Research Note

Doing Business in Pakistan: Management Challenges

AMAN ULLAH

Corresponding author: aman.ullah@laureate.edu.au

Stott's College

Acknowledge Education

168 Exhibition Street

VIC 3000, Australia

SAQIB REHMAN

FBusiness School

The University of Veterinary and Animal Sciences

Lahore, Pakistan

About the authors

Aman Ullah has completed his Ph.D. in Human Resource Management (HRM) from Deakin University, Australia. Currently, he is a lecturer at Acknowledge Education, a higher education institution in Melbourne Australia. In addition to his full-time lecturing job, he is also teaching several management courses to students at both undergraduate and postgraduate levels in several state universities across Australia. His research interest includes cross-cultural management, HRM in small regional businesses and employee retention in dairy farming.

Saqib Rehman is a professional in human resources (HR) along with specialization in IT. He has a vast experience of handling HR and IT related issues at both public and private sectors. He is currently a sessional lecturer in leading public-sector universities of Pakistan and a Ph.D. candidate in Human Resource Management as well. His research focuses are Human Resource Management (HRM) and Role of Social Networks in HRM.

Abstract

As a review of the current political and economic situation in Pakistan, this paper aims to discuss the contextual issues which have affected the human resources management (HRM) practices of Pakistani organizations. Firstly, it outlines some historical backgrounds that have influenced management practices in Pakistan. Secondly, it analyzes the current turbulent political and economic conditions within the country. Thirdly, it discusses specific cultural and social values, in which the management practices in Pakistan are likely to be embedded. Moreover, this study discovers the implication of these contextual factors to HRM among Pakistani organizations. It concludes that Pakistani organizations can only be managed effectively to some extent through the crossbreed management style due to the uncertain domestic environment, as has been exhibited in other developing countries in the context of global business and foreign investment.

Keywords: Human Resource Management (HRM); Contextual factors; Pakistani businesses; Cultural values

Introduction

The main purpose of this paper is to provide an understanding of dynamic contexts that may have influenced the effectiveness of international business management, especially those foreign companies intending to invest and conduct businesses in and via Pakistan. Khan and Amine (2004) argue that Pakistan should be given a 'second look' as a target for foreign direct investment (FDI) because of two important reasons: (1) its huge domestic-market opportunities with a population of more than 204 million (Central Intelligence Agency, 2017); 2) its strategic significance as an export platform and pathways into the greater southwest Asian markets. Despite the turbulent political environment after 9/11 event and the persistent threat of war with India over the disputed territory of Kashmir, the Pakistani government has made consistent efforts to integrate its country into the global business community through the introduction of a series of liberal economic policies. However, the challenges remain in Pakistan when doing business in the contexts of rich cultural heritages, different business values and work ethics, a diverse ethnic population with varying skill sets (Tsui and Tollefson, 2017). Therefore, it is the aim of this paper to address these contexts.

This paper is organized as follows. Section 2 provides an outline of the historical and cultural backgrounds that have a significant impact on knitting the political, social and economic fabrics in Pakistan. Section 3 presents an overview of the current political and economic conditions, with a focus on the successive government changes and their impact on the economic policy design and implementation. Section 4 analyzes the contextual factors at both macro and micro levels, which include macroeconomic indicators, labor market conditions and workplace-related factors. Intertwined with these analyses, the implications of the management challenges for doing international business in Pakistan are discussed.

