Human capital and strategic persistence: An examination of underperforming workers in two emerging economies

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ABSTRACT

Despite the considerable research on strategic persistence, there remains a lack of understanding as to why companies persist with underperforming workers. Our study seeks to fill this gap in the literature by integrating the concepts of the paradox of success, external legitimacy, nepotism and the escalation of commitment perspectives to develop an integrated explanation for persistence with underperforming workers. Drawing on insights from two emerging economies in Africa: Ghana and Nigeria, we uncovered that persistence with underperforming workers stem from information hoarding, favouritism through tribalism and externally imposed constraints. Our study also articulates the underlying processes inherent in such persistence. The wider implications for theory and public policy are examined.

Keywords: Africa; underperforming employees; human capital; underperforming workers; talent.

Introduction

Over the past three decades, multiple streams of research have examined the productivity of workers and strategies to achieve better employee performance (Al Ariss, Cascio & Paauwe, 2014; Yi, Nataraajan & Gong, 2011). One stream of research has focused on human capital development and skills upgrading as effective mechanisms for ensuring efficient utilisation of employees (Barnes, Ponder & Hopkins, 2015; Hayek, Thomas, Novicevic & Montalvo, 2016; Mellahi & Collings, 2010). Today's highly competitive global environment has made competition for top talent a priority for many multinationals and small businesses in both developed and developing economies, thereby creating a hostile environment for underperformance (Amankwah-Amoah, Nyuur & Ifere, 2016; Collings & Mellahi, 2009). Many firms have utilised incentives such as higher salary and bonuses to attract and retain top talents as well as encourage superior job performance (Henagan & Bedeian, 2009).

At the same time, some firms persist with underperforming workers and even refrain from taking steps to weed out underperforming workers (Mmieh et al., 2011; Shein, 2011; Taylor, 1998). Although the labour market in many advanced economies such as the US and Canada are associated with a "pay-for-performance" culture to motivate employees to achieve optimum outcome (Bloom & Van Reenen, 2011), in many emerging economies "underperforming employees are typically left in post for several months or even years before any action is taken to address them" (Bloom & Van Reenen, 2011, p. 1705). Despite decades of research by international business and strategy scholars on emerging economies, the existing literature has remained relatively silent as to why firms and managers persist with underperforming employees even under threat of worsening performance. The largely unexplored nature of this issue in emerging market context is puzzling given that the existence of underperforming workers can undermine the contribution levels of fellow workers (Wagner-Tsukamoto, 2007). More importantly, star performers can become targets of underperformers, who can engage in acts to undermine their progress and success (see Henagan & Bedeian, 2009; Fiske, 2011). Our purpose in this study is to examine why firms persist with underperforming workers in emerging economies. We focus specifically on two emerging economies in Africa: Ghana and Nigeria, to shed light on the subject. The two countries are often regarded as the gateways to West Africa.

This paper makes three main contributions to strategic human resources, international business and strategy research. First, although past studies have examined skill formation (Mellahi & Collings, 2010), they have failed to offer any robust explanations as to why firms persist with underperforming employees. In this direction, we integrate the concept of the paradox of success (Audia et al., 2000), legitimacy literature (Baum & Oliver, 1991; Suchman, 1995) and "too much invested to quit" perspective (Teger, 1980) to develop a unified explanation for strategic persistence with underperforming workers.

Another contribution is that we integrate insights on the effects of institutional and social pressures on human resource practices (See Chiang & Birtch, 2010; Hayek et al., 2016; Thomas & Inkson, 2007) with firm-level factors to develop an integrated framework of factors to explain persistence with underperforming workers. In addition, although firms that operate in high relational contexts are affected by different institutional factors (Peng, 2014), to date, studies have not incorporated these into our understanding of underperformance. Exploring this issue would help to not only enrich our cross-cultural understanding, but shed light on the more intricate processes through which strategic persistence occurs. In so doing, we capture the various factors that help to explain persistence with underperforming workers.

The remainder of the paper is structured as follows. First, we present a review of the literature on the paradox of success, "too much invested to quit" perspective, nepotism and legitimacy. The research context and method are then examined. We then set out our findings on underperforming workers. The final section outlines the implications for managers and international business research.

Explanations for persistence with underperforming workers: a unified perspective

For analytical clarity, underperforming workers are employees who have consistently performed below targets or previously agreed benchmarks over a period of time in their organisation (Shein, 2011). The underperformance has often been documented through a series of reviews by his or her line manager (Shein, 2011; Taylor, 1998). Some of the characteristics of such employees include lack of up-to-date communication skills, and lack of knowledge and expertise to perform in the current role (Taylor, 1998). Underperforming workers have been referred to as underperforming human resources or incompetent workers (Shein, 2011; Taylor, 1998).

