Medium Enterprise Development Authority (SMEDA), SME Bank, Pakistan Bureau of Statistics (PBS) and State Bank of Pakistan (SBP) have defined SMEs in different ways. For example, SMEDA defines a SME based upon the number of employees and total number of productive assets. The SME bank uses only total number of assets as the criterion. PBS takes into consideration only the number of employees. Whereas, SBP's definition of a SME is based on the nature of the business, number of employees, amount of capital employed and net sales value per annum. In this study a SME is defined as: A

small business is defined as an organisation employing one hundred or fewer employees, whereas medium-sized businesses are defined as ranging from 101 to 250 employees (the maximum size of employees are used as 250, as most of the official organisations in Pakistan use this size of employees in their definition of SMEs). Twenty employees are used as the lowest extremity for size because five out of the six practices that the study focuses on are functional HRM practices and SMEs with a workforce with more than 20 employees are expected to have some kind of management structure (Wiesner, McDonald, & Banham, 2007).

Pakistan's economy, like that of many developing countries is a direct reflection of its SME sector (Khalique, Isa, & Nassir Shaari, 2011). According to Economic Census of Pakistan 2005 (this is the latest census in Pakistan), there are 3.2 million businesses in Pakistan. SMEs represent more than ninety percent of all private businesses and employ nearly 78 percent of the non-agriculture labour force in Pakistan (PBS, 2011). SMEs' contribution to Pakistan's Gross Domestic Product is more than thirty percent. Additionally, the sector represents 25 percent of exports of manufactured goods and thirty-five percent in manufacturing value added. Almost 53 percent of all SME activity is in retail trade, wholesale, restaurants and the hotel sector. Twenty percent of SME activity is in industrial establishments and 22 percent in service provision (PBS, 2011).

Recognising the significant contribution of SMEs to economic diversification, employment creation, income generation, and poverty alleviation, the Government of Pakistan (GoP) has been putting much effort and resources towards the promotion of the development of entrepreneurship and SMEs in general. For example, the GoP established a Small and Medium Enterprise Development Authority (SMEDA) in October 1998 with the aim of developing this sector. The GoP has also established a SME bank to finance this sector. Moreover, as per the directions of GoP, most commercial banks in the country have specialised departments for the SME sector (Bhutta, Arif, & Usman, 2008).

However, regardless their economic importance, SMEs in Pakistan suffer from a variety of shortcomings, which have confined their ability to adjust to the economic liberalisation measures introduced by the GoP and their capacity to take full advantage of the rapidly growing world markets. These shortcomings include for example a focus on low value-added products, absence of an effective business information infrastructure, an energy crisis, lack of strategic planning, low levels of financial literacy, unskilled human resources and non-aggressive lending strategies by banks (Bari, Cheema, & Ehsan-ul-Haque, 2005; Khawaja, 2006; Mustafa & Khan, 2005; Rohra & Panhwar, 2009; SBP, 2010).

The high performance management practices (HPMP) central to this study, include recruitment and selection, training and development, performance appraisal, remuneration and employee consultation. What makes a study on HPMP in Pakistan important? Pakistani SMEs are facing a big challenge in managing their human resources (SMEDA, 2007). For example, the higher education institutions and the technical training infrastructure are the only two educational providers, both of which are not familiar with the unique requirements of SMEs nor are they equipped to deal with the challenges associated with SMEs. In addition, the limited financial resources of SMEs significantly limit their human resource development (Bari et al., 2005).

Moreover, the Human Resource Management (HRM) systems employed in Pakistani firms is in a developing phase (Yasmin, 2008). Many businesses have renamed their personnel and administration departments to Human Resource (HR) departments, while in reality they still tend to practise reactive HRM approaches (Yasmin, 2008). Khilji (2001), argues that HRM practices are not applied in a systematic and integrated way in Pakistani firms. As a result, low motivation, lack of commitment and high turnover in employees are common problems within these organisations. Hence, there are very few businesses that have followed a systematic approach to HRM. In a recent study, Memon et al. (2010) argue that the lack of a formal HR policy and HR department have resulted in informal recruitment, selection, training and compensation practices. Due to these SMEs are facing difficulty in entering and competing in the international market (Akhtar, Raees, & Salaria, 2011). In another regional study, HafizUllah (2011) mentioned that the failure rate of SMEs in Pakistan is 90-95% in the initial stages. They identified a lack of training and education (before initiating a business), entrepreneurial skills, and characteristics as causes of failure of Pakistani SMEs. With the expansion of the economy and foreign direct investment, there are however, signs that businesses are adopting a new perspective to their HRM systems. For example several private sector organisations tend to encourage employee involvement in decision making and team work (Yasmin, 2008, p. 56).