Historical and Cultural Backgrounds

As a nation, Pakistan is a relatively new country. It was formerly part of the sovereign nation created in 1947 after the British withdrawal from its colony. The nation had two wings at that time – East and West Pakistan. In 1971, East Pakistan became Bangladesh; while the western part emerged as the present-day Pakistan (Central Intelligence Agency, 2017). Nevertheless, Pakistani belongs to one of the most ancient civilizations of the world; their footprints can be found in the Indus Valley dating back to about 6,000 years ago. From time to time, the land of Pakistan was conquered by various ethnic groups such as Cyrus, Persia and Rome, and occupied by inter-migrated Afghans, Arabs, Aryans and Mughuls – a mixed race by Afghans and Mongol since 1000AD. As stated by Khan and Amine (2004, p.496), Pakistan has been characterized as a complex cultural and ethnic ‘melting pot’ for some of the most significant civilizations in the recorded history of human beings. Through the flux rules of the various dominions, empires and races, Pakistanis have developed a deeply-embedded sense of cultural identity, which explains the ways Pakistanis relate to one another, their social classes are defined, and political party affiliations are determined. It is critical to understand the mixture of these cultural identities in Pakistan when conducting business and developing management strategies (Sahi and Rasheed, 2017). We will come back to address the impact of cultures on the formation of business values and work ethics in the later section.

Besides the influence of the ancient civilizations, Pakistan was ruled by the British Empire for 100 years (1848-1947AD). The colonization instilled new mentality which was not there prior to the British domination. For example, the British ruling body created the elite classes, and feudal and civil servants. The elite symbolized money, power and status and did not respond to the needs of ordinary people. The result of this was the widened gap between the elites and the general public (Khilji, 2003). After the independence of the country, the educated elites might have been displaced by the educated middle class to some extent. However, the attitudes toward workplace relationship amplified the master-servant relationship instilled by the British colony and the division of social classes has not changed much up till today.

Politically, it is argued that British left the subcontinent with ‘partition’ (Khan and Amine, 2004), which created a bitter rivalry between Pakistan and India, leading to three wars since the independence of Pakistan. The wars resulted in millions of deaths from two sides, and immense human suffering. Furthermore, the partition produced two fundamentally different economic cultures in Pakistan – the indigenous people and migrants. Ethnic groups, such as Punjabi, Sindhi, Pathan and Baloch, were landowners, subscribing to the agrarian culture; while migrants from India to Pakistan, known as ‘Muhajirs’, were mainly merchants, industrialists and professionals, favoring the urban cultures. These two fundamental cultures, along with the multi-racial communities have intermingled for years, creating especially complex and multifaceted political and economic institutions in Pakistan (Khan and Amine, 2004).

Although many ethnic groups brought their own religious and cultural traditions into the land of Pakistan, Arab conquests from the 7th century had effectively spread the Islam throughout the region. Currently, 96.4 percent of Pakistani claimed to be Muslim (Central Intelligence Agency, 2017). However, the pure assumption

that the Islam religion has influenced Pakistani people and its organizations could be naive. As, by Ahmad (1996) and Malik (1996), Islam constitutes only limited influence on the Pakistani culture, and the core values of Islam extend in the civil society only to a limited degree. There is a clear separation between state and religion in Pakistan. Nowadays, there is the Federal Islamic Court (Shari'a), but its role is to offer mere advisory, and does not have real powers of enforcement. Shari'a law was introduced to only the North-West Frontier Province in recent times. The other three provinces (Punjab, Sindh and Baluchistan) have neither implemented nor enforced Shari' a law (Khan and Amine 2004). In fact, the Pakistani culture has been formed with an amalgam of Islamic ideology, Indian origin, British inheritance and American influence. If there is any impact of Islam on organizational practices, this is likely to be overshadowed by the multifaceted influences from the old and new (Davidson, 2013).

The people of Pakistan have been living under the Indian influence long before the British rule because of the geographic proximity between the two countries. Both of the countries were under the British colony in the past. Consequently, a large number of Pakistani customs and traditions are similar to that in the Indian culture, even though the Islam laws have made certain changes as to eliminate the caste system prevalent in India (Talbani and Hasanali, 2000). In reality, Islam has not fundamentally altered certain aspects of Pakistani daily life, which closely resemble those characteristics exhibited in the Indian culture, such as family centered social set up, dependence and community life (Khilji 2003).