Four important streams of research are utilised to provide the foundation towards a better understanding of persistence with underperforming workers. First, we adopt the concept of the paradox of success (Audia et al., 2000; Miller, 1990) to develop a novel perspective on persistence with underperforming workers. The paradox of success is rooted in the "belief that a previously winning course of action will succeed in the future" (Audia et al., 2000, p. 850). A key tenet is that the workers develop what can be referred to as "idiosyncrasy credit" (Hollander, 1958) through their past performances, support and contributions to the past successes of the firm. Over time, this enables them to gain favourable or less severe consequences for persistent underperformance within the firm. The managers' confidence in employees' ability to replicate past successful performance leads to persistence with such workers. Another key premise of this line of research is that during their period of employment, underperforming workers build networks of relations and ties which enable them to form an emotional and psychological bond with the decision-maker. Over time, it becomes difficult to disentangle the links with their line managers in the wake of persistent underperformance (see Amason & Mooney, 2008). By cultivating personal and workplace ties with powerful political actors, such workers are able to influence or curtail the consequence of their actions when dealing with underperformance (Forstenlechner & Mellahi, 2011).

Related to this is the literature on nepotism/cronyism. Past studies have demonstrated that in many societies in emerging economies, nepotism and cronyism remain key features of employment relations, which ultimately influences managerial decisions and firm performances (Kamoche, 2000; Mekonan & Mamman, 2003; Ovadje & Ankomah, 2001). A body of research has suggested that hiring employees' relatives instead of more qualified and unrelated applicants is prevalent and often justified on the basis that it helps to strengthen employees' loyalty (Ovadje & Ankomah, 2001; Peng, 2014). Indeed, cronies have been shown to be "unreservedly loyal" and fully committed to the agenda of their sponsor (Ovadje & Ankomah, 2001). Studies have indicated that the existence of nepotism/cronyism can curtail organisational decision-makers' actions and therefore their ability to act in the wake of underperformance (Mamman, Baydoun & Adeoye, 2009; Ovadje & Ankomah, 2001). A growing body of research suggests family businesses tendency to recruit relatives often deprive them of the opportunity to hire top talents (Bertrand & Schoar, 2006). The close family ties then create barrier to weeding out underperforming relatives (Bertrand & Schoar, 2006).

Nevertheless, favouritism, tribalism, and racial and ethnic discrimination inherent in many developing countries have often provided a basis for leaders and managers to curtail their actions and persist with underperformance (Beugré, 2002; Beugré & Offodile, 2001). Another line of research suggests that informal and formal institutional factors such as local traditions, culture, law and norms would moderate or curtail the actions of managers when operating in emerging economies (see Beugré & Offodile, 2001; Peng, 2014). Accordingly, nepotism can lead to misallocation of the firm's limited resources and "unfair" decisions (Ovadje & Ankomah, 2001). Besides the benefits of forging strong ethnic ties in the workplace, tribalism and nepotism create conditions which make it difficult to "maintain principles of objectivity and meritocracy" (Ovadje & Ankomah, 2001, p. 184).

Another interesting line of research rooted in legitimacy literature (Baum & Oliver, 1991; Suchman, 1995) has uncovered that firms may persist with underperforming employees or even hire local workers at a premium as a mere attempt to gain legitimacy in the local market (Forstenlechner & Mellahi, 2011; Sidani & Al Ariss, 2014). Such hiring of local workers enables multinationals to appear "local" and in attuned with local traditions and culture. Forstenlechner and Mellahi (2011) uncovered that multinationals in sectors where the employment level of nationals is low, hiring or persisting with local workers equipped multinationals to be able to extract concessions from the national government. As Baum and Oliver (1991: 187) pointed out so eloquently, "External legitimacy elevates the organisation's status in the community, facilitates resource acquisition, and deflects questions about an organisation's rights and competence to provide specific products or services." Therefore, such external forces from the government can encourage firms to persist with the status quo.

Research has also shown that trade unions have also used their collective bargaining powers to extract a wage premium for their members as well as protect underperforming workers from being fired (Atanassov & Kim, 2009; see also The Economist, 2011). Such external organisations are able to exert pressures which restrict managers' ability to terminate employment of workers (Atanassov & Kim, 2009). Indeed, research has also demonstrated that poorly performing workers are less likely to be fired in an environment where there are strong union laws in tandem with weak investor protection (Atanassov & Kim, 2009; see also Shein, 2011). As Atanassov and Kim (2009, 342–343) put it, "Underperforming top managers in low investor protection countries are more likely to retain their jobs as union power increases."

The "escalation of commitment" (Brockner, 1992; Staw, 1981) and the "too much invested to quit" perspective (Schwenk & Tang, 1989; Teger, 1980) also offer a theoretical lens to view how and why firms persist with underperformance. This line of research argues that "cost of strategic change", i.e. firing underperforming workers, may simply be too high for some firms, forcing them to engage in strategic persistence (Amankwah-Amoah, 2014; Shein, 2011). This entails financial and non-financial costs such as training new employees, hiring costs, risks associated with new employees, risk of former employees filing lawsuits, compensation and redundancy pay as a result of strategic change (Shein, 2011). Related to the above is a stream of research which argued that persistence may stem from mere inefficiencies, poor information and poor communication flow within the focal firm (see Schwenk & Tang, 1989).

Another relevant stream of research is the pay-for-performance literature. Past studies have demonstrated that pay-for-performance is strongly associated with superior individual and organisational performances (see Sturman, Trevor, Boudreau & Gerhart, 2003). One line of research has suggested that highly productive employees are more likely to opt for pay-for-performance compensation, whereas, less productive workers often prefer fixed-salary compensation (Jensen, 2003). Accordingly, failure or inability to reward workers for their performance creates conditions, which discourage future performance leading to underperformance (see Wagner-Tsukamoto, 2007). Table 1 summaries the key features of the perspectives. Although firms persist with such workers, our understanding remains limited. Much of the existing literature has failed to offer a comprehensive explanation as to why companies persist with underperforming workers. Therefore, there is a need for a better understanding of underperforming workers.

