



**ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS**

**SCHOOL OF COMMERCE
DEPARTMENT OF HUMAN RESOURCE MANAGEMENT**

MBA PROGRAM

**The Influence of Industry Characteristics on Employee Performance
Management Practices: A Comparative Study of East Africa Trading House
and Segon-Marill International Movers**

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**A Thesis Submitted in Partial Fulfillment of the Requirements for the Degree
of Masters of Art in Human Resource Management**

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CONFIRMATION

This is to approve that the study made by Zewdie Gebremariam, entitled: “*The Influence of Industry Characteristics on Employees Performance Management Practices: A Comparative Study of East Africa Trading House and Segon-Marill International Movers*” submitted in partial fulfillment of the requirements for the Degree of Masters of Arts in Human Resource Management complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

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Research Paper On

*“The Influence of Industry Characteristics on Employees Performance
Management Practices: A Comparative Study of East Africa Trading House and
Segon-Marill International Movers”*

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DECLARATION

I the undersigned, declare that, this thesis is my original work and has not been presented for a degree in any other University, and that all the sources of materials used for the thesis have been duly acknowledged.

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Acronyms

- PM: - Performance Management
- HR: - Human Resource
- HRM: - Human Resource Management
- UNDP: - United Nations Development Program
- FMCG: - Fast Moving Consumer Goods
- KPI: - Key Performance Indicators
- EATH: - East Africa Trading House
- SMIM: - Segon-Marill International Movers

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Abstract

Companies face critical difficulties when implementing performance management in different industrial and cultural contexts. In addition, HR professionals are also facing challenges from employees and managements that their industry environment or characteristics could not allow them to implement a performance management system (PMS). While Performance management has been studied by many researchers in different contexts, researches about the impacts of industry environment on employee PMS is generally lacking and it has been suggested by researchers that more studies are required to understand them. Several attempts have been made to analyze employee performance management in different contexts such culture, country, or any other external factors. However, the lack of studies of performance management in industrial context imposes this phenomenon to be investigated in various industrial contexts for sound academic contributions. This study aims to investigate industry's environments influences on the employees' performance management practices in different industrial context and to examine how PM practices vary by industry. This study used a mixed-method approach and conducted two case studies, consisting of both quantitative (employee survey) and qualitative research (interviews) as data collection method, in two privately owned organizations operating in two different industries in Ethiopia, by exploring a range of research objectives drawing on existing performance management literature. Based on the results of the pilot study, a scale was developed to measure the impact of industry environment on PM, which includes three factors "industry environment impact on PM course of actions", industry environment's impact on important sub-dimensions of PM and "industry environment's impact on outcomes of PM". The statistical analysis of the employee survey indicated that industry environment's impact on PM course of actions and important sub-dimensions of PM was positively related to all dependent variables except talent development and appraisal; while no significant relationship has been found in this study between industry environment's impact on outcomes of PM and any dependent variables. According to the comparative study of the PM practices in the two industries, there was a significant difference between East Africa Trading House and Segon-Marill Movers, in terms of the following aspects: PM purpose, frequency of appraisal, communication style, supervisors' feedback, employees' participation, talent development activities, objective setting process and alignment with incentives and pay systems. The thesis concludes that the industry environment influence on performance management practices vary in the two organizations operating in Fast Moving Consumer Goods(FMCGs) and logistics industries in Addis Ababa, Ethiopia. The findings indicate that the industry environment's impact is positively related to employees' performance management practices. The findings of this study provide a solid evidence base for considering industry characteristics in implementing performance management. It is evidently clear from the findings that both companies operating in different industries are faced with different problems when implementing performance management in industrial context. This study should therefore be of value to practitioners wishing to overcome certain industrial related problems during implementation of performance management.

Key words:

Industry, Industry Environment, Performance Management, industry growth and uncertainty, specific features of PM practices.

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Effective employee performance management is not only imperative for any successful organization; it is an essential element for achieving and sustaining a competitive advantage (DeNisi, 2000). Through a variety of performance management practices organizations can translate competitive strategies into individual performance expectations and transform employee potential into desired organizational outcomes (Armstrong, 2009 and Aguinis, 2009a). According to Becker, Huselid and Beatty (2009), “a performance management system is a system of creating expectations and inspecting against those expectations”. Lawler (2008) maintains that the ability to manage performance is frequently the major factor that makes a difference between organizations that produce satisfactory results and those that do extremely well. Without a focus on performance management at all levels of the organization, the competitive advantage is difficult to establish. Cappelli (2008) and ORACLE (2006) agree that a company should understand which roles (and the individuals fulfilling them) should be reinforced, and what competencies need to be rearranged.

Nowadays, rapidly changing business environments have led many organizations to try and improve results by focusing on performance management and performance management is perceived as crucial for or supportive to, organizational effectiveness (PWC, 2015). With globalization of business, the degree of effectiveness in successful application of performance management in different countries has become very challenging (de Waal, 2007, and Dowling, 2008). The reason for the challenge is that performance management practices across different organizations is influenced by the context, which includes culture, global competition, natural resources, historical precedents, labor supplies, industry environment and economic forces (Armstrong, 2009; Engle, Dowling, and Festing, 2008; Radin, 2003; Datta, Guthrie and Wright, 2003 and Thorpe and Holloway, 2008). The results of these studies shows that due to different factors, human resources management policies that are effectively implemented in one country and /or industry may not be equally effective in another.

The industry environment can be defined as the external business environment closest to the organization and includes one organization's customers/clients, suppliers and partners. It also includes competitors, those organizations that compete for customers or offer alternative approaches to one's organizations services. As emphasized in the strategic management and industrial organization literatures (e.g., Porter, 1980; Dess, Ireland & Hitt, 1990), a firm's industry (or industries) is an important part of the environment within which organizational policies and practices are framed and executed. Thus, it can be proposed that this is also the case for employees' performance management practices as part of HR policies and practices.

Although various studies concerning performance management and culture have been published, research about the impact of industry environment on employee performance management systems is generally lacking and more studies are required to understand them (Murphy & Cleveland, 1995). Considering more requirements for study about performance management in industrial context, this study aims to find out how the industry environment influence performance management practices and how its impact on PM practices vary in different organizations operating in Fast Moving Consumer Goods(FMCGs) and logistics industries in Addis Ababa, Ethiopia. As Ethiopia's rapidly growing economy and population coupled with the growing market for consumer products attracts high potential for investment in FMCGs industry and recognition of foreign investors the potential of investing in Ethiopia as well as the country's opportunities of hosting large international agencies and regional organizations, FMCGs and Logistics industries are an interesting cases. Liberalization of the logistics industry related with Ethiopian government policy which allows foreigners to invest in logistics sector based on joint-venture at the beginning of September 2018 and the entrance of many foreign multi-national companies in Ethiopia's FMCGs industry created a new contextual situation. Some local companies in both industries started to build stronger relationships with foreign companies while other companies in both industries face some level of uncertainty. These relationships resulted in the introduction of foreign values into the business environment of both industries.

Hence, this research will explore the design and implementation of current performance management systems in order to examine the impact of industry environment on employees' performance management practices in different organizations operating in different industries.

1.2.Statement of the Problem

Ethiopia is attracting increasing attention as a destination for business due to its large population, a rapidly growing economy, industrialization and liberalization processes, and investment potential, as well as due to the country's opportunities of hosting many inter-governmental organizations (PCI, 2013 and Addis Standard, 2018). However, the changing nature of the business environment led the industry environment of FMCGs and Logistics companies in Ethiopia to be highly uncertain.

While the logistics industry environment of logistics industry of moving companies is highly uncertain especially after 2013, because of different trends the competition among firms has been escalated as a lot of foreign companies joined the business. More importantly, companies in these industries gave more emphasis in human development by launching different performance management programs at different times especially after 2014. In such situations, companies are facing some vital challenges in establishing an effective employee PMS. For Instance, Segon-Marill International Movers is among those top moving companies operating in logistics industry which have launched the performance management reform program since March 2015 aimed at ensuring higher performance, higher levels of employee motivation and retention, and organizational development. However, this company faced critical problems in implementing PMS and the company's HR staffs were challenged by its employees and some of its management that their industry environment is unique and not suitable in order to fully translate the generic ideas of PM into their company's context. In this case, therefore, the researcher wanted to know how far the industry environment influenced the way the generic ideas of employees' performance management were translated and implemented into firms' strategy context in different industrial environment. Moreover, the practice of PMS in this organization is quite different from other organizations and contains some serious faults. According to Nigatu (2011), some organizations practice effective performance management system and others do not. One variable determining orientation towards Performance Management System (PMS) is the industry environment where the firm is located (McKenna, Richardson & Manroop, 2011) and the context within which it is operating.

On the other hand, According to precise consult international (2013), East African Trading House is a well-known company FMCGs operations industry and one of the largest wholesaler of household goods in Ethiopia with broader geographical scope of operations in the country. The company adopted its current PM policy in 2009 and do not made any reform of its PMS till now. However, there are very few studies regarding the reform practices of performance management program in Logistics industry and FMCGs industry's current PM system adopted, providing an insight into how performance management practice is influenced by the industry environment within which the firm is operating and how PM vary by industry in different industrial setting.

In Ethiopia, furthermore, Performance management has been studied by many researchers in different contexts (Mathias, 2011, Girma, 2016, Abdurihim, 2017 and Sertsu, 2016). A lot of these studies at industry level have focused on public sectors, manufacturing and banking sector. But, no sufficient studies indicated that how the industry environment in which the firm operating in influence performance management practices. Lack of studies also exists in identifying industrial aspects of variations in performance management in the FMCGs and logistics industry. Therefore, this study explored and investigated the industry environment impact on performance management within the framework of certain environmental dimensions peculiar to both industries.

In literatures, industry environment has been highlighted as critical contextual variable for HRM (Wright and Snell, 1998). Employee performance management as a part of company HRM processes is influenced by industry environment and culture as it focuses on promoting employee behaviors consistent with firm's strategy and other requirements imposed by industry related issues (Jackson and Sechuler, 1995). Despite all the attention, it is difficult to find specific information on "*what's working and not working and how performance management practices vary by industry*" (Mercertalent, 2013). Nonetheless, research about impact of industry's environment on employee performance management systems is generally rare. Hofstede (1991) suggested that industry environment may be more important than culture as determinants of managerial or HR practices and more studies are required to understand them (Murphy & Cleveland, 1995).

To fill this gap, this study adopted a comparative approach to study the broader industrial context. A comparative approach is needed in order to identify, describe and explain how PM practices vary by industry for exploring the industry environment impact and outline possible implications. Through a comparative case study, examine industrial impacts that enhance or hinder implementation of performance management in each case, and observe factors in common in these two organizations despite the companies' different motivations for undertaking performance management.

For this study, both companies are considered comparable because the industry environment of both companies is highly uncertain (or nearly similar) but some characteristics such as market microstructure and task characteristics of the firms made the logistics industry's environment intensively unstable. In addition, both industries are characterized as fast growth industry and customer centric, and both are privately owned. Although the industry environment of FMCGs and Logistics companies in Ethiopia is highly uncertain, in the broader FMCG industry, interesting opportunities exist for expansion of market outlets (AWIC, 2013) while the logistics industry of moving companies are struggling for same kind of potential customers available mainly in Addis Ababa. Thus, the logistics industry environment of moving companies is highly uncertain especially after 2013.

1.3. Research Objectives

1.3.1. General Objective

The main objective of this research is to explore and investigate how performance management is practiced in relatively steady industries and unstable industries by addressing the relationship between performance management and nature of industry, as well as the impact of this relationship on effectiveness of performance management system.