Only a few studies (Khilji, 2001, 2004; Yasmin, 2008) have briefly highlighted the HRM scenario in Pakistan. However, these studies have been conducted in the context of large organisations and ignored an important sector – the SME sector. Keeping in mind the importance of SMEs to the economic development of Pakistan (Khalique et al., 2011; PBS, 2011; SBP, 2011; SMEDA, 2007) and their unique characteristics (Heneman & Tansky, 2002), efforts are needed to identify the broad nature of the patterns and developments in human resource management and more particularly the relationship

between contextual factors and the adoption of HPMP in Pakistani SMEs.

Literature Review:

High Performance Management Practices:

Research in the past has primarily focused on the relationship between 'individual' human resource (HR) practices and firm performance, while recent research studies are based on 'bundles', 'systems' or 'configurations' of HR practices and their impact upon performance outcomes (Jan De Kok & Hartog, 2006; Drummond & Stone, 2007). Such configurations of HR practices have been shown to lead to better firm performance (Delery & Doty, 1996). These bundles of HR practices are called high performance management practices (HPMP) in the current study. The recent literature has used the term in various ways, for example, high involvement (Bryson, Forth, & Kirby, 2005; Gollan, 2005; Guthrie, Spell, & Nyamori, 2002), high commitment (Whitener, 2001), high performance work systems (Beltrán-Martín, Roca-Puig, Escrig-Tena, & Bou-Llusar, 2008; Chow, 2005; Datta, Guthrie, & Wright, 2005; Jan De Kok & Hartog, 2006; Drummond & Stone, 2007; Hartog & Verburg, 2004; Murphy, Dipietro, & Murrmann, 2007; Takeuchi, 2009; Tsai, 2006; Way, 2002), high performance work practices (Bae, Chuma, Kato, Kim, & Ohashi, 2011; Connolly & McGing, 2007; Huselid, 1995; Zhang & Li, 2009) and high performance management practices (Wiesner et al., 2007). Although various terms are employed and they are used interchangeably, they all refer to the same philosophy (Evans & Davis, 2005; Pfeffer, 1998; Wiesner et al., 2007).

Ichniowski et al. (1993) are among the first authors to assert that 'bundles' of specific HRM practices have a greater impact on organisational performance than isolated involvements (Huselid, 1995). HPMP therefore constitutes complementary bundles of HRM practices (Marchal & Kegels, 2008). This begs the question: how is HPMP defined and what specific practices constitute HPMP or how is HPMP measured in research studies? These issues are explored by Raziq (2012) with the following working definition for HPMP.

HPMP is a set of human resource management practices (Recruitment, Selection, Training, Remuneration, and Performance Appraisal) and managerial practices that enhance employee involvement and participation, which positively impact upon HR outcomes and organisational performance and/or competitive advantage.

HPMP within the SME Context:

Research on HPMP has focused primarily on large organisations (Barrett & Mayson, 2007, p. 309; Wiesner et al., 2007; Wilkinson, 1999). For instance,

in the US, Huselid (1995) studied the relationship among HPMP and turn-over, productivity and firm financial performance. He used 13 high performance management practices related to personnel selection, performance appraisal, incentive compensation, job design, grievance procedures, information sharing, attitude assessment and labour management participation. In the United Kingdom, Wood and Menezes (1998) performed an analysis of HPMP, including different facets of quality management, for example team work and quality circles. Furthermore, in a study of Fortune 1000 large companies, Lawler, Mohrman and Ledford (1995) analysed employee involvement and TQM. Their model was intended to improve employees' skills and knowledge, hence having an impact on motivation of employees.