Insert Table 1 about here

Research method and analysis

Research context

In this section, we provide brief background information on Ghana and Nigeria as context and in help positioning the findings. Since gaining independences in the last century, both countries have emerged as leading forces in West African economic and political development (Jackson, 2004; Serkin, 2015). They have a flourishing private sector, experiencing economic growth. More importantly, they have been recognised as amongst the most promising emerging markets of this century (Serkin, 2015). Over the past two decades, African countries have recorded an unprecedented and sustained economic growth of 4.5 percent annual average. Beegle et al. (2016) referred to these growths as "remarkably robust" especially when compared with the declining periods of the 1970s and 1980s when the continent was perceived as deeply entrenched in poverty and endemic in wars and famine (Beegle *et al.*, 2016). This performance is stimulated by the institutionalisation of democratic dispensations, liberalisations, and efforts at good governance which together have culminated to the current focus on the continent as "Africa rising" (Amankwah-Amoah et al., 2016; Beegle *et al.*, 2016). Both countries have been among the favourite destination of substantial FDI inflows into the sub-West African region over the years (Nyuur & Debrah, 2014).

Ghana and Nigeria gained independence in 1957 and 1960 respectively from the British government. Shortly after this, these two countries recorded good economic growth up until the late 1960s. However, spates of political upheavals in the form of coup d'état contributed to the dwindling economic fortunes of these countries in the 1970s and 1980s (Moja, 2000). Ghana's GDP has been hovering around 7% per annum since the early 2000s, only dipping to o 4% and 3.4% in 2014 and 2015 respectively, it is projected to recover and record a stronger growth rate of 8.2% in 2017 and 2018 (Beegle *et al.*, 2016). Nigeria is projected to maintain a 5.3 % GDP growth in 2017 and 2018 despite a dip to 3.3% GDP in 2015 (Beegle *et al.*, 2016). Ghana like other African countries is endowed with valuable minerals, such as gold and diamonds and its economy has been reliant on cocoa, gold, diamond and to some extent the recent discovery of oil in 2007 (Nyame & Grant, 2014). Nigeria on the other hand is the world's eighth largest oil producer and the economy has been reliant on its huge oil wealth which still account for over 95% of the country's foreign exchange earnings (Agbiboa, 2012).

Moreover, Nigeria has a population of 182 million people which positions it as the fifth most populated country in the world, and is projected to have 397 million people by 2050 as the third most populated country after India, China, and the USA (Population Reference Bureau, 2015). Ghana's population of 27.7 million people in 2015 also is projected to reach 37.7 million and 52.6 million people by 2030 and 2050 respectively (Population Reference Bureau, 2015). Majority of the current population in both countries are under 25 years old and are therefore projected to constitute the economic workforce in the next decade. These demographics in both countries present an attractive environment for businesses in terms of a good source of labour force and an effective market for consumers. In the 2015 World Banking ranking of 189 economies on the ease of doing business, Ghana and Nigeria occupied 114 and 169 positions respectively (World Bank, 2016).

One of the key parameters in the rankings is the flexibility of the countries' labour market regulatory frameworks relating to hiring, work scheduling and firing. These regulatory frameworks influence employers in decision making regarding dismissals, promotion, retraining, and reassigning employees (World Bank, 2016). The ranking of these two countries on this index suggests that there are some bottlenecks to smooth business operations and flexible labour regulatory framework in both countries particularly Nigeria and more efforts are required to enhance the situation. In 2015 Corruption Perceptions Index by Transparency international, Ghana and Nigeria were ranked 56th and 136th respectively out of 167 countries around the world (Transparency International, 2015). Notwithstanding the gains chalked by these countries, corruption is identified as one of the main issues holding Nigeria back from its potential and contributing to the high poverty level of about 70% people living on less than $1 a day (Agbiboa, 2012).

Method

Given that the issue of underperforming workers and why firms persist with them remains largely unexplored within the international business, strategy and human resource literature, we adopted a qualitative approach to provide the depth of understanding (Birkinshaw, Brannen & Tung, 2011; Eisenhardt, 1989; Miles & Huberman, 1994; Siggelkow, 2007). Our work sought to generate theory rather than test theory. We adopted semi-structured interviews with human resource professionals, managers and decision-makers in both the public and private sectors. In line with recommendations of such studies in a high relational context of emerging economies, we utilised personal networks and the snowballing approach to help identify and trace managers and employees across multiple organisations (Acquaah, 2007). The study also utilised networks within two African universities to help identify informants. Over an extended period, the authors interviewed business owners, managers, consultants, executives and investment bankers who are responsible for hiring, firing, managing and overseeing the work of employees. We also elicited views from professionals in sectors such as sales and marketing, financial services, warehousing, public sector organisations and operations management. Most of the informants are employees of global, regional and indigenous multinationals.