1.3.2. Specific Objectives

- To explore the role of the industry environment in performance management practice
- To examine how performance management is practiced in different organizations of the two different industries.

- To explore how the industry environment in fast moving consumer goods and logistics industries influences the effectiveness of performance management systems of organizations.
- To compare whether the industry environment has different impact on employee performance management practices of organizations in FMCG and logistics industries.

1.4. Research Questions

The main research question for this thesis was *“How performance management system has been practiced in different organizations operating in different industry environment in Ethiopia, and what has been the influence of industry environment in performance management practices?”* Based on the research gaps and relevant theories, four sub-questions are proposed, as follows:

- 1) What is the role of the industry environment in the performance management practice?
- 2) How does the characteristic of the environment in FMCGs and logistics industries affect performance management practices of organizations?
- 3) How do employees’ performance management practices and systems work in FMCGs and logistics organizations?
- 4) How do the industry environment’s impacts in the performance management practices of organizations differ in FMCGs and logistics industries?

1.5. Significance of the Study

The research would contribute as an input for academic knowledge of how the industry environment’s impact influence performance management practices, how performance management practices vary by industry and will inform the variance observed. This study is primarily expected to help understand the performance management differences in relatively steady business and unstable environment. The result of the study also will inform the concerned organizations and make them thoroughly consider the lagging best practice in the design and implementation of the performance management policy of the respective organizations. It also serves as a background for those who want to conduct further investigation in these areas. Above all, the analysis and discussions for the comparison to find answers to those questions would be

useful not only for revealing the problems and solutions which are the primary concern of the practitioners but also for strengthening performance management topic.

1.6.Scope of the Study

Despite the fact that there was an interest to cover major concepts in the performance management (PM) practice and their applicability, to include all companies operating in both industries, to involve all professionals or managements working in these industries and to cover all business activities throughout the country, It is impracticable economically and timely, for the researcher to cover all this population for this research. So, while there are a lot of companies involved in different logistics activities, this research study is delimited to the packing and moving aspects of the logistics sector, and the wholesaling aspects of FMCGs companies operating in Addis Ababa, Ethiopia. The scope of this study is also conceptually limited to performance management practices and Industry environment includes two characteristics namely, industry's growth and industry's level of uncertainty. The target groups are professional clerical category of both managerial and non-managerial employees within both sectors. In addition temporal constraints also force the study to concentrate only on the most current situations of these industries performance management practice.

1.7.Limitations of the Study

Since the research was conducted on few companies from both industries and does not cover the whole organizations available in both industries, the finding of the study might be hard to make generalizations.

1.8.Definition of Terms

- **Performance management:** is a range of practices an organization engages in to enhance the performance of a target person or group with the ultimate purpose of improving organizational performance (DeNisi, 2000).
- **Results:** refer to what needs to be done or the outcomes an employee must produce.
- **Unstable industry** is characterized by high velocity of competitiveness of the environment or the industry in which the firm operates where there is higher level of uncertainty,
- **Relatively Steady industry** is characterized relatively by the opposite meaning of unstable business industry.

1.9.Organization of the Study

This study is organized into five chapters. Following an introduction in Chapter 1, Chapter 2 briefly reviewed the literature of performance management practice, concepts, and systems of performance management, reviewed relevant research on performance management and industry environment's factors that affect successful performance management implementation to reveal important research gaps in the literature, and based on this review this chapter identified eight specific features of performance management practices for the study and link them with the industry environment's impact in PM as a conceptual framework of the study. Moreover, eight hypotheses were developed to examine the industry's environment impact on performance management practices and three additional hypotheses for making comparison in this chapter. Chapter 3 introduced the research methodology that will be adopted in this study. Beginning with the discussion of several major aspects of research design which will lead to the adoption of the case study approach in this research, it will then present the design of this study, including the data collection, procedures of data analysis, assurance of research quality. Chapter 4 presents results and discussions. Chapter 5 will be the final chapter of the study. It provides the conclusion to this study.

CHAPTER TWO

LITERATURE REVIEW

The aim of this chapter is to review the literature of employees' performance management systems and industry environment factors: within the field of human resource management research. Characteristics and components of employee performance management systems are presented. Furthermore, performance management in the industrial framework is analyzed. The impact environmental factors on performance management system are presented based on the empirical and theoretical studies.

2.1. Theoretical Literature Review

This section briefly introduces the definition of performance management and clarifies different stages of the development of the concept in the literature.

2.1.1. The Definitions of PM

Most people associate performance management with concepts such as: appraisal, targets and objectives, performance-related pay, motivation and discipline (Deanne, Hartog, Boselie and Paauwe, 2004), yet performance management is much more than this. Mabey and Salaman (1995) define performance management as a process of creating a positive, effective work environment through goal setting, feedback, encouragement and support, and rewards for success in which employees perform to the best of their abilities. Arguing in the same vein, Armstrong and Baron (2004) explained performance management as a process which contributes to the effective management of employees' performance towards the achievement of high levels of organizational performance. Similarly, Aguinis (2009a) describes Performance management as a systematic link between organizational strategies, resources, and processes towards the achievements of corporate objectives.

Considering more collectively, Armstrong and Baron (2004) gives a comprehensive explanation of performance management, their definitions establish a shared understanding about what is to be achieved and an approach to leading and developing people which will ensure that the goals of the organization is achieved. However, Adkins (2006) and Aguinis (2009a) in their definitions stress that performance management is a strategy which relates to every activity of the

organization set in the context of its human resource policies, activities, objectives and processes. They further argue that the nature of the strategy depends on the organizational context and can vary from organization to organization.

Hellqvist (2011) a writer who has contributed most significantly to the study of performance management, proposes her own definition after a brief critical assessment of what other writers have offered. She argues that performance management is a tool for managing performance and motivating employees to act in accordance with the strategy, vision and values of the company for better performance (Corbet, 2016). Her definition of performance management further highlights on the need for performance management alignment with strategic goals. Her definition is supported by the good work of Aguinis (2009) who further define Performance management as a “continuous process of identifying, measuring, and developing the performance of individuals and teams and aligning performance with the strategic goals of an organization”. It is critical to note that the key components of the various definitions are that performance management is a continuous process and that there should be an alignment with corporate strategic goals. If managers and supervisors fill a form once a year because this is an obligation of the Human Resource Management function, then this is not a continuous process. In addition, evaluating employee performance that is performance appraisal without clear consideration of the extent to which an employee is contributing to the organizational performance and how his/her performance will improve in the future is also not in line with the definition of performance management. One could follow up the above arguments by saying that Performance management is about getting results (Aguinis, 2009).

The introduction of human resource management is a strategic driver and plays an integrated approach to the management and development of employees. The second factor in the understanding of the process of performance management is something completed by line managers throughout the years, because it cannot be a once off annual event, coordinated by the personnel department (Armstrong, 2009). But today a number of compelling factors are merging into a new reality, to be effective and achievement of organizational better performance, organizations must excel in organizing and managing their employees. Today in the new age of competition, treating employee in better way is not an option; it is necessity (Edward, 2003)

2.1.2. General Principles of PMS

Many definitions of performance management exist. However, the definition provided by Auginis (2013) fully explains and emphasizes real characteristics of performance management. According to Auginis (2013), performance management is a continuous process of identifying, measuring and developing performance in organizations by linking each individual's performance and objectives to the organization's overall mission and goals. Performance management formulates employee behavior for organizational purposes and does not only focus on organizational success but also individual development. It is about aligning the organizational objectives with the employees' agreed measures, skills, competency requirements, development plans and the delivery of results (Auginis, 2005; Brumback, 2011). The emphasis is on improvement, through learning and development, in order to achieve the overall business strategy and to create a high performance workforce. Although competitive pressures have been the driving force fueling increased interest in performance management, organizations have also used these processes to support or encourage culture change and to shift the emphasis to individual performance and self-development (Fletcher and Perry, 2001).

The principles of performance management suggested by Auginis (2005) are of a strategic process aligned to the organizations' wider objectives and long-term direction. Secondly, it is integrative in nature, not only aligning organizational objectives with individual objectives but also linking together different aspects of human resource management such as human resource development, employee reward and organizational development, into a coherent approach to people management and development. It is concerned with performance enhancement underpinned by two further principles: the ideas that employee effort should be goal-directed and that performance improvement must be supported by the development of employee's capabilities (Auginis, 2009). A further feature relates to communication and understanding and the fact that performance management is based on an agreement between a manager and an individual, a shared understanding and continuing dialogue about an individual's goals, the standards expected and competencies needed, together with an appreciation of the organization's wider mission, values and objectives (Aguinis, Gottfredson, & Joo, 2012). This is linked to a final point about the process, that performance management – unlike performance appraisal – is owned and driven by line management rather than the HR function.

2.1.3. PM Processes

Performance management is a recurring and continuous process (Aguinis, 2011 and Armstrong, 2009). Although there is no universal model of performance management, a review of literature and practice suggests that there are a number of elements which might typically be found in an employee performance management system (EPMS). Mostly utilized elements or components of EPMS include defining prerequisites or setting objectives, performance planning, performance execution, performance review, and performance assessment, performance evaluation and performance renewal.

Defining prerequisites includes application of an organization's mission and strategic goals and knowledge of the relevant job. Knowledge about the relevant job includes elements in the role profile which defines key results, key technical and behavioral competencies and organizational core values (Aguinis, 2009). The role profile provides the basis for setting objectives. The next step is performance planning which involves agreement between the manager and the individual. The employee is told what they need to do to achieve objectives, raise standards, improve performance and develop the required competencies. Performance planning discussion also includes a consideration of results, behaviors and development plans. Results refer to what needs to be done or the outcomes an employee must produce. Consideration of behaviors includes discussing competencies which are measurable clusters of knowledge and attitudes that are critical in determining how results will be achieved (Armstrong, 2009).

Behavioral and result expectations should be tied to the organization's strategic direction and corporate objectives (Aguinis, 2009). Research has shown that employee commitment is critically important for goal attainment and that employees must feel that they are able to achieve their goals (Armstrong, 2009). It is thus important to ensure that employees participate in the goal-setting process, accept their goals and are motivated to work towards those goals. It is also important for managers to communicate their willingness to assist employees in achieving their goals by providing guidance and resources, and removing obstacles to goal attainment (Aguinis, 2011). Development plans identify areas that need improvement and provide learning action to incorporate a broad set of self-education, coaching, mentoring, and formal training programs (Armstrong, 2009). It

includes results and behaviors, highlights employee's strengths and weaknesses and provides an action plan to improve weakness and develop areas of strength (Aguinis, Gottfredson, & Joo, 2012).

In the execution stage of performance management, employees and supervisors have different responsibilities. Employees start to work on achieving agreed goals and behaviors. Supervisors are responsible for observation of employee behaviors, to update initial objectives or standards in terms of change of organizational goals, coach employees and provide ongoing feedback. Performance is affected by different factors. According to Auguinis (2011) supervisors have to be able to define the causes of poor performance. This is determined based on three factors such as declarative knowledge, procedural knowledge and motivation.

At the assessment stage, both employees and managers should take responsibility for evaluating desired behaviors and desired goals. It is suggested that employees have also to take active participation in evaluating of achievements. Self-appraisals reduce employees' defensiveness during appraisal meetings and increase employee satisfaction, enhancing perceptions of accuracy, fairness and acceptance of the system (Shore, Adams & Tachian, 1998). The performance review stage or appraisal meeting involves the meeting between the employee and the manager to review the assessments. During this meeting, managers provide feedback in a formal setting about employee performance. In fact, during the meeting an exchange of opinions between employee and supervisor can yield positive outcomes on discussions and feedback reactions (Elicker et al., 2006). The final stage in the performance process is the renewal and re-contracting suggested by Auguinis (2011). This process is almost identical to performance planning; the main difference is renewal of some information gained from other phases and altering unrealistic goals. As performance management is a cyclical process, the process starts all over again after performance renewal. In addition, there are several characteristics of EPMS to be successful. It has to be strategically congruent, thorough, practicable, meaningful, reliable, valid, and fair and accepted by its stakeholders.