Furthermore, the American influence appears to have been more dominant in the Pakistani society since 1971. In particular, following the Russian invasion to Afghanistan, US took Pakistan as the strategic crossroads, pouring in foreign direct investment capitals in disguise to carry out political agenda to counter against the Soviet Union. Many Pakistani have found ways to either study in America or migrate there. The Ministry of Finance (2009) reported that one third of US\$ 6.4 billion remittance to Pakistan was sent from workers in USA in 2008. The exposure of Pakistani via study exchange and migration has brought many American ideas to Pakistani business schools and workplaces (Khilji, 2003). In recent years, the exposure to the borderless media and Disney/Hollywood world entertainment, as well as easy access to the internet particularly, plays a vital role in injecting and instilling the American thinking into the minds of younger Pakistani generation (Cohen, 2004).

It appears that the Pakistani society, as well as its business organizations, has been influenced interchangeably by several forces, which have created conflicts sometimes. The first force was generated from the Islam religion; the second came from the societal set-up affected by the Indian social system, and the third was from the West, together by the British colonization in the past and the American influence in the recent years. The first two forces, religion and Indian origin have more deeply rooted in the emotional experience of childhood education, and permeated in the subconscious minds of Pakistani when they acquire knowledge via education or work practices at the later stages of their lives (Isaacs, 2015). These influences have been largely reflected in the attitudes and behaviors of the young and old workforce of Pakistani organizations. However, the degree of such impacts tends to be varied among the young and the old, and in public and private organizations (Khilji 2004). These points will be further elaborated in the later section.

Political and Economic Contexts

The Pakistan political history has been symbolized by the tug of war among various ruling elites, namely military, bureaucratic and feudal politicians. There are many political parties. Khan and Amine (2004) reported 95 political parties registered in Pakistan by the end of 2002. Among them, two are the most potent: the Muslim League and the Pakistan People Party. Most political parties have no grand policy agenda but only personal or parochial interests, attempting to monopolize power but fail to deliver promises. These parties are corrupt. Therefore, the political uncertainty causes disillusionment and lack of trust among people, and has led to the economic uncertainty. In the past two decades, an uncertain political and institutional environment has deterred the stable economic development even though all parties have 'exhibited tendencies generally in favor of free market' economic policies (Khan and Amine 2004, p.501).

The 'political business cycle' (PBC) is a vivid concept used to illustrate the fluctuations of the economy due to the attempt of the government to manipulate the economy before each election for the sole purpose to gain the political power (Akram and Azid 2006, p. 913). Although the study carried out by Akram and Azid (2006) discredited the idea of politically motivated intervention in the economic policies in the case of Pakistan during the period of 1947-2005, the authors readily conclude that as Pakistan has never experienced 'a politically stable scene in its life', it is highly likely that economic policies might have been used as attractive tools, together with other non-identifiable techniques adopted by the militant parties, technocrats and feudal politicians to regain their office. It is anticipated that the interplay of politics and economics or 'PBC' will continue in Pakistan despite the government's endeavor to design and implement liberal economic policies and its openness to both private and public investment (Rose-Ackerman and Palifka, 2016).

Economic policies in Pakistan are generally aimed at making the maximum use of the market mechanisms. The liberal economic policies have indeed pushed the growth quickly, in particular immediately after the independence. Notwithstanding, the growth of the free market economy during the 1950s and 1960s was very much exemplified as the 'elitist growth' model (see Khan and Amine 2004), whereby the economic and political power was controlled by a small group of social elites, largely inherited from the British rule.

Impressive economic growth, in fact, worsened social inequalities and led to public dissatisfaction and unrest throughout the 1960s and 1970s. By the time Zulfikar Ali Bhutto took power, people were amicable in favor of developing social policies whereby large parcels of land were divided and distributed to laborers. The enforcement of minimum wages greatly enhanced the workers' rights, and the collective bargaining with organized unions led the process in place (Khan and Amine 2004). However, this type of 'nationalization' approach actually created an economic setback. A sound industrial base built during the 1960s has gone into a slump. Private investment subsequently dropped dramatically during the 1971-1977 period, despite the wider public support for the social policies (Andrabi, Das, and Khwaja, 2017).