We developed semi-structured interview questions to elicit the views of these professionals. To narrow down the scope of the study, the interviews covered the following broad areas. In the first set of questions, we focused on the informants' employers, incentive and rewards system, and decision-making processes. The questions also focused on the key challenges in the workplace, hiring and firing. We also asked the informants whether they managed or worked with any employee who had consistently underperformed over a long period of time. The final set of questions revolved around causes of underperformance, processes in dealing with underperformance, options in dealing with underperforming workers, why firms hung on to them, and their experiences and views. They were also asked about the difficulties in dealing with and managing underperforming workers including how the firm deals with early-warning signals of performance decline by employees. Some of the authors conducted the interviews from early 2014 to early 2015. On average, the interviews lasted around 60 minutes. Given the focus on two countries, we sought to ensure a greater level of consistency as well as a degree of flexibility to allow new insights to emerge (Robson, 2002).

Data collection and analysis

Given the sensitive nature of discussion of the status of co-workers and subordinates, many of the informants requested that we limit ourselves to note taking. This meant that extensive field notes were taken, transcribed verbatim and cross-checked with the informants to ensure accuracy. Following the "24-hour rule" (Eisenhardt, 1989), text and field notes were transcribed verbatim within 24 hours of each interview. This helped to establish a clear chronology of events and capitalise on the immediacy of our data (Gioia & Thomas, 1996; Whyte, 1994). Interview data were transcript coded into common themes and issues. In all, we conducted 61 interviews in both countries.

To analyse our data, we employ a narrative strategy (Langley, 1999) by writing a detailed field note and summary for each informant covering the issues noted above. We developed a chronology and narrative accounts. We then looked for patterns and similarities in their responses, and then organised the data to allow meanings to be deduced. As observed by Eisenhardt (1989, p. 541), “the juxtaposition of seemingly similar cases by a researcher looking for differences can break simplistic frames”. The data analysis replicated the inductive grounded theory development process (Glaser & Strauss, 1967; Sutton, 1991) which “requires that data and theory be constantly compared and contrasted throughout the data collection and analysis process” (Isabella, 1990, p. 12).The process led to classifications of responses into sections such as causes of underperformance, firms’ responses and persistence with underperformance. The interview data were supported with secondary data gleaned from sources such as press releases, internal documents, company websites, newspapers and additional materials provided by the informants. In presenting the findings, we used letter N to denote informants from Nigeria and letter G to denote informants from Ghana. Table 2 provides an overview of our times of data collection and data sources.

Insert Table 2 about here

Findings and analysis

Before we tease out why firms persist with such workers, we first provide a brief overview of some of the early-warning signals. Our study uncovered a number of early-warning signals leading to the identification of an underperforming worker. These include declining performance, lack of motivation and low productivity. An informant noted:

> *“When they are unable to meet the agreed targets ... At the beginning of every quarter, employees are assigned their task for the period.” (G11)*

Another informant elaborated:

> *“I think inability to deliver results accurately and timely is the key indicator.” (N2)*

Favouritism through tribalism

The field work revealed that workers’ upward movements, demotion and dismissal of underperforming workers appeared to be moderated by favouritism through tribalism and corruption. The data suggest that virtually all the informants in public sector organisations emphasised that the most significant factor for the retention of underperforming employees in the public sector in Nigeria and Ghana is tribalism. By tribalism, we are referring to the tendency of managers and line managers to favour other employees from their tribe with regard to work practices such as firing, hiring and promotion (see Beugré & Offodile, 2001). This implies that superior officers or heads of establishments overlook the inefficiency of their subordinates if they belong to the same tribe. For instance, Nigeria is a traditional society in which the tribal units struggle for dividends of the country's resources. An informant (N38), who has worked for a private sector organisation and is now in the public sector, stated that the pressure for conformance to tribal sentiment is higher in the public sector due to low requirements for leadership accountability. One informant in Ghana explained:

> "*We have so many incompetent workers that you will not believe it ... when you visit government department, you see blatant tribalism and favouritism everywhere ... the Ewes protect Ewes, Asantes protect Asantes and Gas protect Gas (local tribes)… superiors of each protect their own kind and look the other way.*" (G19)

Our field work indicates that persistence with poor performance, corruption and governance is partly entrenched in tribalism. The informants observed that the slogan in the workplace environment in government agencies is "tribal politics remains alive and well" which corrupts decision making processes to the detriment of competent employees. In the setting of publicly-owned organisations, it has been suggested that departments often resemble the family and ethnic character of the senior official or minister (see also Ovadje & Ankomah, 2001). Tribe has been rendered more potent in both societies largely due to the fact that people have historically blamed other tribes for unemployment and poor education in another tribe. Some tribes are considered to be "lazy" and "shy away from work" which then provides the ammunition for some managers to seek to protect and preserve the job of their fellow tribal members. There are often complex "tribe alliances" and mini groups who protect their kind. Many of the decision-makers are seen as "tribal champions" who advanced the interest of their kind often irrespective of competence. Another noted,

> *"The government official said they have policy to have people from his ethic group so we cannot fire him."*

An informant summarised the effects of tribalism by noting that, "It is sad that this society remains tribal … our agency hire people based on their tribe and when they do not perform we still keep them." (G18)

> "*It's the T-word ... tribalism is the root of this problem in the public sector.*" (G17)