2.1.4. Specific Features of PM Practices

Performance management is a process for measuring outputs in the shape of delivered performance, compared with expectations expressed as objectives. A substantial number of key elements, or features of, and influences on, Performance Management have been identified in the

literature reviewed above. They include the following: formulating a PMS; objectives of PM; PM pre-requisites; linking the corporate, team and individual objectives; Talent development activities; providing feedback; performance appraisal, and, finally, Incentives and performance based pay. For the purpose of this study, based on the frequency of their happenings in PM practices, these eight features are categorized into two. The first three features are considered as PM course of actions as their occurrence in PM practices extend for more than a year or beyond, and the next five features are considered as most important sub-dimensions of PM practices as they appear frequently or even on daily basis in PM practices.

2.2. Empirical Literature Reviews

An **industry** is a group of firms producing products that are close substitutes. In the course of competition, these firms influence one another. Typically, industries include a rich mix of competitive strategies that companies use in pursuing strategic competitiveness and above-average returns. In part, these strategies are chosen because of the influence of an industry's characteristics (Hitt, Ireland and Hoskisson, 2007).

From a strategic management perspective, theoretical approaches seeking to explain a firm's ability to outperform its competitors, among other things, include Porter's industrial paradigm (Porter 1979, 1981), based on the structure-conduct-performance (SCP) paradigm, and is focused on the industrial structure and ability of the firm to exploit its market power in order to obtain superior performance (Pervan, Curak and Kramaric, 2017). Even decades after Porter's pioneering papers, this approach is still largely applied. According to The industrial organization (I/O) model of above-average returns explains the external environments dominant influence on a firm's strategic actions. The model specifies that the industry in which a company chooses to compete has a stronger influence on performance than do the choices managers make inside their organizations. This suggests that both the characteristics and the firm's characteristics play a role in determining the firm's specific level of profitability. Thus, there is likely a reciprocal relationship between the characteristics and the firm's strategy, thereby affecting the firm's performance (Hitt, etal, 2007).

The industry characteristics often have a more direct effect on the firm's strategic competitiveness and above-average returns. Porter's five forces model sets an analytical

framework for understanding the influence of an industry's structure on the profit potential of the firms within the industry. This framework is one of the most significant contributions to the strategic field using industrial organization economic logic, and the structural characteristics of industries are the primary determinants of performance (Pervan et al, 2017). The SCP paradigm argues that performance is determined by the conduct of the firms, which in turn is determined by the structural characteristics of the market.

The intensity of industry competition and an industry's profit potential are functions of five forces of competition: the threats posed by new entrants, the power of suppliers, the power of buyers, product substitutes, and the intensity of rivalry among competitors (Hitt, et al, 2007). The five forces model of competition expands the arena for competitive analysis. Historically, when studying the competitive characteristics, firms concentrated on companies with which they competed directly. However, firms must search more broadly to identify current and potential competitors by identifying potential customers as well as the firms serving them. Competing for the same customers and thus being influenced by how customers value location and firm capabilities in their decisions is referred to as the market microstructure (Hitt, et al, 2007).

2.3. Integrative Conceptual Framework

This section constructs an integrative conceptual framework for examining whether the impact of industry environment on performance management performance will have a negative impact or a positive impact on performance management practice. This framework is created based on the Structure-Conduct-Performance, universalistic and contingency perspectives, specific features of PM identified in the literature review part. Eight hypotheses will be developed and derived from the existing literature. Moreover, in order to make a comparative study of the difference in practice of PM between industry's characteristics in Logistics and FMCGs industries, three hypotheses are developed.

2.3.1. The Industry Environment's Impact on PM Practices

Employee performance is influenced by the perception and understanding of organizational culture, climate, and interactions of employees with their peers. In such a context, organizational factors are considered in relation with performance results, determining a continuing redesign of performance appraisal and management systems and processes where the organizational context

is considered in a larger context (the industry, etc.) (McKenna, Richardson & Manroop, 2011). Hueslid (1995) contends that the use of SHRM may improve firm performance, but this assertion is not applicable for all firms, environmental volatility will influence the SHRM adoption. He also hypothesizes that some contingency factors such as firm size, industry intensity, growth pace, and capital intensity, as well as environmental stability all influence the adoption of SHRM (Datta, Guthrie and Wright, 2003).

In the strategic management literature, the industry environment is viewed as an important contextual factor that may impact the firm's strategic direction (Parvan, et al, 2017). The stability of the characteristics is reflected in the rate and continuity of change within an industry (Hitt, et al, 2007). The information uncertainty perspective maintains that greater environmental dynamism will lead to greater environmental uncertainty (Liu, 2010), and increased difficulty in decision-making (Datta and Guthrie, 2002). In uncertain, unpredictable industry environment, organizations might achieve this through "organic" (Liu, 2010) HR systems that develop human capital pools with a broad range of skills and willingness to engage in a wide variety of behavior (Wright and Snell, 1998). In uncertain industry, strategic HRM should increasingly promote organizational flexibility by using decentralization practices in information processing, in order for the firm to achieve a dynamic fit (Liu, 2010).

According to the Structure-Conduct-Performance paradigm (Parvan et al, 2017), industry/ firm structure and characteristics will influence the opportunities and threat which face the firm (Hitt et al, 2007) These options and constraints will further determine what kind of strategies and actions will be employed to deploy firm's internal resources to achieve above normal profit. In this study, the emphasis here is from a HR perspective on the firm's strategic and operational actions (Liu, 2010). It has already been shown that generic strategy is associated with particular HRM policies and configurations (Datta and Guthrie, 2002). It is proposed in this thesis that industry structures, which determine firm strategies and actions, also influence the Performance Management practices.

As protectionist barriers crumble in emerging market in Ethiopia, multinational companies are rushing in to find new opportunities for growth especially after the entrance of two giant MNCs

moving companies and many infants' local companies around 2014 in logistics industry and a lot of MNCs in FMCG sectors. For top local moving companies, however, the influx appears to be a death sentence because of the increased competition in the market. With this increased competition in the market and new developments in this age of globalization, a lot of private organizations in Ethiopia have started to accept employees' performance management practices as a tool in coping up with these challenges. Hence, the impact of industry characteristics on performance management becomes problematic in some organizations and is likely to be doubted and challenged by both management and employees while in some organizations it becomes as an opportunity for further improvement of the system. Considering specific features of PM practices from literatures, eight hypotheses will be developed to examine both the negative and positive impact of industry characteristics on employees' performance management practices.

2.4.2.1.PM Policy formulation

The employee performance management system focuses primarily to elicit employee behaviors consistent with firm strategy and other requirements imposed by contextual conditions (Armstrong, 2009). The issue here is that the type of industry impacts on management assumptions regarding decision-making.

For the successful introduction of performance management culture, industry context plays an important role (Datta, Guthrie and Wright, 2003). Differences in the types and range of competitive behaviors required in different industries have direct implications for the desired cognitive orientations and knowledge bases of key decision makers (Datta and Guthrie, 2002). If managers make or formulate PM policy as a course of action by taking the industry characteristics into consideration, PM policies are more likely to be effective than those who do not consider the characteristics in the industrial characteristics. That is to say, organizations with industry characteristics based formulation of PM policies will drive the whole parties involved in the processes of performance management to seek evidence regarding the implementation of PM System through industry or company comparison.

2.4.2.2.Objectives of PM processes

According to Tosh (2016), Effective performance management programs should have an objective of talent development, enhancing communications, rewarding individual performance, increasing employees understanding of business critical initiatives, and producing higher level of individual accountability. If leaders are interested to focus organizational energy on strategic objectives, they should have to shape the objectives of employees PM processes based on the information gained from the industry characteristics because the escalating competition and customer expectations in the industry will require continuous skill development and better communications between employees and managers. Moreover, Industry characteristics will dictate the degree to which narrow versus broad functional, organizational, and industry experience or objectives is valuable, and the objectives of PM vary predictably as a function of industry settings (Datta and Guthrie, 2002). Thus, the industry characteristics will contribute to better design of the objectives to be adopted by the organizations in their PM policy. Therefore, it could be assumed that the impact of industry on performance management will have positive effects on the objectives of the PM processes.

2.4.2.3.PM Pre-requisites

Prior to implement performance management system every employees of the organization is expected to know the organization's vision, mission and strategic goals. Thus, the first pre-requisites for employee performance management process are completion of strategic plan of an organization. If there is a lack of clarity regarding where the organization wants to go, or the relationship between the organization's mission and strategies and each of its unit ' s mission and strategies is not clear, there will be a lack of clarity regarding what each employee needs to do and achieve to help the organization get there (Aguinis, 2009). The second pre-requisite is Knowledge of the job in question which is done through job analysis. Performance standards ought to be established for jobs through the use of job descriptions. Job descriptions help the manager and the employee identify the performance gap between what is expected for the job and what is being achieved by the employee (Armstrong, 2009). Meanwhile, a firm's industry (or industries) is an important part of the characteristics within which organizational policies and strategies are framed and executed (Dess, Ireland & Hitt, 1990).

Furthermore, when there is greater change in an environment, executives may face uncertain situations, and they will generate more complex strategies (Li and Simerly, 1998). In addition, under conditions of higher level of industry uncertainty, the effectiveness of monitoring employees' behavior will be extremely difficult, even impossible. The difficulty and uncertainty associated with dynamic environment require firms to consider not only their strategy, but also their HR deployment. Effective Performance management systems under this condition, is primarily concerned with promoting the organizational capability to adapt to a changing characteristics (Snell, Youndt, and Wright, 1996).

Today's hyper-competitive characteristics has expanded the strategic importance of a firm's employees and associated HR policies and practices such as the way job analysis is carried out and the way job description is constructed (Pfeffer, 1998). Moreover, recent years have witnessed increased interest in expanding the notion of fit to include person-organization (P-O) fit or the match between an individual and broader organizational characteristics or attributes within the broader organizational context, such as industry structure or the nature of management style (Stevens & Ash. 2001). Thus, the completion of organization's strategy and knowledge of the job in question is significantly influenced by the industry characteristics of capital intensity, growth and differentiation (Datta, Guthrie and wright, 2003). Therefore, it could be hypothesized as follows;

2.4.2.4.Goal setting and measurement standards

Industry characteristics issues are integrated into the business strategy of the company and interpreted as functional and operational targets and objectives (IOGP, 1997). Periodical assessment of these targets is very important to maintain and formulate employee behaviors and organizational culture. Industry's environmental impact is reflected in setting related goals and objectives and their development and in the assessment of the performance management process.