The recent research on HPMPs include Way's (2002) study in the US that researched 446 small firms and concluded that HPMP is associated with lower turnover and higher perceived productivity. In addition, the study proposed that HPMP may enhance the ability of small firms to select, develop, retain and motivate a work force that produces superior employee output which may be a key to success and a source of sustainable competitive advantage. Moreover, in a study of high performance and human resource characteristics of successful small manufacturing firms in United States, Rowden (2002) illustrated similar findings. His study found that HPMP such as training and development, compensation and benefit packages and selective staffing were the most familiar HPMP among these companies. However, in a comparative study of large and small manufacturing firms in US, Desphande and Golhar (1994) found that small firms do not use formal recruitment and selection practices.

In Australia one of the few national studies on HPMP in Australian SMEs, examined the HR practices in 1435 SMEs (Wiesner et al., 2007). They found that the overall image concerning the prevalence of HPMP in SMEs is relatively bleak, with little use of employee participation practices in the context of low unionisation and a low prevalence of collective relations (Wiesner & McDonald, 2001, p. 48; Wiesner et al., 2007). Furthermore, in a comparative study of SMEs and large organisations in Australia, Bartram (2005) found that small organisations are less likely to use formal HRM practices than medium or large firms due to lack of resources, management training and formal strategic planning. In addition, Barrett and Mayson (2007) examined 600 small Australian firms and found that growth-oriented small firms tend to implement more HPMP in comparison to non-growing firms.

In the UK, small companies utilize an informal approach to employee relations with lack of strategic approach (Duberley & Walley, 1995; Marlow, 2000). Moreover, in another empirical study in the UK

revealed that the adoption of HPMP in SMEs is somewhat gradual and reactionary, rather than practical, holistic or logical (Cassell, Nadin, Gray, & Clegg, 2002). However, in a study of 560 companies in UK, Bacon et al. (1996) found a high degree of the application of HPMP in small businesses. Moreover, according to some research studies (Bacon et al., 1996; Marlow & Patton, 1993; Wilkinson, 1999) the small business context is in many ways the perfect place for the development of a HPMP approach. Firstly, the communication in small organisations is more direct and informal and employees have more flexibility to work. Secondly, small firms have the horizontal hierarchy and the contribution of each employee to organisation performance is more obvious. Finally, due to high insecurity, small firms are more responsive to changes in customer demands and markets (Bacon et al., 1996).

In China, examples of research concentrating particularly on HPMP in SMEs include the study by Zheng et al. (2009) in which they identified HPMP such as performance-based pay, training and development, performance evaluation, encouragement of employee participation in decision making and strategic recruitment and selection as the most regularly implemented work practices among growth-oriented SMEs.

In Netherlands, a comparative study of 700 Dutch firms by De Kok et al. (2003) found that smaller firms apply less formal HRM practices than that of large organisations. In addition, they found that smaller firms do not use formal recruitment and training practices. Their study further reported that most of the small firms do not have a HRM department.

Moreover, in Pakistan, a study of 650 manufacturing firms by Rana et al. (2007) found informal human resource practices in Pakistani SMEs. The study indicates a lack of formal appraisal system for their workforce and most of the human resource decisions are taken by their owners.

Relationship between Firm Size and HPMP:

Prior research (e.g. Jan De Kok & Uhlaner, 2001; Duberley & Walley, 1995; Kotey & Slade, 2005; Lawler et al., 1995; Marlow & Patton, 1993; Wager, 1998; Wiesner & McDonald, 2001; Wiesner et al., 2007) has found that firm size has a significant influence on the adoption of HPMP. For instance, a study of 1435 SMEs conducted in Australia shows that there is a positive relationship between organisational size and the implementation of HPMP (Wiesner et al., 2007). Moreover, Wiesner and McDonald (2001) found that medium sized firms have a significantly higher adoption rate of HPMP in comparison to small firms. The results of Marlow and Patton (1993) were similar, arguing that as the organisation's size increases, so does the adoption of HPMP. In addition, Kotey and Slade (2005) examined

formal HRM practices in small growing firms and noted that most of growth oriented SMEs have implemented formal HRM practices.