Some of the informants attributed persistence to favouritism. As some informants noted:

> *"I think it stems from both favouritism and tribalism. My co-worker has benefited from this." (N10)*

> *"Most often the employees are a family relation to the owner of the company or he or she is in the 'good books' of his supervisor." (G3)*

Our analysis suggests that cultural traditions and relational ties also perpetuate persistence with underperforming workers. Many of the managers had developed and forged closer relationships with their subordinates which then become a barrier to terminating their relations and the employment of the close friend. Some of the informants and key decision-makers appeared to be particularly more concerned about maintaining personal ties and relationships rather than maintaining organisational success and survival. One informant puts it this way:

> *"My job is to ensure that the company keeps a very good book. I also ensure that every naira spent is accounted for in the company ... Employees who were recruited through connection are always difficult to sack ... Yes! We have reduced the salaries of those employees and kept them on." (N22)*

"It *may be sentiment as a result of emotional attachments that have grown over the years. It may also be that they are the connection to major customers/contributors." (N2)*

Based on the above analysis of favouritism and tribalism, we offer the following propositions:

Proposition 1a: *Tribalism is more likely to create conditions for underperformance to ferment in developing economies with different tribes.*

Proposition 1b: *Tribalism influences management decisions to persist with underperforming employees in public sector organisations in developing economies with different tribes.*

Relationship and personal ties

Our findings further suggest that indigenous managers are often unwilling to sever workplace and family ties. Such ties are seen to offer institutional support and security beyond the workplace. For many of the informants, terminating the employment of underperforming workers is seen as severing ties with the person. Therefore, the emotional burdens that can befall the person lead to persistence with the employee in the face of the evidence. Some of the informants noted that they have often sidestepped the decision to weed out such workers to maintain their personal and family relationships. We further observed that Ghanaian and Nigerian societies are collectivist in nature and as such workers or employees tend to develop "strongly knitted social ties and feel a sense of obligation to their kith and kin" (Mmieh et al., 2011, p. 424; Jackson, 2004). These networks of ties in relationships then influence firm behaviour and managers' freedom to act.

"I also think personal relationships make it difficult to fire incompetent employees." (N33)

The analysis of interview data suggests that the paternal culture by which employers treat employees as their children was highlighted by a number of the respondents as a key factor that led to retention of underperforming employees in the Nigerian environment. The pull towards personal wellbeing, which typifies the paternal culture, overrides corporate interest and objectives. Informants who work for entrepreneurial organisations were unanimous in pointing to family ties between owners and some employees as the cause of retention of underperforming employees. An informant who owns a travel agency (N41) said she retains underperforming employees who are family members because she would still meet their financial needs if they were sacked, stressing that "in Nigeria, you are your brother's keeper". She also pointed to honesty and loyalty as trade-off for job performance in her organisation. As another informant elaborated:

> *"Every time we tried to sack him (elderly worker) he brought up stories of his family. In the end, we kept him with new duties." (G17)*

As Mmieh et al. (2011, p. 424) put it,

> "*The Ghanaian worker extends the institutional cultural traits of high esteem to authority, hierarchy, acceptance of status differentials, and respect for elders and positions in the workplace … managers/elders in position are expected to exercise constraint in reprimanding and/or weeding out underperforming workers in the workplace*."

One of the informants specifically emphasised the effect of the drive to maintain relationships which has resulted in retaining an ineffective sick employee for over two years in his organisation. He said:

> *"This employee is being retained despite the fact that the period specified in the extant employment rules for light duties has been exceeded and he is supposed to be retired."(N40).*

The complexities characterising this issue in many Sub-Saharan African countries is also captured by Ovadje and Ankomah (2001, p. 184) who noted that often an employee facing disciplinary action could direct a delegation of elders encompassing cultural and local potentates to the home of the line manager or supervisor to plead on behalf of the 'victim' as well as remind him or her of the potential "*economic and social damage the impending* *disciplinary action will do to the person's family (both immediate and extended), kinsmen, village or even entire ethnic group*".

Another respondent observed that in his organisation, employees who are relations of the managing directors do not face any consequence for persistent underperformance. Rewards such as promotions are based on informal relationships rather than job performance. An informant (N40) who works for a multinational oil company revealed that some of his colleagues who underperform rely on the worker's union leaders for protection from being sacked. They also rely on collective bargaining where uniform wage increases negotiated by the employees' union on behalf of their members reward low and high performers equally as they can hardly achieve reasonable performance-based compensation. These inequities impact negatively on productivity as high performers are discouraged and could lead to a vicious cycle of persistent underperformance of employees. Based on the above analysis, we offer the following propositions:

> **Proposition 2a**: *Relational and social ties are more likely to curtail managerial actions when dealing with underperforming workers.*
>
> **Proposition 2b**: *Older underperforming employees are less likely to be actioned by younger managers than younger underperforming employees.*