Industry growth is an important industry characteristic and is prominently appears in the industrial organizational and strategic management literature (Datta and Rajagopalan, 2003). Industries experiencing a higher than average growth rate are either characterized by entrepreneurial decision making, or their growth stage (Liu, 2010). At the growth stage, the first priority is attracting highly skilled employees to sustain this high growth rate; this is because of the „war for talent“ in labor markets and product and market uncertainty (Aguinis, Gottfredson, & Joo, 2012). Firms in uncertain

markets have to pay more attention to product improvements and modifications in order to meet customer's preferences (Hitt, et al, 2007). In such conditions, jobs became complex having multiple information cues and require numerous unique operations. Because complex jobs involve the use of high-level skills, they tend to be mentally demanding. Firms in mature industries or declining industries (Anderson and Zeithaml, 1984) face stable or decreased customer demand and competitors. At this stage, less employee participation is needed for product improvement and modification demands. Firms in this stage tend to adopt a cost-reduction strategy. Correspondingly, HR practices at this stage tend to be routine, so it is unnecessary for the introduction of innovative and costly human resource practices (Liu, 2010). In such conditions, jobs involve simple tasks and simple reporting relationships with little information and routine operations are defined (Hitt et al, 2007). Complex tasks differ from simple tasks in information required and the number of adaptive requirements for the task (Wood, 1986). This in turn impacts employee performance management with regard to goal-setting and providing feedback. Of course, complex tasks require more formal performance management system than simple tasks. An empirical study has shown that goal-setting for simple tasks provides information to motivate efforts (Neubert, 1998). However, complex tasks with lots of information cues and operations require more formal performance management and aims at identifying skill shortages. However, there is an argument that information in complex tasks for goal-setting may create confusion and hinder performance by drawing attention away from learning objectives (Neubert, 1998). Therefore, it could be hypothesized as follows;

2.4.2.5. Talent Development

Industry growth is typically associated with higher levels of change and the availability of multiple options (Datta and Guthrie, 2002). Rapid growth in an industry tends to attract new entrants who tend to pursue different strategies from incumbent firms in order to stake out a position (Parvan et al, 2017). Firms in such industries or growth stages need large amounts of skilled and motivated employees in order to transform ideas into marketable products (Liu, 2010). This transformation process needs employees' innovation in decision making processes, quality circles, and other team work (Hitt et al, 2007). In this stage, extensive training and development that aim to enhance employees' skills, ability, and knowledge are necessary to guarantee the product improvement program and High industry growth leads firms to "raid" talent from their competitors, resulting in greater managerial mobility (Datta and Guthrie, 2002). Meanwhile, a big challenge of firms at this stage is to retain skilled employees, because firms' human capital resources are not only a source of sustainable competitive advantage (Datta,

Guthrie and Wright, 2003), but also attractive to competitors. Firms are dependent upon having the right employees at the right place (Aguinis, Gottfredson, & Joo, 2012).

In addition, Proponents of contingency theory maintain that current environmental demands increase the importance of the core competencies and capabilities of employees relative to more traditional sources of competitive advantage such as, patents, economies of scale, access to capital and market regulation(Datta, Guthrie and Wright, 2003). Contingency theory argued that organizations whose internal features best match the demands of the characteristics are best adapted for optimal functioning (Datta et al, 2003). Thus, the value of performance management practices is enlarged due to the hyper-competitive markets faced by today's firms and the effectiveness of PM practices may be influenced by characteristics in a firm's industry characteristics. Therefore, these arguments will lead the researcher to the following hypothesis;

2.4.2.6. Performance appraisal

The uncertainty and changes in the characteristics increase the information processing needs and complexity, which in turn increase the needs for a group of skilled employees and organic HR systems to provide quick responses to fit the uncertainty and changes (Liu, 2010). In such conditions, the performance based appraisal encourage employees to stay with the current organization; the participatory mechanisms make and decentralized decision making processes enhance employees' loyalty to the organization(Liu, 2010). Through the process of evaluation, the culture, norms and purposes of the firm can be translated to the employees. Hence, performance appraisal can be used as an instrument to inform workers about the firm's competitive strategy, so they can align their work with the strategic objectives of the organization (Galdon, 2016). Moreover, some industry's structure forces firms in the industry to systematically integrate the environmental issues into business decisions through use of formal management systems and consideration of all environmental components in the decision-making process(Liu, 2010).Periodical assessment of these targets is very important to maintain and formulate employee behaviors and organizational culture (Galdon, 2016).

Regarding the design of performance appraisal, it has been suggested that cost strategies should be accompanied by short-term results-oriented appraisal systems (Takeuchi, 2009). When employers have low levels of autonomy and involvement, the use of performance appraisal aimed at developing their ability will have a small effect on performance. On the contrary, this

strategy fits better with an administrative system of appraisal that focuses on monitoring and controlling workers' performance. On the other hand, the development of human capital is not a priority in this type of organizations. This argument is supported by the results obtained in (Youndt et al., 1996). In particular, the authors find that the interaction between a cost strategy and the adoption of an administrative HRM system, which includes results-based performance appraisal, increases employee productivity. Because of high involvement of employees in decision making and differentiation strategy adopted by firms in such kind of industries.

Thus, it can be hypothesized that;

2.4.2.7. Feedback and coaching

Employees start to work on achieving agreed goals and behaviors. Supervisors are responsible for observation of employee behaviors, to update initial objectives or standards in terms of change of organizational goals, coach employees and provide ongoing feedback. Industry environment's impact manifests itself on the performance management process first of all, in terms of providing face-to-face feedback, levels of power and decision-making involvement and their implication for the recruitment interview, communication, negotiation and participation processes. Secondly, it is pervasive in expectations of the manager-subordinate relationships and its implications for performance management and motivation (Aguinis, 2011).

Outcome feedback is seen to have little or no benefit in complex tasks because knowledge of results doesn't provide specific information for learning, whereas process feedback enables one to see skill gaps and provides information for further learning and development opportunities (Galdon, 2016). Conversely and because of the nature of simple tasks, this requires less cognitive attention and uses informal feedback process to enhance self-monitor progress. However, complex tasks require the processing of many informational cues, and needs a formal feedback providing process from different sources. In addition, feedback serves also to provide motivation in complex tasks to provide information in simple tasks (Neubert, 1998). Thus, it can be hypothesized that;

2.4.2.8. Incentives and performance based pay

The competitive behaviors of a rapidly changing set of participants cannot be easily predicted, leading to causal ambiguity and uncertainty about the future. In this type of characteristics, the ability to adapt quickly to emerging conditions is key; innovation and change are more valued than the status quo. Thus, the knowledge base associated with past strategies and firm practices are less likely to be relevant in such

a context (Datta and Guthrie, 2002). High industry growth leads firms to "raid" talent from their competitors, resulting in greater managerial mobility (Pfeffer, 1983). One can reasonably expect that in industries characterized by rapid growth, there may be a greater tendency to import executives and talented employees from other industries (Datta and Guthrie, 2002). Therefore, providing good compensation packages and more job security to employees is important for firms in a high growth industry. In addition, firms in high-growth industries or in their growth stage will face uncertain market conditions. Human resource management must therefore pay more attention to human resource planning (Liu, 2010). Therefore it could be hypothesized that;

Figure 2.1. Conceptual Model

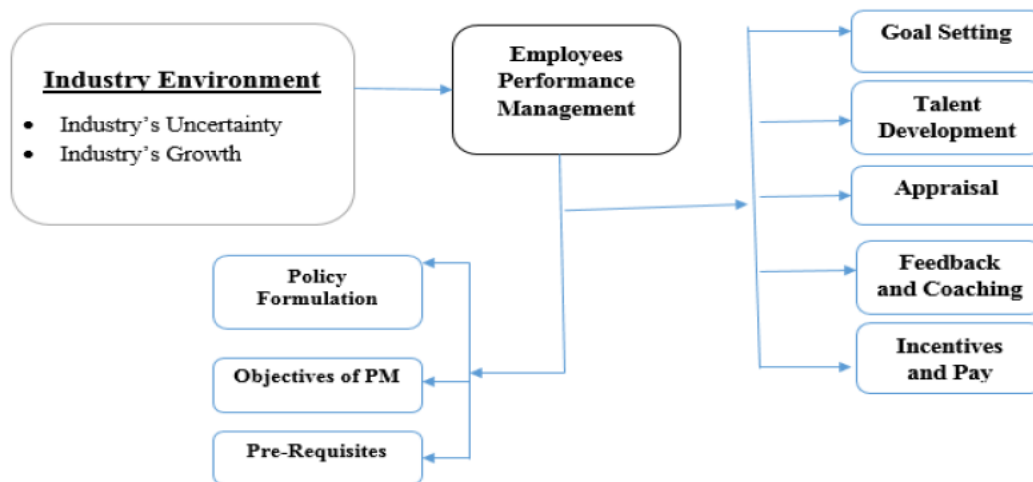


Figure 2.1. Conceptual model for industry environment's impact in performance management

2.3.2. Hypothesis

The following research hypotheses were developed from the conceptual framework depicted in Figure 2.1.

Hypothesis1: Industry environment's impact on PM practices will be positively related to formulation of performance management policy.

Hypothesis 2: the Industry environment's impact on PM will be positively related to the objectives of the PMS to be adopted.

Hypothesis 3: Industry environment's impact on PM is positively related to better completion strategic planning and better understanding of the job in question.

Hypothesis 4: Industry environment's impact on PM will be positively related to goal setting processes and measurement standards.

Hypothesis 5: Industry environment's impact on PM will be positively related to talent development activities of the firm.

Hypothesis 6: Industry environment's impact on PM will be positively related to the objectives of performance appraisal in unstable Industry.

Hypothesis 7: Industry environment's impact on PM will be positively related to the communication between managers and employees as well as the feedback and coaching process.

Hypothesis 8: Industry environment's impact on PM will be negatively related to the incentive and performance based pay practice.

In order to examine the impact of industry characteristics on Performance Management practices and the implementation of performance management systems in the FMCGs and logistics industries, two organizations one from each industries including East Africa Trading House and Segon-Marill Movers respectively, were chosen for empirical studies. East Africa Trading house, which has a long history of more than 60 years, operates in relatively unstable and high growth rate industry. Segon-Marill International Movers have a short history of 20 years, operates in highly unstable and relatively average growth rate industry. For the purpose of this study and in order to answer the question of how Performance Management practices vary substantially across industries, the researcher's choice of the industries depends upon Porter's five forces model, product market competition, multinational status or geographical scope of operations, ownership style or status. Of course, some of these reasons may be better suited to explaining differences within an industry or across industries, while other reasons may be better-suited to explaining difference between industries.

To differentiate and select the appropriate industries for comparative study, two industries should be separated based on the complexity of characteristics in the industry characteristics, i.e level of industry's uncertainty and growth pace of the industry, and nature of work. Accordingly, Fast Moving consumer goods (FMCG) and logistics industries of packing and moving companies are selected for comparative case studies. Above all, the choice of the industry is influenced by the researcher's experience of working in both industries and observations that large numbers of employees were moving from companies to companies within one industry and across both

industries. Selected organizations from both industries are owned by private firms can be considered comparable. Thus, to study the differences between these two companies with respect to industrial impact on performance management, the implementation of performance management system and practices, it could be hypothesized that:

Hypothesis 9: *industry environment's impact on PM Course of action and pre-requisites will be significantly stronger in Segon-Marill than East Africa Trading house.*

Hypothesis 10: *industry environment's impact on important sub-dimensions of PM will be significantly stronger in Segon-Marill than East Africa Trading house.*

Hypothesis 11: *industry environment's impact on PM outcomes will be significantly stronger in Segon-Marill than East Africa Trading house.*

CHAPTER THREE

RESEARCH METHODOLOGY

The main purpose of this chapter is to describe the methodologies that were used during the research work. The topics covered include the research design, the strategy of the study, population identification, sampling procedures and data collection methods. The chapter also considered how the data will be analyzed, validity and reliability, and ethical considerations.