According to Koch and McGrath (1996), firm size is positively related with the incidence of HRM planning and formal training. Similarly, De Kok and Uhlaner (2001) identified that employees are less likely to get formal training in small firms. In a study by Wager (1998), smaller companies (less than 100 employees) are found to have less formalised performance appraisal systems and lack of a HRM department. Moreover, Barber et al. (1999) argue that firm size is a key determinant of an effective recruitment process. Their study found that larger firms use more formal, bureaucratic and resource intensive hiring practices in comparison to small firms.

In a study of three different countries Chow (2005) argues that large organisations have more resources, and thus can implement HPMP to a much larger extent. However, in contrast to previous research studies, Urbano and Yordanova (2008) did not find support for the relationship between firm size and adoption of HPMP. Similarly, Golhar and Deshpande (1997) indicated no difference in the use of recruitment and selection practices by small and larger sized manufacturing firms. The impact of size on HPMP is an unexplored area of research in the Pakistani context.

In view of the discussion above, the following hypothesis was developed

H₁: Firm size is positively associated with the prevalence of HPMP.

Methodology:

Sample:

To examine the relationship between contextual factors and HPMP in Pakistani SMEs, a large scale questionnaire survey was conducted in the industrial city of Karachi, Pakistan. This city was selected due to its economic importance and industrial development (KCCI, 2010). Karachi is the capital of Sindh province, and the largest city located in the south of Pakistan. Karachi is the commercial and financial capital of Pakistan. It contributes 25 percent to national GDP. It also shares 65 percent in national revenue such as federal and provincial taxes, customs and surcharges (CDGK, 2011).

The sampling frame was based on the following data bases: Karangi Association of Trade and Commerce (KATI) Karachi; Karachi Chamber of Commerce and Industry (KCCI) and Jamal's Yellow pages, Pakistan. However, the three databases were not specifically designed for SMEs. Nevertheless, these data bases were deemed to be the most reliable and updated databases in Karachi, Pakistan. A random sample of 703 firms was selected. The population was stratified by industry sector (manufacturing and services). These two sectors were selected based on their

economic importance (Economic Survey, 2010-11) and their likelihood to have some management structure.

Data Collection:

It was not possible to collect data in the 'normal' postal survey method and the researcher had to utilise a team of 10 individuals to collect data from the selected sample owing to the following reasons: (1) security was an issue, (2) data collection commenced shortly after a major flood occurred in Pakistan, (3) SME managers who represented the target sample may not have a good command of the written English language, and (4) education levels of SME managers are low. The data collection team consisted of postgraduate research students at University of Karachi. The researcher is a senior university lecturer and was able to identify suitable individuals. The researcher provided a 2-day training course to the data collection team on the content of the survey itself and collection of the data through filling out the questionnaires by face-to-face collaboration with survey respondents. The team was continuously monitored by the researcher. To seek participation from the selected organisations, the research team contacted the organisations first by telephone and through their personal interaction with the management of trade associations. The selected organisations were first asked about the size of their workforce and the number of employees they employ since the databases were not designed specifically for SMEs (as mentioned above). If the selected organisation fulfilled the requirements of the definition of a SME (20-250 employees), the SME manager was invited to participate in this survey. In cases where a particular organisation declined the invitation, it was replaced by contacting another organisation in the same industry as per the sampling frame.

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 organisations personally, and only a few respondents (from services sector) agreed to fill questionnaire by email (five firms). In each case, the procedure was explained to the respondents about how to fill the questionnaire out and they were assured that their responses would be treated as strictly confidential. The questionnaires were filled out by either the owner or human resource manager in each firm. In the end, 357 questionnaires were collected. Of the 357 responses collected from SMEs, 243 were from the manufacturing sector and 114 responses from the service sector. A total of 227 responses were collected from small firms (145 from manufacturing and 82 from service sector) and 130

responses from medium sized firms (98 from manufacturing and 32 from service sector).