Non-profit motives of the employer

Another important aspect of our findings relates to the role of government and state-owned agencies. We uncovered that, largely due to non-profit motives of some organisations, persistence with underperforming workers was not frowned upon. Most of the informants noted that the government agencies and non-governmental sector have become a sanctuary for many incompetent workers. Another informant in Nigeria (N36), who is a head of department in a government establishment, argued that the main objective of government involvement in economic activities is creation of employment and provision of goods and services to the citizenry at affordable prices. His organisation therefore retains underperforming employees in line with the deliberate policy of government to keep citizens in employment as a means of meeting individuals' needs and avoiding social unrest. Over the years, government agencies in both countries have also become a sanctuary for incompetence and underperforming workers. Many employees have secured their jobs on the basis of political connections. Consequently, "jobs for life" and allotment of management posts on the basis of political affiliation has become very common. As one informant in Ghana explained:

> "*Yes! We have some workers who do not have the right skills or educational qualification, so they can't be fired … they are also not good at the job. They were placed here by the 'boss' (senior politician)." (G20)*

Another Nigerian concurred by noting that:

> *"There is really no incompetent employee here (current firm) … a few months ago, I visited a government agency and found three of the people we fired earlier in the year there. They said they had no pressure to perform or even carry out their duties." (N8)*

One of them who works for a public organisation in Lagos (N39) asserted:

> *"There is no motivation for performance improvement as rewards are not based on performance but patronage."*

One explanation for this is that so long as their political masters remain in power, job security is assured, irrespective of their performance on the job. This has created an atmosphere where such workers' performances bear no relation to their level of rewards. Another informant from the private sector noted:

> *"I will always fire an incompetent worker because he/she has nothing to offer. One bad seed can destroy the business … We have fired plenty employees who could not meet their targets. Those former employees responded by looking for less strict jobs in government." (N23)*

Government agencies have also provided avenues for such workers to be transferred to on cases where the incompetence becomes so disruptive for the department. An employer (N37) who described herself as a social entrepreneur said she simultaneously pursues both economic profit and social objectives. She sees some of her underperforming employees as being from poor or disadvantaged backgrounds who should be kept in employment and developed through training and mentoring. Based on the above analysis, we offer the following proposition:

> **Proposition 3**: *Firms focusing on non-profit objectives are more likely to create conditions for persistence with underperforming workers.*

Information hoarding

Our findings suggested that some regional managers deliberately desist from sharing information about underperformance in an attempt to conceal their contributions and thereby creating conditions for strategic persistence to occur. Many of the informants attributed managers' ability to keep underperforming workers in their places of employment to "information hoarding", where they decide not to communicate or withhold information about a subordinate's persistent underperformance to the superiors. By being able to hoard such information or failure to volunteer performance information, line managers contribute to keeping underperforming workers in their jobs. As one head of government agency asserted:

> *"I cannot act in the vacuum … if people send me information (incorrect) that everyone is doing well then I cannot sanction anyone. This is the root of the problem." (G16)*

As another informant noted:

> *"Sometimes we have to wait a long time before getting a report (on job performance) from our branches … we can only act quickly if the information arrives on time." (G18)*

Government bureaucracies in both countries were also identified as a major factor in restricting flow of knowledge about underperformance from local branches to headquarters.

Such intentional practices create conditions for persistence with underperformance to occur. The information asserted that efficient organisation of their firms relies heavily on diffusion of information from the branches to headquarters. Lack of effective flow not only affects quality decision making but also creates conditions to maintain the current course of action. Thus, we propose:

> **Proposition 4**: *Information hoarding is more likely to lead to poor attributions of underperformance and persistence with underperforming workers*.

<u>External forces</u>

Our data indicate that across the two countries, some firms have kept underperforming workers as a "bridging strategy" to build bridges with local communities. By originating from a particular ethnic group, such individuals are seen to bring a degree of legitimacy to their firms. For firms desperately seeking legitimacy in the community, keeping such workers provides a means of demonstrating their engagement to the local community. Such individuals also act as joints and protect their firms from accusations of exploiting the local community. Some workers in this category represented symbolic tokens to convince locals that the firm represented their values and traditions. As one foreign-owned business co-owner noted:

> *"When we moved the business here, some of the locals did not like us and even threatened our business … so we have two workers that can be seen as 'underperforming' but they have strong links in the community – that is why we have kept them … they are helping us to reduce the tension." (G15)*

Another informant concurred:

> *"Yes! A decade ago … his incompetence caused the company a fortune including the cost of his retraining and coaching. The other staff were not pleased with the decision … he was a native of the area and we kept him in the business."(G6)*

Other external factors

Our findings also suggest that managers/owners of firms with poorly performing individuals often have a desire to improve efficiency by firing such individuals. However, they have been unable to do so particularly due to the strong potential influence from government officials. Although the contributions of such workers are often non-existent within the firm, any attempt to terminate their employment could lead to sudden changes in government policy or contracts of which the firm is a beneficiary. One informant noted:

> *"As soon as we issued him a notice (letter) that his contract was under threat due to poor performance, his 'contact' in government informed us that our contract with them was under review … after three weeks it became clear to us so we decided to withdraw the notice … It then came as no surprise when a government official contacted us to say that it was a false alarm." (G14)*

This informant also noted that the employee has been kept for more than a year, not because of his contribution to the business, but because of his contacts which helped them to maintain the government contract. In this informant's experience, the worker came to be designated as part of the "protected group" of workers, who in theory could not be fired because of the risk of losing contracts and connections with government officials to the business. To some co-workers, the continuous employment of such individuals is shrouded in mystery into which they have limited insight.