3.1. Research Approach

In his book, Creswell (2014) advanced three approaches to research [(a) qualitative, (b) quantitative, and (c) mixed Methods]. The first approach relates to the collection of data that are numerical or can be usefully quantified and can be employed for all research strategies, whereas qualitative approach refer to all data that are non-numeric or that have not been quantified, and the third involves combining qualitative and quantitative (Saunders et al., 2007). This thesis will adopt mixed method approach as the research questions require a mixed methods involving both quantitative and qualitative research in this study.

Thus, it could be summarized that it is the research question and research purposes require pragmatism as philosophical paradigm and mixed methods involving both quantitative and qualitative research to be adopted in this study. The researcher believe that the pragmatism and mixed methods could help to enhance the quality of this study and enable a more complete and thorough understanding of the research question with depth and breadth. Based on the philosophical position, the detailed research design and methodology will be proposed in the following sections.

3.2. Research design

The research design is the strategy used to answer the research questions and achieve the research objectives, e.g. sampling, the data collection or the data analysis (Saunders et al., 2009). According to Creswell (2014), the selection of a research design is based on the nature of the research problem or issue being addressed, the researcher's personal experiences and the audience for the study. Therefore, exploratory design of mixed method approach used as a strategy to carry out this thesis, where qualitative data collection and analysis builds to quantitative data

collection and analysis to get the interpretation; “to find out what is happening to seek new insights, to ask questions, and to assess phenomena in a new light”.

In terms of social science research, the major research methodology includes experiments, case studies, histories, surveys, and the analysis of archival information. Each of the above methods has its own advantages and disadvantages. In order to choose a suitable research method, it is necessary to consider these three main aspects: “(1) the type of research question posed, (2) the extent of control an investigator has over actual behavioral events, and (3) the degree of focus on contemporary as opposed to historical phenomena” (Yin, 2003, cited in Fan Gu, 2013). The following table 3-1 indicates the main difference between the five major methods, in terms of the above three aspects.

Table 3.1 Relevant Situations for Different Research Strategies

Strategy	Form of Research Question	Requires Control of Behavioural Events?	Focus on Contemporary Events?
<i>Experiment</i>	how, why?	Yes	Yes
<i>Survey</i>	who, what, where, how many, how much?	No	Yes
<i>Archival analysis</i>	who, what, where, how many, how much?	No	Yes/No
<i>History</i>	how, why?	No	No
<i>Case study</i>	how, why?	No	Yes

Source: COSMOS Corporation, cited in Yin 2003, copied from Fan Gu (2013)

Considering the following three aspects, the researcher decided to choose case studies for the main question. Firstly, the form of the main question is predominantly ‘how’. Secondly, the researcher did not need to control behavioral events in this research. Thirdly, this study concentrates on contemporary events, in exploring how a different industry specific factor influences the effectiveness of performance management systems. For the above reasons, a case study was considered as the most appropriate method for this study.

3.3.Sampling and Population

3.3.1. Unit of Analysis

The unit of analysis for this study is different profit making organizations operating in different industries available in Addis Ababa. However, as the time that the researcher was not suitable to conduct cross-sectional or longitudinal case study using survey, especially when the study has a comparative study section, the researcher decided to choose two industries first and then select the proper cases. Hence, sampling strategy will be discussed in following sections.

3.3.2. Number of cases

However, there is no conclusion regarding the ideal number of cases that should be used in the literature. As Eisenhardt (1991) said, the proper number of cases should depend on how much information is already known and how much will be learnt from the incremental cases. Therefore, Eisenhardt (1989) suggested that four to ten cases are regarded adequate and appropriate, because it is difficult to cope with the complexity of the data in more than ten cases. However, No study has focused on the performance management practice across industries in Ethiopia and the impact of industry specific characteristics on effectiveness of performance management systems in the literature. Very little information about this is already known to scholars. Thus, it was better for the researcher to choose fewer cases for a thorough in-depth study, because of the complexity of the research methodology the researcher uses in this study. Therefore, the researcher intended to select two organizations (one from each industry) for study than more cases, because it is not difficult and/or complicated to conduct the in-depth study respectively in these two cases and the comparative study between the two industries using cases in detail.

Consequently, given the research questions, objectives and methodology, this study will conduct two in-depth case studies, by choosing one company operating in a relatively stable industry from FMCGs industry, and one company operating in highly uncertain characteristics from Logistics industry of packing and moving sector.

3.3.3. Sampling techniques

The researcher determined Sampling design to be non-probability. Participants for the study will be selected by using a non-probability samplings design of purposeful sampling strategy.

Therefore, the respondents that represent the company are selected using purposive sampling, and these are those managers or supervisors working in different departments that practice the PM activities like goal-setting, coaching, mentoring and appraisal. Those working as HR team, and a manager/head or supervisor for the departments are selected since they are well aware of the PM practices and easily observed the related influence of the industry. Therefore, each firm is represented HR team and different layers of Management team (Top, Middle-level and lower level) as respondents' who are selected purposefully.

3.4.Data Collection Methods

As there are four research questions in this study, each question has different features and objectives that require different research methods for data collection. The first question requires a pilot study to develop a scale for 'The influence of industry characteristics on performance management practices' to be used in the main study of the two organizations operating in the two different industries. Therefore, the methodologies for the pilot study first of all were discussed in this section. Moreover, the data for the remaining three sub-research questions were all derived from the main empirical study of the FMCGs industry of East Africa Trading house and the logistics industries of Segon-Marill Movers Plc. in Addis Ababa. It involves the interviews of HR staff in the two organizations to obtain a thorough understanding of the design and implementation of performance management systems, and employee surveys for the model testing, interviews with management members, supervisors and employees to obtain relevant information and evidence for their attitudes to performance management practices and the analysis of secondary documents. Therefore, both of the qualitative and quantitative methodologies for the main study of the two organizations in the two industries are presented in this section.

Interviews:

Pilot study was carried out with the aim of examining how the industry environment influences performance management in different organizations in Ethiopia and to develop a scale for the impact of the industry characteristics on employees' performance management practices. Therefore, in order to fulfill these two aims, the pilot study was divided into two parts, with interviews as the first part and explanatory factor analysis as the second part.

Given that the first research aim is to examine the question ‘what is the role of the industry characteristics in the performance management practice?’ the interview was the most appropriate method here. Qualitative interviews were used to obtain a thorough understanding of the role of the industry characteristics in performance appraisal systems from employees, HR staff and managers or management members ‘perspectives. The interviews with employees provided information about the employees’ awareness of the impact of the industry characteristics on some selected features of performance management practices, how employees view the industry characteristics and managers’ behavior caused by the industry characteristics. On the other hand, the interviews with managers were to ensure that they could understand whether managers would consider the characteristics of the industry environment’s impact in the performance management process and how supervisors behave in terms of the impact of the industry characteristics.

Fourteen face-to-face semi-structured interviews were conducted with 14 employees from 7 companies in Addis Ababa in the month of mid-April 2019. Participants in the interviews were selected by using a purposeful qualitative sampling strategy. The sample was reasonably diverse in terms of sex (10 male and 4 female), and hierarchical level and positions, ranging from 6 employees to 8 managers. 4 of the participants were chosen from companies operating in FMCG industry especially companies in beer manufacturing sector; 3 participants from companies operating in logistics industries, 3 from banking industries, 2 participants from hospital industries, and 2 were selected from the hospitality industry.

Given that this research also aims to explore the details of the procedures of performance management systems, interviews seemed more appropriate here. Interviews give the chance to researchers to explore a new phenomenon in depth, undercover new dimensions of a question or problem, and secure accurate, inclusive and vivid accounts based on personal experience (Creswell, 2014). Therefore, semi-structured interviews, which provide the flexibility to ask questions that emerge during the interview, were adopted in this section, in order to collect enough detailed information about the performance management systems and practices in the two organizations.

Interviewees were selected from the HR department of both organizations, on the basis of their experience and knowledge of the current performance management system and its reform, if any. Ideally, the head of the HR department and two supervisors or immediate line managers who are responsible for managing employees performance work with at least five years' work experience in the industry and two years in the organizations, were chosen for the interviews. The researcher recorded all interview data by taking notes and through digital recording device, i.e. mobile phone in each interview. Moreover, writing down the answers provided more time for the researcher to reflect on them and formulate more tailored questions to pursue items of interest.

Survey Research

In terms of the impact of industry characteristics on employees' performance management practices, a multi-level model was created based on the research hypotheses. The survey research approach was used to make statistical inference of the interactions and relationships between multiple variables, based on the conclusion derived from a representative sample of the population of interest (Creswell, 2014). Therefore, in order to test the model, the survey design was adopted here. Compared to the experiment design, the advantage of the survey is that it has relatively lower costs and a rapid turnaround in data collection (Robson, 2002). Given the limited resources for this research, the survey design seemed more appropriate.

Questionnaire design

In order to ensure consistency between the new scale and the model, the 5-point Likert-scale was chosen for the questionnaire. On the front page of this questionnaire, the respondents in the study were informed of the aims and objectives of this survey and of assured confidentiality (Robson, 2002). The template of the questionnaire (English version) is provided in the Appendix 4. The scale 'industry characteristics impact on employees performance management practices' was created in English in the pilot study and all other items were drawn from validated scales designed.

Measures

The model developed in the literature review chapter has one independent variable, 8 dependent variables and three control variables.

Independent Variables

The industry environment's impacts on PM Practices

The scale created in the pilot study was used here to measure the ‘*industry characteristics impact on performance management practices*’. This scale had three factors, which include fifteen items in total. In the scale, “the industry environment” refers to any type of the following; (1) level of uncertainty in the industry caused by threats of new entrants, bargaining power of buyers and suppliers, (2) competitors’ action (3) growth pace of the industry. The first factor, namely ‘*industry environment’s impact on PM course of actions*’ includes the five items. Cronbach’s alpha for industry’s environment impact on PM course of action was 0.802. The second factor, namely ‘*industry environment’s impact on important sub-dimensions of PM processes*’ includes the following seven items. Cronbach’s alpha for industry environment impact on important sub-dimensions of PM was 0.785. The third factor is named “*industry environment’s impact on PM outcome*”, which includes the following three items. Cronbach’s alpha for industry’s environment impact on performance management outcome was 0.841

Dependent variable:

The below table will briefly summarize and present how the dependent variables were measured by the scale by mentioning its original sources. Some wordings of the items were modified as appropriate, in order to fit this study.

Figure 3.2. List of variables and Cronbach alpha

	Variables	Number of Items	Measured by the Scales from	Cronbach alpha
a)	PM policy Formulation	3	Abdurehim(2017)	0.875
b)	Objectives of the processes:	4	Abdurehim(2017)	0.964
c)	Pre-requisites for the implementation:	3	Kassaye (2017)	0.972
d)	Goal alignment and measurement:	5	Abdurehim(2017) and kassaye (2017)	0.957
e)	Appraisal:	8	Abdurehim(2017)	0.82
f)	Feedback:	8		0.791
g)	Incentive and performance based pay:	13	Abdurehim(2017)	0.83
h)	Talent development	5	Kidane(2017)	0.847

Control variables:

Three control variables were measured, in this study. This refers to the age, gender and education of the employee. In this study, age was measured in years. Male was coded as 1 and female as 0. Education was measured by four categories: high school (=1), college diploma (=2), First degree (=3), and Master's degree or above (=4).

3.5. Reliability and Validity

To evaluate the quality of empirical social research, there are four aspects, including construct validity, external validity, internal validity and reliability, that should be maximized (Yin, 2003). As this study involves both exploratory and descriptive enquiry (e.g. interviews) and the investigation of the relationship between variables (e.g. survey), all these four criteria are described and discussed below.