Measures:

HPMP Questionnaire: The survey instrument was adapted from Wiesner et al. (2007) and was applied in the Pakistani context of this study. In addition, the language of survey questionnaire was English as this language is commonly used in most of the Pakistani organisations. This survey questionnaire was originally developed and validated by Wiesner et al. (2007) for the study of 'high performance management practices' in Australian SMEs during 2007. The survey instrument comprised HPMP such as recruitment; selection; training and development; performance appraisal; and employee involvement in decision making.

The content validity and reliability of the updated questionnaire were also addressed. The *content validity* of the revised questionnaire was determined by interviewing and presenting the questionnaire to 10 SME owner-managers in different SMEs within Karachi, Pakistan. In addition, five managers from SMEDA (Small and Medium Enterprise Development Authority Pakistan) were invited to comment on the questionnaire. The purpose of these interviews was to determine which aspects of 'HPMP' in the questionnaire are of practical importance to the Pakistani context and suitable to Pakistani SMEs. This was followed by a pilot survey conducted in 20 different SMEs in Karachi, Pakistan. On the basis of the interview feedback and results from the pilot survey, the survey instrument was revised and presented to the selected sample. A *reliability analysis* indicated a Cronbach Alpha Coefficients of between 0.62 and 0.80 for each section.

Results:

An independent sample t-test was conducted to compare the adoption of HPMP in each subgroup of firm size (small and medium), in SMEs. The results shown in the Table1 below provide the Mean (M), Standard Deviation (S.D), t statistics, and its significance. The hypothesis, H_1 : *Firm size is positively associated with the prevalence of HPMP*, has been developed to test this relationship. The results are presented in Table1.

It is clear from Table1 that there is no significant difference between small and medium firms regarding the use of *recruitment and selection practices*. However, *training and development*, organisational development practices are employed significantly more in medium size firms than small firms ($p < .05$). The results also showed that small and medium firms differ regarding their use of performance appraisal practices. Moreover, *compensation practices*, are used to a significantly greater extent in medium firms than

small firms ($p < .01$). Finally, there is no significant difference between the extent to which small and medium firms consult their employees.

Based upon the above results, the hypothesis H_1 : *Firm size is positively associated with the prevalence of HPMP*, is partially supported.

Table 1: Relationship between Firm Size and HPMP

HPMP Component	Firm Size				Independent sample t- test	
	Small N = 227		Medium N = 130		t	Sig.
	Mean	S.D**	Mean	S. D**		
Recruitment	1.3921	.17394	1.4136	.18956	1.182	0.238
Selection	1.3683	.22328	1.3889	.21649	0.948	0.344
Training & Development	1.3437	.26057	1.4604	.35849	3.059	0.003*
Performance Appraisal	1.4452	.23742	1.4962	.27272	1.98	0.041*
Compensation	1.6286	.21610	1.6755	.24673	2.077	0.032*
Consultation	3.2556	.51854	3.1788	.55279	1.460	0.145

* $p < .05$, ** S.D = Standard Deviation

Discussion:

This paper examines the extent to which firm size (small and medium) differentiate the prevalence of HPMP in SMEs. A mixed picture emerged regarding the overall picture of the relationship between firm size and HPMP. The literature is also quite mixed on this topic area. Some researchers such as (Barber et al., 1999; Wager, 1998; Wiesner et al., 2007) found that firms size has a significant positive impact on HPMP overall. However, Urbano and Yordanova (2008) found no significant effect of firm size on the adoption of HR practices included in the current study.

The findings in this study showed no significant differences between small and medium firms in their adoption of three HPMP components including: *recruitment, selection and consultation practices*. Within the context of these studies, these practices, especially practices of a formal nature, were adopted to a minor extent in both small and medium-size firms. Golhar and Deshpande’s (1997) work is supportive of this finding regarding a non-significant impact of firm size on recruitment practices.