By the same token, the data from Nigeria also suggest that many of those interviewed pointed to corruption as one of the main reasons why organisations persist with underperforming employees in Nigeria. Many pointed out that underperforming employees are not only retained in employment, but promoted because of their loyalty in paying "homage" and presenting gifts as bribes to those in leadership positions. When the interviewer told them that corruption existed in all parts of the world, virtually all the informants retorted that it is a norm rather than an exception in Nigeria.

Another aspect of our findings indicates that some of the workers were recruited by the new executive teams and portrayed as the up-and-coming star performers. Over time such workers failed to deliver and eventually came to be seen as underperforming. However, some of the top management often fail to admit defeat and worry that firing such workers could damage their reputation and judgement. Consequently, the executive persist with such workers to protect their reputation. As one informant noted:

> *"They just want to save face … XXX employed him two years ago but we haven't seen anything yet … XXX won't fire him." (G14)*

A director of a major automobile marketing company in Lagos (N39) referred to some aspects of organisational culture as being responsible for the persistence of underperforming employees in his organisation. He said the fear of diffusion of business secrets, especially by senior managers, has led to keeping them as employees even when they have begun to underperform. Table 3 provides a summary of how underperforming workers have come to be viewed as "imposed workers" and possessing "unfulfilled potentials". As illustrated in the table, persistence with underperforming workers can stem from their imposition from an external force over which management have limited or no control. In some of the case of the oil multinationals, persistence were at time attributed to governmental contracts requiring foreign firms to have a quota of local employees. As one government official (N36) in Nigeria with several years of experiences noted,

> *"We make it clear to them (Western multinationals) that they have to hire more local workers not only labourers, but also as senior managers, if they want to succeed here".*

This guideline was noted to have influenced demand for executive-level and blue-collar employees but more importantly created some kind of "protection" for some underperforming senior managers given the competition for such talent.

Insert Table 3 about here

Our findings here lead us to the following summary proposition:

> **Proposition 5**: *Employees who enjoy special status are more likely to be retained after persistent underperformance.*

Cost of training

Our analysis also indicates that the costs of training and relational ties are some of the reasons why firms persist with such workers. For many small businesses, the high costs of training and recruiting well-educated workers have forced them to keep some underperforming workers, as illustrated in Table 4.

Insert Table 4 about here

The study suggests that, cumulatively, persistence with underperforming workers stems not only from external forces but also internal factors such as relational ties and idiosyncrasy credits, as depicted in Figure 1.

Insert Figure 1 about here

Discussion and implications

The primary question that we have addressed in this study is why firms persist with underperforming workers. Drawing on insights from two emerging economies in Africa: Ghana and Nigeria, we uncovered that persistence with underperforming workers stems from factors such as information hoarding, favouritism through tribalism, “idiosyncrasy credit”, externally imposed constraints and escalation of commitment. Interestingly, we have uncovered evidence to advance the notion that ethnic ties and tribalism play an influential role in the decision by managers to persist with underperforming workers. Another broad category of sources of persistence stems from the emotional bond created between supervisors and subordinates. The existence of such ties constrained managers’ ability to act in the face of persistent poor performance. It also stems from firms’ attempt to gain and retain political ties and “special privileges”. In addition, we uncovered that outside the work environment, some of such workers are utilised as a means of gaining legitimacy and cultivating trust with the local politicians.

Contributions to theory and practice

Regarding theoretical implications, although strategic persistence has attracted a body of research (Audia et al., 2000; Schwenk & Tang, 1989), there remains a lack of understanding as to why companies persist with such workers. Our study seeks to fill this gap in the literature by integrating theoretical concepts (i.e. the paradox of success, external legitimacy, nepotism/cronyism and the “escalation of commitment” (Staw, 1981) in helping to offer a more robust explanation of the subject. The integrated nature of the study accentuates the robustness of examining issues in this research domain using multiple and integrative approaches, instead of the narrow theoretical focus usually adopted in this research. This approach adds to and extends previous research that examined these theoretical perspectives separately. Second, the study proposed an enhanced unified framework of impelling forces driving the incidence of persistence with underperforming employees in organisations. The proposed unified framework in this study also provides a basis for scholars to further evolve and develop an even more integrative perspective of the issues.

Another potential implication of our findings is that “laws in many developing countries favour employees as they are seen as the 'weaker' party in the organization-employee relationship” and therefore they have weak bargaining power and ability to influence employers. In light of increasing global competition and needs to improve government efficiency, government laws might have indirectly created conditions for persistence with such workers. Finally, the finding that public sector institutions and non-profit organisations are more likely to persevere with underperforming employees in this high-relational context is novel and adds to the literature.

From a managerial standpoint, our analysis indicates that the ability to identify early warning signals of seriously underperforming workers can help reduce later resources required to undo or repair the damage to the business. There is a need to create an effective mechanism to upgrade the expertise and knowledge of seriously underperforming and "difficult to fire" employees to help reduce potential losses to the business. In addition, weeding out underperforming workers can boost confidence of co-workers which would impact on overall firm performance. This is also consistent with the assertion that weeding out underperforming workers can equip firms to mitigate prolonged poor performance. More importantly, weeding out such workers boosts confidence of co-workers. For firms in such high-relational contexts, there is a need to identify an effective mechanism for dealing with underperforming workers without imposing an additional burden on the decision-maker such as the possibility of severing all ties with the individual.