According to Kothari (2004), sound measurement must meet the tests of validity, reliability and practicality. In fact, these are the three major considerations one should use in evaluating a measurement tool. *“Validity refers to the extent to which a test measures what we actually wish to measure. Reliability has to do with the accuracy and precision of a measurement procedure ... Practicality is concerned with wide range of factors of economy, convenience, and interpretability ...”* Therefore, we briefly take up the relevant details concerning these tests of sound measurement. The aim of reliability is to minimize bias and errors in the research (Yin, 2003). According to Gibbert et al. (2008), the achievement of reliability of the case study depends on its transparency and replication. Transparency could be assured “through measures such as careful documentation and clarification of the research procedures” (Gibbert et al., 2008).

Since no standard questionnaire is found that will rate all the selected performance practices and the industry environment influence, the questionnaire is prepared by referring different related studies, and to increase validity of the instrument the questionnaire will be pre tested on some of the respondents that have adequate knowledge on the subject. Using the expert views and suggestions, the final questionnaire will be prepared and distributed to the respondent firms. Regular cross checking and follow-ups will also be made at the time of data collection to ensure accuracy, relevance, completeness, consistency and uniformity of the data.

To check item reliability Cronbach's alpha coefficient was calculated to all items arranged in a five point Likert scale based on the responses of questionnaires that will be collected from both firms. Coefficient Alpha compares the sum of the variances for each item with the total variance for all items taken together. If there is high internal consistency, coefficient alpha produces a strong positive correlation coefficient.

In this study, the researcher will record each case study carefully. Moreover, in order to achieve replication, the researcher will put together a database for case study, including interview notes, questionnaires, case study documents and the narratives during the case study.

3.6.Data Analysis

This study adopted both within-case analysis and cross-case analysis to have an in-depth investigation. The combination of these two types of analysis can counteract biases during the information processing period and keep the study from making "premature and even false conclusions" (Eisenhardt, 1989). Within-case analysis normally means in-depth and detailed case study write-ups and analysis for each site (Eisenhardt, 1989). As Eisenhardt said, one strategy for cross-case analysis is to "select pairs of cases and then to list the similarities and differences between each pair" (1989, p540). Cross case analysis compares and contrasts the answers from the viewpoint of the two variables under scrutiny, namely the relatively steady nature of industry and unstable nature of industry. The within-case analysis will use the interview text and secondary sources to provide a detailed insight into each organization's respectively. Hence, a second phase of data analysis will be comparing the findings from all interviews, questionnaires and secondary sources for different organizations within the same industry. The research for similarity and difference between these two industries will also lead to a more sophisticated and thorough understanding of the research objective and questions (Eisenhardt, 1989). To process and analyses the data from questionnaires, SPSS 23 software will be used. Data processing in this case involves categorizing the data, coding, and summarizing the data in data master sheets, or data entry and verification by computer. It is any characteristic whose value may change from one individual (the respondent) or object to another, the majority of which are numerical (or quantitative).

How the analysis will be carried out

The data, which was collected from the semi-structured interviews, was analyzed through a thematic analysis process. Thematic analysis is qualitative data encoding process, in which themes are searched and identified through “careful reading and re-reading of the data” (Creswell, 2014). Using information from the pilot interview, explanatory Factor Analysis will be conducted through which the number of items for industry environment’s impact was reduced through correlation and principal component and axis factoring analysis will be used for dimension reduction.

Data from the questionnaire from the case study will be used to study the relation and effect. Hierarchical multiple regression was adopted to test the model. Hierarchical multiple regression was used in the situation that more than one independent variables needs to predict the dependent variable.

3.7.Ethical Considerations

Questionnaires will be distributed to permanent staff members who are working in these two organizations in the two industries who will be willing to fill-up the questionnaire. The purpose of distributing the questionnaire is clearly indicated on the questionnaire. The name of the respondents will be confidential. The conclusion reached and the recommendations given will not be biased and will purely be based on the data collected and the feed-backs received from the respondents.

CHAPTER FOUR

DATA PRESENTATION, DISCUSSION, ANALYSIS AND INTERPRETATION

This chapter contains data presentation, analysis and discussion on findings under each presentation, aimed at achieving the research objective. In this regard, the chapter discusses the data cleaning process; the reliability analysis scores of the instrument employed in this research; the result of tests of assumptions; descriptive analysis on both dependent and independent variables; inferential analysis which is performed for investigating relationship of variables and influence of independent variable (TM) over dependent variable (TI); independent sample T test to compare mean differences between two groups (FMCGs and Logistics Industry); and summary of proposed hypothesis.

4.1. Response Rate

Out of the 104 questionnaires distributed, in which the researcher conducted the empirical studies in two organizations operating in two different industries, and finally obtained 97 valid questionnaires for model analysis. Accordingly, the response rate is 93.26% which is an acceptable rate. Since the researcher himself administered the data collection and the sample size was manageable, the usability of the questionnaires was checked upon collection and respondents were asked to refill any missing values.

4.2. Characteristics of Respondents

This section discusses the profile of 97 respondents as follows.

4.2.1. The Sex Composition of Respondents

Table 4.1: Demographic characteristics of respondents

Name of the Company	Male		Female		Total	
	Frequency	%	Frequency	%	Frequency	%
EATH	31	70.46	13	29.54	44	100
SMIM	35	66.04	18	33.96	53	100
Total	66	68.04	31	31.96	97	100

Source - Survey Data

Table 4.1 presents the sex composition of the respondents. Of the total 97 respondents 66 (68.04%) are male and the remaining 31 (31.96%) are female. Of the total 66 male respondents, 31 (70.46 %) are from FMCGs industry /EATH/ and 35 (66.04%) are from Logistics industry /SMIM/. The female respondents are 13 (29.54%) and 18 (63.96%) respectively from FMCGs industry /EATH/ and 35 (66.04%) are from Logistics industry /SMIM/.

4.2.2. Age Composition of Respondents (employees)

The study needed to know the age distribution of respondents to help categorize employees and assess whether ages of employees were taken into consideration in selection of employees in both company. The table below summarizes the data obtained on the ages of respondents.

Table 4.2: Age Distribution of Respondents

	EATH		SMIM		Total	
	Frequency	%	Frequency	%	Frequency	%
18 to 30	13	29.55	35	66.04	48	49.48
31 to 40	21	47.72	16	30.18	37	38.14
41 to 50	8	18.18	2	3.78	10	10.30
51 and above	2	4.55	0	0.00	2	2.06
Total	44	100.00	53	100.00	97	100

Source: - Survey data

As Table 4.2 almost half (49.48 %) of the respondents are of between 18 and 30 years of age, 38.14% are between 31 and 40 years of age, nearly one tenth (10.30 %) are between 41 and 50 years of age and the remaining 2 (2.06 %) are of 51 years or more. Of the 44 respondents from EATH 29.5 percent are below 30 years of age .In the case of SMIM is 66.04 percent of the respondents are in the same category. In case EATH 47.72 percent of the employees are between 31 and 40 years of age where as 30.18 percent the employees in SMIM are under this category. Concerning age of the respondents, the result shows that most of the sampled

respondents in both organizations are young. Hence, it is reasonable to conclude that both company employ young applicants most of whom are recent graduates.

4.2.3 Educational Levels of Respondents

Table 4. 3: Educational Qualification of the Respondents

Variables	EATH		SMIM		Total	%
	Frequency	%	Frequency	%		
High School	1	2.27			1	1.03
College Diploma	6	13.63	12	22.64	18	18.55
First Degree	27	61.36	31	58.49	58	59.79
Masters and above	10	22.72	10	18.87	20	20.62
Total	44	100.00	53	100.00	97	100

Source: - Survey Data Analysis

Table 4.3 presents the education status of the respondents of the study. About 80 percent of the respondents are having either a degree level education or more in both companies. Out of the total respondents from EATH 17 (21.3%) attained pre-degree education 57 (71.3 %) are qualified with first degree education and 6 (7.5 %) are have Maters degree. In the case of SMIM 10 (12.5%) respondents have diplomas and about 87.5 percent of have a relatively higher levels of qualification i.e, first degree (78.8%) and Master’s Degree (8.7%). None of SMIM respondents has a certificate. This implies that absence of certificate level might be associated with procurement criteria required by the company. Generally, employees of SMIM have higher level of qualifications than those in EATH regardless of the relevance of their qualifications to the specific duties to which they are assigned in the respective companies. The above data can serve as a preliminary indicator for the general training needs that each company is supposed to provide to employees in the different levels of qualifications mentioned above.

4.3. The Influence of Industry Environment on PM

Based on the interviews, the researcher has found that the industry environment has an impact on companies’ employees PM practices. The researcher also summarized and categorized three aspects of the performance management practices that are influenced by the industry environment. Therefore, this paper will elaborate on how the industry environment influences these three important aspects, including PM course of actions, important sub-dimensions of PM

and outcomes of PM. Then, the thesis will also explain clearly how the peoples involved in performance management practices including both supervisors' and subordinates' behavior/action/result is influenced by the characteristics in the industry environment in terms of these three aspects.

The employees' performance management courses of actions are reported to be influenced by the industry environment. All 6 employee participants in the interviews claimed that the industry environment have an impact on how PM policy is formulated, objectives adopted by the policy, and performance management's pre-requisites.

About five manager participants considered the impact of industry environment on their decisions and effort of not managing performance throughout the year and to have some negative impacts on the formal practice of the performance management system. About seven manager participants perceive and interpret the industry environment impact positively as a contribution or an opportunities towards practicing the performance management implementation processes effectively in return to reduce the industry environment challenges. However, it is interesting to note that although all the employees of participants claimed that industry characteristics influences the company's supervisors' effort of managing subordinates' performance throughout the year, only 4 manager participants out of 8 (50%) confirmed this phenomenon.

Besides the findings in the pilot study, there is evidence from the literature to confirm that the industry's characteristics influence the successful implementation of performance management processes. Industry has been highlighted as a critical contextual variable for HRM (Wright and Snell, 1998). The issue here is that the type of industry also impacts on management assumptions regarding decision-making. The influence of top management on organizational performance varies considerably across industries and managers have greater influence on performance in some industry contexts relative to others (Lieberson and O'Conner, 1972).

In their discussion of goals for corporations facing unstable environment, Thompson and McEwen (1958) suggested that effective firms manage adaptation by continually reappraising their goals; during reappraisal, new goals are articulated and then added to the old. However, owing to previous commitments, organizational inertia, or corporate culture, older goals linger for a time before new goals entirely displace them (Quinn, 1977). Since new goals reflect

recognition of a need to adapt to changing characteristics, for firms in volatile environment a relatively high number of goals will reflect successful adaptation. Conversely, firms in stable environment should experience less need to change their goal structures to remain successful. Pursuit of too many goals in stable environment might lead firms in more directions than conditions warrant, resulting in inefficient use of resources, and a depression in economic performance. Carter (1971) suggested this argument after studying a business strategy decision that concerned capital investment in computer terminals, stating that "*the greater the uncertainty of outcome in the total characteristics of the organization, the greater the number of criteria, that is, goals, which will be sought to guide the strategic decisions*".

Market competition at industry level is assumed as a primary driver of good management practices. Competition makes managers work harder and effectively compared with uncompetitive industries. Because of the industrialization process in Ethiopian, one company in logistics industry said that the impact was reflected in their decision of increasing the number of employees to cope with the increasing challenges of highly uncertain industry. Employees state that this will impact on a lot of aspects, including the performance management system. They think that performance management is a tool for motivating the employees. Performance results are considered in promotion, pay increase and so on. The industrialization process makes an impact on correct application and implementation of the performance management system at the company.