In the 1980s, a more liberal foreign investment policy was re-introduced and implemented by the government, aiming to reinforce the mixture approach of promoting both private and public investment. A degree of

privatization – the so-called denationalization of the public sector enterprises took place at the time. Private enterprises consequently flourished with the establishment of many new ones (Khan and Amine 2004). The government also provided assistance via micro-finance, the Khushali Bank, making small amounts of capital available to the most vulnerable individuals and community groups. The purpose of providing micro-loans was to promote social welfare and to create a lower middle class in Pakistan in a relatively fast way via social development programs. The results were impressive by the extremely high recovery rates in economy and many Pakistanis were lifted from poverty.

Throughout the 1990s, foreign firms, such as multinational companies that had long been operating with a low profile, started reinvesting in the market. They were allowed to buy shares from the Pakistani enterprises. Foreign banks could underwrite securities. There was a greater degree of expansion of services or diversification of products, with foreign direct investment (FDI) rapidly injected into technology, transport, telecommunication, banking and insurance sectors (Khilji 2002; Khan and Amine 2004). Under such climate, the government also took the initiative to foster a business-driven culture, and to encourage the use of professional and modern business management practices. This created a healthy, profitable and competitive business environment, making the private sector more progressive than the public sector (Khilji, 2004).

Not long after, however, political instability reoccurred with the dismissal of the five democratically-elected governments due to corruption charges. The economic policies in one regime were discontinued by the successive government. This has significantly shattered the confidence of the private and foreign investors in the country. During the period of 1996 to 1999, for example, the investment figures were recorded to drop from US\$ 880 million to US\$ 472 million (Khilji 2002). The political instability created domestic uncertainty, restricted further private and foreign direct investment, and hampered the economic development in the country.

The hit by the 9/11 event in 2001 forced the Pakistani military regime to reconsider major economic reforms within the country. However, the result was not very admirable. On one hand, this happening created opportunities for Pakistan to attract foreign investors again from the USA due to its geo-strategic status in fighting against terrorism. On the other hand, the military government took advantage of the event to garner their personal power instead of promoting public interests. Hence the strength and extent of foreign investment has regrettably decreased again (Hubbard, 2017).

Since 2008, the present civilian government has not taken any new effective measures but continued the economic and foreign policies advocated by the previous military regime. The difference is that the economic situation is worse than before, largely due to the recent financial crisis and security issues. The current political and economic uncertainty have many implications for foreign companies, which intend to do business in Pakistan. Frequent changes of the political government as well as the military interference have resulted in incontinuity and instability in economic and political regulations. Such inconsistent policies are purposeless and without comprehensive planning. Hence, both foreign and local organizations have found it very difficult and risky to develop their long-term business plans. The political and economic uncertainty has subsequently blocked the flow of foreign direct investment, impeded the overall human capital development, and led to poor economic growth in terms of slow sector development, low GDP and per capita income

(Mohiuddin, Asumadu-Sarkodie, and Obaidullah, 2016).

Contextual factors

In the latter part of this study, the author intends to analyze both the macro and micro contextual factors that affect the firm level of management practices and business operation in Pakistan. The current political and economic environment is anticipated to generate dynamic contextual factors that may influence the effectiveness of management practices especially for those foreign firms intending to do business in Pakistan. These contextual factors at the macro level cover macroeconomic indicators, labor market conditions, quality and quantity of human resources and labor law; while at the micro level, workforce characteristics, workplace relations, organizational culture, values and work ethics are included.

Macro-level Analysis

Pakistan has now ranked as one of the lower-middle income countries. Its total GDP was about US \$986.3 billion with per capita income of US\$5100 in 2016 (Rehman, Jingdong, Kabir, and Hussain, 2017). Between 2004 and 2007, the GDP growth rate was in fact quite impressive, with the 4-5 percent range (Central Intelligence Agency, 2017). The result was primarily due to the gains in the industrial and service sectors, despite the severe electricity shortfalls. Poverty level has decreased considerably by 10 percent since 2001. However, inflation remains the top concern among the public. With the depreciation of the Pakistani rupee, the inflation rate is 2.9 percent in 2016, mostly caused by the rising world fuel and the commodity prices (Central Intelligence Agency, 2017). Because of the suffering from the two decades of internal power struggle, uncertain laws and orders, high inflation, the brain drain of highly-skilled intellectuals and the lack of general trust in the government's social and economic policies, Pakistan created an uncertain business environment.