<u>Limitations and directions for future research</u>

The study has some limitations worth noting. First, we focus on just two countries with a small number of informants. This means that the findings might not be generalised to other emerging market contexts or other African settings. This limitation opens an avenue for future study to seek a much larger sample from multiple countries. Second, our study focused mainly on underperforming workers which some firms might construe in a different way. Such analysis would help to test the limit of our findings. Another area worthy of further scholarly works is the need to examine the relationship between underperforming workers and underperforming companies. It may be that a lack of decisiveness in dealing with underperforming workers breeds mistrust and causes co-workers to underperform, thereby undermining the business and precipitating failure. Such analysis would not only shed light on human capital development strategies but also help to offer a more robust explanation of the processes leading to business failure in emerging economies (Amankwah-Amoah, 2016). It is also worth noting that local employment, labour and contract law also play a pivotal role in curtailing managerial actions. In this paper, we largely steer away from such explanations. It is also worth noting that shortage of top talent in developing countries also forces firms to retain such workers even in the face of underperformance (Tosi, Werner, Katz & Gomez-Mejia, 2000). Future research might seek to conduct a comparative study of such laws in the two countries and beyond to help develop our understanding of the subject.

Another fruitful line of research would be to examine the responses of outperformers/top stars to persistence with underperforming workers. Such analysis would help to enrich our understanding of whether outperformers become demotivated and alter their routines and contributions in such high-relational contexts. Such analysis might also yield other possible explanations for persistence with such workers beyond the findings presented here. There is also a need for future studies to examine the effects of industry and organizational size on our findings. We hope that this study fosters further lines of research in this area.

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Table 1: An overview of our construct

Features	The paradox of success	Legitimacy perspective	The "escalation of commitment" perspective	Nepotism/cronyism
Key premise	Emphasis on firm-level factors as explanation of strategic persistence. Workplace ties can become barriers to change. Relationship between employees curtails managers' latitude to act.	External legitimacy can provide access to resources and foster social acceptance in new markets.	Contends that barriers to exit from the status quo stems from both internal and external factors. Switching cost is very high.	Nepotism/cronyism curtails organisational decision-makers' actions and ability to act in the face of underperformance.
Limitation	Focused mainly on organisational factors and attributed current failures to past successes.	Focused on firm–environment interface but paid inadequate attention to firm-level constraints.	Paid inadequate attention to firm-level factors.	It overlooks firm-level factors in determining performance.
A unified approach	Integration of the perspectives.			

Table 2: Overview of data collection and sample

Features	Profile and description
Countries of focus	Ghana and Nigeria.
Job positions	Executives/directors, line managers, heads of departments, human resources/administrative managers and employees.
Organisations	Indigenous and foreign multinationals in areas such as oil, insurance and accounting, management consulting, advertising agencies and investment banks Medium-size enterprises and public sector organisations.
Data collection timeline	From early 2014 to mid-2015.
Total	**Ghana (N=20) and Nigeria (N=41).**

Table 3: Quotations illustrating underperforming workers as imposed workers

Steps	Exemplary quotations from the fieldwork
Imposed employees	"Companies hang onto incompetent employees because those employees are imposed on the company by either politicians, influential people and former directors of the company."(N12) "Some of our colleagues here call them the 'untouchables'. They have no idea how the business operates and yet they are protected from being fired by 'outside forces'." (G14) "Some incompetent employees in the bank have big contacts who bring very large deposits, as a result of that the bank might retain them despite her weaknesses." (N23) "Incompetent employees should be sacked because they are counter-productive to the organisation … but someone-protects them here." (N12) "Yes. The company has a culture of overlooking most of this … managers overlook the competencies of non-direct reports and blame the direct reports for not being good supervisors." (N5)
Officials "mandates"	"The law in this area discourages termination of employment on the basis of incompetence. The employer would have to train and re-train." (G10) "I think it stems from favouritism." (N10) "Because those employees are relatives of the CEO." (N23)
Unfulfilled potential and hidden talent	"None, we only do not fire when we identify a skill in the person that may be needed in another department." (G3) "Employees perceived as not having the right set of skills are usually reassigned to other roles in the short term." (N6) "Some employees are introduced to new techniques, skills and refresher courses to help improve their performance and the overall (global) productivity of the business." (G6)

Table 4: Quotations illustrating cost of training

Dimension	Illustrative quotes
Cost of training	"The cost of hiring new staff is higher than it costs to maintain existing staff. New staff will take time to learn the organisation's processes, which may delay or affect the organisation's output." (N4) "It takes a lot to fire staff due to the nature of the work we do. We give a lot of room for improvement. However, the only factors that can influence a decision to not fire an incompetent employee might be cost. The cost of keeping him/her might be less than hiring a more experienced person and if the organisation is convinced of his/her remorse." (N2) "Relationships and the cost of training new employees are the main barriers here." (N16)
Personal ties	"Personal ties with such employees make it difficult to sack him." (N21) "The company organises training on new insurance products in order to enhance employees' product knowledge in the industry and to make them become competitive among their peers." (N31)

Figure 1: A framework of impelling forces of persistence with underperforming employees