While 5 manager participants in the interviews unequivocally admitted that they took into account the industrial impact when they made decisions for setting target and objectives, talent development, performance assessment and appraisal, incentive and performance based pay, the other three managers tried to explicitly acknowledge the industrial characteristics impact on almost all general component of performance management, and two managers confessed that the industry characteristics impact the design of the system, feedback and communications processes, pay and promotions. However, 2 managers working for MNCs argued that the industry characteristics don't have an impact on performance management processes or practices. All employees interviewed argued that the industrial environment impact the performance management practices such as the evaluation process, their relationship with managers, pay, promotions and feedback process.

Some employees agree. They feel support and coaching from their colleagues but not always, as they have their own work to do. Most employees try to learn individually, getting international support from the main offices abroad where experts are located.

Therefore, based on the interviews, the researcher found that the PM course of actions, and almost most of the general components of the performance management practices are influenced by the industry characteristics' impact. Moreover, all participants also pointed out that most of the characteristics in the industry characteristics have both positive and negative impact on outcomes of performance management practices. The outcomes as measures of performance were examined in three aspects: employees Productivity, retention and engagement.

The pilot study revealed that not all but certain dimensions of industry have an impact on performance management processes in different industry. Based on the interviews, the researcher has found that seven types of industry environment have an impact on performance management practices, including level of uncertainty in an industry caused by threats of new entrants, bargaining power of buyers and suppliers, ownership patterns, the technology, , competitors' action, growth pace of the industry, geographical scope of operations and the labor market. The researcher found that the participants in the interviews mentioned these seven major types or dimensions of the industry environment many times in their examples.

Firstly, these seven dimensions of industrial environment will influence the formulation and implementation of performance management system in areas such as in the design of the system, goal and objectives setting process, talent development, feedback and coaching process, appraisal system and incentives and performance based pay. The impacts of some of those dimensions of industrial impact on employees' performance management practice have been discussed in some studies in HR and management literature (Punia and Sharma, 2015, Fei Pan, Hui Zhao and Kwei Tang, 2009, Yilmaz, 2014, Jesuthasan, 2013).

Secondly, the industrial impact caused by some of these dimensions will influence not only PM practices but also has an impact on PM outcomes. In the pilot study data from the interviews, the researcher noticed that the participants mentioned this kind of industrial impact frequently (for example, there are indications of greater willingness by some workers to switch jobs and employers resulting in higher labor turnover caused by threats of new entrants, an increased role played by international or multinational companies in Ethiopian economy, this intention by those workers have implications for employees engagement and productivity).

However, not all of these kinds of industrial environment have a significant impact on performance management. Whether industrial environment can greatly influence the effectiveness of performance management practices and its outcomes depends on the strength and relational closeness of those dimensions to the company's business environment leverage or inhabit the power of performance management as a business management tool. Only strong or closeness of those dimensions to the company's business significantly influences the outcomes of PM in the performance management practices.

4.4. Regression and Results of Model Analysis

This section aims to test the model and hypotheses developed in the literature review with the data collected from empirical studies in two organizations operating in different industries, namely Segon-Marill Movers and East Africa Tiger brands. As discussed in Chapter 2, industry environment impact in performance management practices has a negative and positive impact on firm's practices and perceptions of employees' performance management. Based on the discussion, a conceptual framework with eight hypotheses was developed for model testing. The pilot study, in section 4.1.4, developed a scale for the measurement of the impact of industry environment on PM practices, which includes three factors: industry environment's impact on PM course of actions, industry environment's impact on important sub-dimension of PM and industry environment's impact on PM outcomes.

Hence, the original independent variable needs to be replaced by these three factors; and the researcher will then test the relationships between these three factors and eight dependent variables respectively. One apparent difference between these three dimensions is the frequency

they occur in the whole process. One formal performance management process in an organization always begins at the objective setting and ends at the distribution of performance ratings, which normally for half a year or one year even some of its components occur on a daily basis.

Industry's impact on important sub-dimension means that supervisors provide more intangible benefits, such as help, support, direction or information to the employees because of the external environment impact which could happen at the workplace every working day or at the end of the given period. On the other hand, industry environment impact on PM Course of actions means that the industrial impact provide better opportunities to those managers with better understanding of how to design the system, better completion of strategic plan and a thorough understanding of the job in question. This only happens at the beginning of the given year or where performance management reform is taking place or even it could happen within more than a year or two years more. Industry environment impact on outcomes of PM means that the expected results of company's PM system, such as employees' engagement, productivity and retention, will be unexpectedly affected by the characteristics in the industry environment. This means that industrial impact is apparent and could happen in anytime regardless of managing performance throughout the year.

Thus, employees could have a much more frequent experience of industrial impact on sub-dimension of performance management, rather than industrial impact on PM outcome and formulation and pre-requisites. However, firms could have a much more opportunities of exploiting the information in the industry environment and its impact on PM course of actions and outcomes of PM than the industrial impact on important sub-dimensions of PM.

In order to test the model and hypotheses, the researcher conducted the empirical studies in two organizations operating in two different industries and finally obtained 97 valid questionnaires for model analysis. The data will be analyzed using the hierarchical multiple regression method and the result of each hypothesis will be presented individually.

Method for Model Testing

Hierarchical multiple regression was adopted to test the model. Hierarchical multiple regression was used in the situation that more than one independent variables needs to predict the dependent variable. In contrast to the standard multiple regression, in which the independent variables need to be entered into the equation at one time, with hierarchical multiple regression, the independent

variables need to be entered at different steps. The important feature of hierarchical multiple regression is that it can be used to examine how well each of the independent variables can predict the dependent variable when controlling other independent variables in the regression equation (Bingham & Fry, 2010). Therefore, the hierarchical multiple regression was chosen for model testing.

Harman's one-factor (single-factor) test is one of the most popular techniques which is adopted to deal with this problem. It indicates that one should load all variables into an explanatory factor analysis to check the factor loading situation in terms of an un-rotated factor solution (Aulakh & Gencturk, 2000; Organ & Greene, 1981). Theoretically, if (1) only one factor emerges; or, (2) one major factor accounts for the majority of the variances, a severe common method bias exists in the study. In order to examine the common method variances in this study, the researcher conducted an explanatory factor analysis with all variables. The results indicate that the biggest component accounts for only 20.494% of the total variances, which means that common method bias is not a problem in this study. Multicollinearity issue another important aspect of the model testing is checking whether there is any risk of multicollinearity in the data. Multicollinearity is a statistical phenomenon, whereby several predictor variables in the multiple regression models are highly correlated to one another (Hair, Andersen, Tatham and Black, 1998). Although multicollinearity does not have any negative impact on the reliability and predictive power of the whole model, it could influence the calculation of the individual predictor variable. That is to say, the multiple regression model, which has correlated predictor variables, can still indicate how well the whole set of predictor variables predicts the dependent variables; however, it will not provide valid results for individual predictor variables. Therefore, it is necessary to check the multicollinearity of the individual predictor variables for the multiple regression model. The variance inflation factors (VIF) test was adopted to examine the severity of multicollinearity of the predictor variables in the model in this study.

Before conducting the regression analysis, the interaction term was first formed. In order to reduce the possibility of multicollinearity issue, this study centered three variables, i.e. industry environment impact on performance management input, industrial impact on sub-dimensions of PM and industry environment's impact on outcomes, and created the interaction term based on the centered data. The means, standard deviations and Pearson bivariate correlation of major variables were presented in table 4.4 below.

Table 4.1 Descriptive Statistics and Correlation Matrix

Variables	Mean	S.d	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
1Gender	.64	.48																		
2Age	1.90	.80	-.125																	
3Education	2.97	.73	.086	-.041																
4RSIndustry	.55	.50	.048	-.275**	-.039															
5HUindustry	.45	.50	-.048	.275**	.039	-1.000**														
6HGindustry	.55	.50	.048	-.275**	-.039	1.000**	-1.000**													
7AGIndustry	.45	.50	-.048	.275**	.039	-1.000**	1.000**	-1.000**												
8Industryimpact1	4.01	.85	.120	-.300**	.075	.290**	-.290**	.290**	-.290**											
9Industry impact2	4.05	.73	.153	-.259*	-.130	.272**	-.272**	.272**	-.272**	.467**										
10Industry impact3	3.99	.86	.036	-.219*	-.173	.260*	-.260*	.260*	-.260*	.425**	.430**									
11PMP Formulation	3.59	1.09	.249*	-.125	.006	.067	-.067	.067	-.067	.421**	.440**	.379**								
12Objectives	3.45	1.30	.112	-.040	.045	-.006	.006	-.006	.006	.246*	.343**	.242*	.584**							
13Pe-requisites	3.77	1.21	.120	-.262**	-.040	.310**	-.310**	.310**	-.310**	.514**	.503**	.457**	.679**	.706**						
14Goalsetting	2.58	1.14	-.045	-.164	.047	.424**	-.424**	.424**	-.424**	.260*	-.102	.097	-.283**	-.268**	-.057					
15TalentDev't	2.59	.83	.069	-.131	.065	-.026	.026	-.026	.026	-.098	-.108	.072	-.131	-.137	-.156	-.066				
16Appraisal	2.61	.75	.158	-.204*	-.072	-.051	.051	-.051	.051	.097	.079	.120	-.007	-.095	.060	.125	.135			
17Feedback	2.56	.70	-.098	-.031	.049	-.135	.135	-.135	.135	.274**	-.129	.020	-.043	-.091	.020	.192	.160	.113		
18Incentivespay	2.54	.59	.053	-.007	.186	-.160	.160	-.160	.160	.013	-.269**	-.062	-.026	-.088	-.086	.101	.080	.072	.131	

Note: N=97. *p<0.05, **p<0.01 (2-tailed). Gender:1=Male, 0=Female;Age:1=18-30 years old,2=31-40 years old,3=41-50 years old, 4=51 and above years old; Education: 1=High school, 2=College diploma, 3=First degree, 4=Masters and Above ; Relatively stable level of uncertainty, Highly Unstable level of uncertainty, Higher level of industry growth rate = Dummy code for industry characteristics; 8=Industry impact on PM course of action and pre-requisite; 9=Industry impact on important sub-dimensions of PM; 10=Industry impact on PM outcomes as organizational outcomes; 11=PM Policy formulation and design; 12=Objectives of the PM processes;13= PM pre-requisites; 14=Goal setting and measurement standards; 15=Talent Development; 16=performance appraisal; 17=Feedback and coaching; 18=Incentives and performance based pay; 19=Employees Productivity; 20=Employees Engagement; 21=Employees Retention

4.5. Hypothesis Testing

4.6.1. PM Policy Formulation

Based on the discussions of the PM policy formulation in chapter two of the literature review, and with the new scale for industry environment's impact on PM practices, it could be hypothesized that;

H1a: Industry environment's impact on performance management course of actions will be positively related to formulation and design of performance management policy.

H1b: Industry environment impact on sub-dimensions of performance management will be positively related to formulation and design of performance management policy.

H1c: Industry environment impact on organizational outcomes will moderate the relationship between industry environment impact on performance management course of actions and formulation of performance management policy in a way that the relationship will be stronger in a highly uncertain industry environment.

Results of the testing

PM policy formulation was regressed on industry impact on PM course of action, industry impact on important sub-dimensions of PM and industry impact on organizational outcomes. In the first place control variables were entered, and in the second place the three industry environment impact scales, and in the third step, the interaction term was entered. To check whether the risk of multicollinearity was presented in the model, variance inflation factors test was conducted. The results of the variance inflation factors test for all the variables in the model are between 1.011 and 1.402 (age: 1.099; gender: 1.023; education: 1.011, industry impact on PM course of action: 1.51, industry impact on important sub-dimensions of PM 1.478; industry's impact on organizational outcome: 1.402), which confirmed that there is no multicollinearity problem.