Pakistan is the six most populous country of the world with a total population of around 204 million people estimated in 2017. Its annual population growth rate reached almost 1.43 percent (Central Intelligence Agency, 2017). There appears a massive pool of human resources, yet the brain drain tends to be the common phenomenon in Pakistan due to the instable domestic situation. Large Pakistani populations live and work in the Middle East, Britain, Australia, Canada and the United States (Khan and Amine 2004). The total labor force arrived at 62.54 million in 2016, with a higher participation rate (42.3 percent) in agriculture and service sectors (35.1 percent) but a lower rate in manufacturing and industry sector (only 22.6 percent). The unemployment rate is high at the moment, reaching from just 5 percent in 2007 to 6 percent in 2016 (Central Intelligence Agency, 2017). The literacy rate for the total population is 58 percent, with a higher rate (70 percent) for males and a lower rate for women (only 46 percent in 2015). Using the 2015 Human Development Index, Pakistan was ranked in the lowest quartile of human development among the 177 countries being surveyed (Ministry of Finance 2017).

Less investment in education further fettered the low level of human capital. In 2015-16, the government spent only 2.3 percent of its GDP on education, estimated to be even less in 2016-17 due to the financial constraint induced by the prolonged low tax policy and budgetary deficits (Ministry of Finance 2017). Low

skills of the local labor force suggest that additional training and development costs would pose direct challenges to multinational companies operating in Pakistan.

Gender imbalance in workforce participation, education and employment mobility is indeed noticeable. For example, the unemployment rate for female is 80 percent, and the Gender Parity Index (GPI), which measures the ratio of females' school enrolment to the males, reveals that in 2016-17, with every 100 men enrolled in school, only 64 women could be enrolled (Ministry of Finance 2017). Gender inequality is intensified at workplaces, whereby women have a minimum chance for career promotion and advancement (Mahar, 2006; Alam, 2009).

The labor law embodied in the Constitution (Article 11, 17, 25, 37) does not protect the rights of women. In fact, the labor legislation broadly prohibits the use of slaves, forced labors and child labors, supports the freedom of association and forming unions and the provision of a safe and healthy working environment (Labor Unity, 2009). However, although Article 25 does lay down the right to equality before the law and the prohibition of discrimination, the implementation of these laws is not ensured. For instance, companies and organizations are required by the law to assure disability employment and equal employment opportunities, provide medical benefits, pension and gratuity to their employees, but very few keep this promise (Saeed 1995). In reality, there appears no system to monitor the organizational practices vis-à-vis the law and legislation. Mahar (2006) found that a discriminatory organizational culture and the women's unwillingness to take up challenges were responsible for the dearth of women in the top tier of organizations. Besides, significant variations were found in the enforcement process of these laws both in the private and public sectors (Alam, 2009).

For those organizations whose employees are unionized, their fundamental rights have been protected by the unions. During the nationalization phase of 1971-1977, unions are very powerful to protect the rights of the employees. However, these unions were viewed to be closely associated with the resistance movement supported by the communism in China. They don't show any positive changes for the organizational growth (Khilji, 2002). Since the 1990s, the deregulation of the economy has set out to discipline the behavior of the unions. Hence, the role of the unions started dwindling and their influence in defining the workplace relationship has diminished gradually (Khilji, 2002).

Micro-level Analysis

At workplaces, the organizational culture is basically influenced by the national culture (Khilji, 2003). Earlier discussion leads to the conclusion that the unique Pakistan culture has received multifaceted influences from Islamic ideology, Indian connection and the infiltrated global business culture sourced mainly from the West, such as British, American and other multinational companies in Pakistan. Employees, young and old, are likely to be influenced by these inherited cultures (Khilji 2004). Undoubtedly, Pakistan has its distinctive culture and perceptions that may have undergone changes as the Pakistani organizations interact with the global business practices (Mahmood et al. 2008). Nonetheless, stereotyped characteristics of the national culture, as presented by Hofstede (1980; 1991), are still quite useful since they help divide the complex world into compartments for easy understanding. By explaining these cultural traits, the author aims to provide

the contextual embedding for understanding Pakistani workforce characteristics and their work values and ethics.