Similarly, the *selection practices* showed no differences with regard to firm size. Such practices were used to a minor extent in both small and medium firms despite acknowledged ability to enhance the general validity and acceptability of selection decisions (Heraty & Morley, 1998). Jameson has found that employing more formal sophisticated methods may enhance SMEs’ ability to improve the appropriateness of appointments as a means to lower employee turnover (Jameson, 2000). These more

sophisticated selection practices are relatively more costly and time consuming to implement in small firms than in larger firms (McEvoy, 1984; Reid & Harris, 2002) especially as SMEs often may not have managerial resources and expertise in the area of selection and other HRM activities (Chandler & McEvoy, 2000; Hornsby & Kuratko, 2003; Klaas, McClendon, & Gainey, 2000; McLarty, 1999). Furthermore, these practices are normally sourced external to the SME owing to the mentioned lack of expertise within the SME.

However, few HPMP components did show significant relationships with firm size. For instance, the *training and development* and *performance appraisal practices* featured significantly more in medium firms as opposed to small firms. These findings are consistent with other studies including (e.g. Jan De Kok & Uhlaner, 2001; Kotey & Slade, 2005; Marlow & Patton, 1993; Wiesner & McDonald, 2001; Wiesner et al., 2007).

Even though no significant differences were found between small and medium firms, regarding the *consultation* on both strategic and operational issues, one would expect that the consultative methods are far less formal and relatively unstructured in smaller organisations since this has been indicated in studies by Wright (1995, p. 217), Duberley and Walley (1995), Bacon et al. (1996) and Morehead et al. (1997).

Conclusion:

There is less significant impact of firm size on the adoption of HPMP. There were no significant differences between small and medium-size firms regarding the use of recruitment and selection and consultation practices. However, training and development practices, performance appraisal and compensation practices were adopted in greater extent by medium size firms compare to small firms.

Like any other research, this study is not without its limitations. First, the data has been obtained from a single person in the form of owners/managers who rated their HPMP in their organisations (Gerhart, Wright, McMahan, & Snell, 2000). However, collecting data from owners/managers, managing directors or the chief executive officer (CEO) as the self-reporting person is a common approach since CEOs are well informed about all strategic and operational activities within the organisation (Frost, Birkinshaw, & Ensign, 2002) Within the SME context it is specifically appropriate since the SMEs owner / manager is the key person who run most of the affairs of business and take most of the strategic decisions (Rana et al., 2007). Nevertheless , in order to enhance the internal validity of the research, an extension of this study to collect data from employees within the organisations may be beneficial (Shih, Chiang, & Hsu, 2006).

This study has been conducted in the Pakistani context and the data for this research study was collected from SMEs in service-based and manufacturing firms in a single city (Karachi) within Pakistan. Thus, caution should be applied for interpreting the generalisability of results. However, Karachi is the biggest industrial city of Pakistan. It contributes 25 percent to national GDP. It also shares 65 percent in national revenue such as federal and provincial taxes, customs and surcharges (CDGK, 2011). Furthermore, the data was collected from 13 major industries (within the two major categories of manufacturing and services). Future research including other parts of Pakistan (rural and urban) would add significantly to the generalisability of the results within Pakistan. In addition, the transferability of the findings of the current study may not be transferable and applicable in other cultural contexts. However, since there has been such limited information of HPMP in Pakistan and other countries, the current study represents an important contribution.

This research study was conducted within a cultural context which is under researched, underdeveloped and also quite different to other Western cultures and nations. In order to enhance the external validity of this study, the results of this study could be compared to similar studies in other cultures and countries (Shih et al., 2006).

The survey in this study was conducted at a single point in time. In view of the significant difficulties experienced in Pakistan during the conduct of this study, there is the risk of potential distortion of the responses because respondents may have viewed their world and reality only in the light of whatever seemed important to them at that specific time. This limitation could be overcome by conducting longitudinal studies in the future (Barnes, 2002).

Finally, because this study focuses on exploring high performance management practices (HPMP) in small and medium-size (SMEs) firms with 20-250 employees, firms with employee sizes below 20 and above 250 fall outside the scope of this study. Thus, the results and implications of the findings are restricted to SMEs within this size range only. Regardless this limitation, the study is still important since the SME sector is dominant in the Pakistani economy and out of 3.2 million businesses, the share of SMEs is 90 percent (PBS, 2011).

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