According to Hofstede (1980; 1991), Pakistanis have adhered to certain cultural traits with high collectivism, high uncertainty avoidance, high power distance and moderate expression of masculinity. These cultural traits were found typically exhibited in the majority of Pakistanis, but it is also suggested that these cultural traits should not be generalized because they might vary in different contexts. For example, the masculinity/femininity index, which measures the degree of the various qualities of the chosen population. The tougher qualities, such as being aggressive, ambitious and competitive, usually associated with men, while women exhibit feminine qualities, such as modesty and caring for others. Khilji (2004) tested the masculinity index, using samples collected with employees across Pakistani organizations. She discovered a much stronger, instead of a moderate expression of masculinity among Pakistani people. This is understandable, in particular given the consideration of ages and positions of the employees at their workplaces in the study. Pakistan has a higher degree of gender imbalance in the public service and the selection of the civic organizations in the study could have led to a sampling bias (Rehman and Roomi, 2012). Nonetheless, this is proved by the renowned social and gender inequity in Pakistan, and it would be unlikely to demonstrate a high level of feminine qualities through the survey. As further commented by Khilji (2004), there is an increased masculinity index due to the growing materialism and the limited career opportunities for women. Cultural norms have inhibited women's access to education in general, and higher education in particular. Gender differentiation of roles has been further intensified by encouraging women to marry early, to take care of children and to be in charge of domestic work instead of seeking employment (Islam, 2004).

Islam (2004) concurred that the Pakistani cultural traits appear to strictly adhere to collectivism, hierarchy and centralization in its administrative role. Due to high collectivism, there is clear distinction between in-group and out-group. Interestingly, the preference of in-group often results in more possibility of group turnover if one key employee leaves the organization. Such strong ties among the in-groups, in fact, have a significant effect on the organizational commitment, as expressed by Khilji (2003).

The most outstanding manifestation of Pakistani collectivism is the crucial role of family and kinship structures particularly in the rural areas. Kinship connections are vital in cementing and negotiating bureaucratic hurdles, and play an important part in social, political and administrative organizations. Family- and kinship-based social structures have given rise to the culture of *Sifarish* (Islam 2004). This Urdu word means 'connection' as in the well-known 'Guanxi' in Chinese. The difference is that *Sifarish* has also gradually become the standard means of getting private things done through public channels or functionaries. *Sifarish* is often used to pressure the decision-makers or politician to take inappropriate or illegal action against public interests. Ordinary public services, such as getting a passport, renewing a driver's license, clearing goods through customs, getting a telephone connection, admission to schools and universities and sometimes even making an airline reservation, must be procured through *Sifarish* although they should be offered to the citizens by rights in developed societies (Islam 2004). The practice of *Sifarish*, undoubtedly, provides considerable room for corruption and nepotism.

Sifarish inevitably creates hurdles for those foreign companies who want to carry out business practices

in Pakistan, such as starting a business, dealing with licenses, employing workers, registering property and getting credit. They are the very key and basic indicators for doing business, but can't be easily fulfilled without the help of Sifarish. It is believed that Sifarish will not easily be removed from the Pakistani society in the short run, regardless of the changes of Pakistani individual perceptions caused by globalization (Mahmood et al., 2008). Therefore, international business might be in more advantageous position when foreign companies could understand the laws regulating the operation of Sifarish and take the benefits out of Sifarish so as to avoid higher transaction costs (Cuervo-Cazurra, 2006). It is mindful that one may turn itself into unconscious participation in a similar form of corruption.

Distinctive cultural characteristics exhibited in individual employees and employers in Pakistani organizations have significant management implications because they affect work values and ethics. For instance, Khilji (2003) asserted that the high-power distance index associates with the negative management outcomes, such as excessively centralized decision making, broken communication, low employee autonomy, lack of employees' participation and innovation, unwillingness to share power or empower, low organizational commitment and high turnover. Such cultural traits may also affect the management practices in the areas of hiring, performance appraisal and reward determination (Mangi, Jhatial, Shah, and Ghumro, 2012). For example, in the high-power distance culture, promotion and rewards are likely to be based on employees' relationship with the top managerial personnel rather than on the actual performance of the employees (Khilji and Wang 2007). Subordinates would be more dependent on their superiors; individuals more aspire to get titles, rank, status, and position and power instead of making substantial contribution to the company and realizing personal and professional development. The tolerance for a high degree of power distance has led to a tradition of sycophancy throughout the Pakistani government and the administrative system (Islam, 2004); and this could most likely to be exhibited in an organizational setting.

In the complex multi-ethnic society of Pakistan, hegemony, in the political system, transcended several swings over decades, from the extreme authoritarian to the elected representative leadership (Mohammad and Conway, 2005). It is likely to impact on the organizational structure. With adherence to the cultural traits of high power distance and uncertainty avoidance, Pakistani organizational structure is hierarchal with the senior management making key decisions, even though the decision-making is very slow in the process. There exists a tendency of working out elaborative rules and procedures in place to exercise personal discretionary powers (Islam 2004).

Workplace relations tend to be stressful. With the diminishing role of unions and the lack of institutional accountability, workloads are often unevenly distributed, and managers tend to apply rules and regulation selectively. The results are not only corruption and nepotism but also organizational injustice and procedural unfairness (Khilji 2003). However, Pakistani employees are hardworking and used to working overtime or even on weekends. They appreciate and expect to be recognized or rewarded for their hard work and seldom complain about their superiors and the management style, because of their awareness of power distance.

In general, Pakistani organizations are marked by passive management manifested in the traditional elite culture, whereby decision-making is centralized, elites are privileged, workplaces are politicized and the employees generally don't own autonomy and trust (Khilji and Wang, 2007; Bashir and Khattak, 2008). On

the contrary, the pressure of competitiveness in marketing has, somehow, weakened the strong influence from the elite culture due to the deregulation of economy and globalization. The competitive business environment pushes the managers toward developing progressive management practices, such as the emergence of some novel management practices in the area of human resources reported by Khilji and Wang (2007). Due to the high demand for skilled workers, employee retention strategies have been widely adopted by the Pakistani organizations. In fact, multinational companies have acted as the change agents by diffusing innovative management practices throughout Pakistan (Khilji, 2002). Management education is another instrument to aspire and motivate Pakistani managers, especially younger generation, in changing their management philosophy and practice, albeit under the complex cultural and institutional contexts.

Conclusion

This study provides a comprehensive analysis on the historical, cultural, political, social and economic contexts of Pakistan. The conclusion is that there is much room for improvement in the management practice under the dynamic contexts of Pakistan. Due to the liberal economic policies, large consumer market and the better adaptation to the western values, Pakistan has emerged to be an attractive place for foreign investment and international business, especially within the less-explored southwest Asian region. However, as discussed in this article, the political and economic uncertainty has created a critical setback for its economic development. For organizations who aim to succeed in Pakistan under such uncertain environment, a proactive approach should be taken to manage the complex dynamics.

The proactive approach must be taken when dealing with the cultural values and the historical inheritance influencing the older generation of Pakistanis; yet, at the same time, the influences from the West, especially on the behaviors and attitude of the young employees, must be acknowledged (Khilji, 2004). In the short term, it is perceived to be challenging to change the beliefs of the seniors in the society and to interrupt effectively their traditional ways of practice management. The influence of 'Sifarish' will continue (Mangi, Jhatial, Shah, and Ghumro, 2012). Likely, new and progressive management practices adopted by the younger generation will collide with the core management practices of the seniors. Hence, it is essential to address the balance of the overlapping management philosophies and practices between the young and the old. The crossbreed management style is expected to be more effective for Pakistani organizations and those organizations operating in Pakistan at the current stage. International business managers would be continuously challenged by the paradox prevalent in the emerging and transitional economies and need to think in dual dimensions to create productive results in business settings.

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