The table 4-5 below, which shows the results of the regression, indicates that all of the Model 1, Model 2 and Model 3 were significant. Model 2, considering all of the independent variables,

were highly significant, with an R2 of 0.325 and an adjusted R2 of 0.272. R2 indicated what percentage the independent variables explained the dependent variable. Thus, in Model 1 and Model 2, the independent variables explained 7.2% and 32.25% of the variance, respectively. Based on the results of Model 2, it is found that the industry's impact on PM course of actions is significantly related to PM policy formulation, while the industry's impact on important sub-dimensions of PM is not. Therefore, it could be concluded that H1a was supported; while the H1b was not supported. Based on the results of Model 3, the moderating effect is not significant; thus, H1c was not supported.

Table 4-5: Regression analysis results for Policy formulation

Independent variables	Standardized Beta Coefficients (t-statistics)		
	Model 1 (controls)	Model 2 (Main effects)	Model 3 (Moderating effects)
Gender	.238 (2.340)	.181(2.038)	.181 (2.019)
Age	-.088(-.835)	.050(.533)	.051(.530)
Education	-.017(-.172)	.040(.443)	.040(.442)
Highly unstable industry	-.031(.295)	-.120(-1.274)	-.120(1.263)
Indusimpact1_c		.234(2.181)**	.232(2.012)
Indusimpact2_c		.265(2.503)	.263(2.105)
Indusimpact3_c		.209(2.025)	.208(1.872)
II1*II2*II3_c			.004(.029)
R	.269	.570	.586
R2	.072	.325	.343
Adj.R2	.032	.272	.283
F-Value	1.787	6.124*	5.739*

Note: Indusimpact1_c: industry impact on PM course of action; Indusimpact2_c: industry impact on important sub-dimensions of PM; Indusimpact3_c: industry's impact on organizational outcomes, II1*II2*II3_c: interaction term; * p<0.05, ** p<0.01, *** p<0.001; relatively stable industry is the omitted category.

4.6.2. Objectives of PM Processes

Based on the discussions of the PM policy formulation in chapter two of the literature review, and with the new scale for industry environment's impact on PM practices, it could be hypothesized that;

H2a: the Industry environment's impact on PM course of actions will be positively related to the objectives of the performance management system to be adopted.

H2b: the Industry environment's impact on important sub-dimensions of PM will be positively related to the objectives of the performance management system to be adopted.

H2c: the Industry environment impact on organizational outcomes moderates the relationship between the industry environment impact on PM course of actions and the objectives of the performance management system to be adopted.

Results of the testing

The results of the variance inflation factors test for all the variables in the model are between 1.011 and 1.402 (age: 1.099; gender: 1.023; education: 1.011, industry impact on PM course of action: 1.513, industry impact on important sub-dimensions of PM 1.478; industry's impact on organizational outcome: 1.402), which confirmed that there is no multicollinearity problem.

The table 4-6 below, which shows the results of the regression, indicates that Model 2 and Model 3 were significant. However, demographic variables were not significant predictors of objectives of PM processes in all Models. Model 2, considering all of the independent variables was highly significant, with an R² of 0.167 and an adjusted R² of 0.102. R² indicated what percentage the independent variables explained the dependent variable. Thus, in Model 2 and Model 3, the independent variables explained 16.7% and 20.01% of the variance, respectively. Based on the results of Model 2 and model 3, it is found that the industry's impact on PM course of action and the industry's impact on important sub-dimensions of PM are significantly related to objectives of PM to be adopted, while the industry's impact on PM outcome is not. Therefore, it could be concluded that H2a and H2b was supported. Based on the results of Model 3, the moderating effect is not significant; thus, H2c was not supported.

Table 4-6: Regression analysis results for objectives of the processes

Independent variables	Standardized Beta Coefficients (t-statistics)		
	Model 1 (Controls)	Model 2 (Main effects)	Model 3 (Moderating effects)
Gender	.106(1.017)	.058(.585)	.071(.730)
Age	-.030(-.281)	.071(.673)	.048(.458)
Education	.034(.325)	.093(.924)	.085(.848)
Highly unstable industry	-.019(-.173)	-.130(-1.240)	-.141(-1.367)
Indusimpact1_c		.093(.784)**	.181(1.442)
Indusimpact2_c		.297(2.527)*	.435(3.201)*
Indusimpact3_c		.138(1.209)	.222(1.837)
II1*II2*II3_c			-.315(-1.939)
R	.122	.409	.449
R2	.015	.167	.201
Adj.R2	-.028	.102	.129
F-Value	.346	2.5563***	2.773**

Note: Indusimpact1_c: industry impact on PM course of action; Indusimpact2_c: industry impact on important sub-dimensions of PM; Indusimpact3_c: industry's impact on organizational outcomes, II1*II2*II3_c: interaction term; * p<0.05, ** p<0.01, *** p<0.001; relatively stable industry is the omitted category.

4.6.3. Pre-requisites of PM

Based on the discussions of the PM pre-requisites in chapter two of the literature review, and with the new scale for industry environment's impact on PM practices, it could be hypothesized that;

H3a: Industry environment's impact on PM course of actions is always positively related to better completion strategic planning and better understanding of the job in question.

H3b: Industry environment's impact on important sub-dimensions of PM is positively related to better completion strategic planning and better understanding of the job in question.

H3c: The Industry environment impact on organizational outcomes moderates the relationship between the industry environment impact on PM course of action and pre-requisites of the performance management system

Results of the testing

The results of the variance inflation factors test for all the variables in the model are between 1.011 and 1.402 (age: 1.099; gender: 1.023; education: 1.011, industry impact on PM course of action: 1.513, industry impact on important sub-dimensions of PM 1.478; industry’s impact on organizational outcome: 1.402), which confirmed that there is no multicollinearity problem.

The table 4-7 below, which shows the results of the regression, indicates that all of the Model 1, Model 2 and Model 3 were significant. Model 2, considering all of the independent variables was highly significant, with an R2 of 0.400 and an adjusted R2 of 0.353. R2 indicated what percentage the independent variables explained the dependent variable. Thus, in Model 1 and Model 2, the independent variables explained 13.9% and 40% of the variance, respectively. Based on the results of Model 2, it is found that the industry’s impact on PM course of actions is significantly related to PM pre-requisites, while the industry’s impact on important sub-dimensions of PM is not. Therefore, it could be concluded that H3a was supported; while the H3b was not supported. Based on the results of Model 3, the moderating effect is not significant; thus, H3c was also not supported

Table 4-7: Regression analysis results for PM Pre-requisites

Independent variables	Standardized Beta Coefficients (t-statistics)		
	Model 1 (controls)	Model 2 (Main effects)	Model 3 (Moderating effects)
Gender	.089(.906)	.032(.381)	.032(.377)
Age	-.183(-1.805)	-.041(-.464)	-.041(-.457)
Education	-.045(-.462)	.007(.087)	.008(.088)
Highly unstable industry	.253(2.513)**	.099(1.115)	.099(1.107)
Indusimpact1_c		.265(2.629)**	.265(2.432)*
Indusimpact2_c		.251(2.516)	.250(2.123)
Indusimpact3_c		.202(2.080)**	.202(1.927)
II1*II2*II3_c			.002(.017)
R	.373	.633	.638
R2	.139	.400	.402
Adj.R2	.101	.353	.356
F-Value	3.707**	8.491*	7.347*

Note: Indusimpact1_c: industry impact on PM course of action; Indusimpact2_c: industry impact on important sub-dimensions of PM; Indusimpact3_c: industry’s impact on organizational outcomes, II1*II2*II3_c: interaction term; * p<0.05, ** p<0.01, *** p<0.001; relatively stable industry is the omitted category.

4.6.4. Goal-setting and Measurement standards

Based on the discussions of the Goal-setting and measurement standards in chapter two of the literature review, and with the new scale for industry environment's impact on PM practices, it could be hypothesized that;

H4a: Industry environment impact on PM course of actions will be positively related to goal setting processes and measurement standards.

H4b: Industry environment impact on important sub-dimensions of PM will positively related to goal setting processes and measurement standards.

H4c: the Industry environment impact on organizational outcomes moderates the relationship between the industry environment impact on PM course of action and pre-requisites of the performance management system

Results of the testing

The results of the variance inflation factors test for all the variables in the model are between 1.011 and 1.402, which confirmed that there is no multicollinearity problem.

The table 4-8 below, which shows the results of the regression, indicates that all of the Model 1, Model 2 and Model 3 were significant. Model 2, considering all of the independent variables was highly significant, with an R² of 0.192 and an adjusted R² of 0.157. R² indicated what percentage the independent variables explained the dependent variable. Thus, in Model 1 and Model 2, the independent variables explained 19.02% and 30.5% of the variance, respectively. Based on the results of Model 2, it is found that the industry's impact on PM course of actions and industry's impact on important sub-dimensions of PM is significantly related to goal setting and measurement standards, while the industry's impact on outcomes of PM is not. It is found that highly unstable industry environment was a significant predictor of Goal setting and measurement standards in performance management in Model 2. Therefore, it could be

concluded that both H4a and H4b was supported. Based on the results of Model 3, the moderating effect is not significant; thus, H4c was not supported.

Table 4-8: Regression analysis results for Goal setting and Measurement standards

Independent variables	Standardized Beta Coefficients (t-statistics)		
	Model 1	Model 2	Model 3
Gender	-.078(-.822)	-.052(-.578)	-.062(-.690)
Age	-.057(-.582)	-.060(-.624)	-.043(-.449)
Education	.067(.716)	-.003(-.028)	.004(.042)
Highly unstable industry	.415(4.247)*	.422(4.407)*	.431(4.520)*
Indusimpact1_c		.293(2.699)**	.229(1.981)
Indusimpact2_c		-.365(-3.402)***	-.466(-3.727)*
Indusimpact3_c		.008(.078)	-.053(-.474)
II1*II2*II3_c			.230(1.540)
R	.438	.553	.569
R2	.192	.305	.324
Adj.R2	.157	.251	.262
F-Value	5.461***	5.591*	5.264*

Note: Indusimpact1_c: industry impact on PM course of action; Indusimpact2_c: industry impact on important sub-dimensions of PM; Indusimpact3_c: industry's impact on organizational outcomes, II1*II2*II3_c: interaction term; * p<0.05, ** p<0.01, *** p<0.001; relatively stable industry is the omitted category.

4.6.5. Talent development

Based on the discussions of talent development in chapter two of the literature review, and with the new scale for industry environment's impact on PM practices, it could be hypothesized that;

H5a: Industry environment's impact on PM course of actions will be positively related to talent development activities of the firm.

H5b: Industry environment's impact on important sub-dimensions of PM will be positively related to talent development activities of the firm.

H5c: the Industry environment impact on organizational outcomes moderates the relationship between the industry environment impact on important sub-dimensions of PM and talent development.

Results of the testing

The results of the variance inflation factors test for all the variables in the model are between 1.011 and 1.402, which confirmed that there is no multicollinearity problem.

The table 4-9 below indicates that neither Model 1 nor Model 2 was significant. Moreover, demographic variables were not significant predictor of talent development activities in PM in Model 2 either. Based on model 2, it is found that neither industry’s impact on PM course of actions nor industry’s impact on important sub-dimensions was significantly related to Talent Development activities. In addition, industry’s impact on PM outcomes was not related to talent development. Therefore, it could be concluded that H5a and H5b were not supported. Based on the results of Model 3, the moderating effect is not significant; thus, H5c was not also supported.

Table 4-9: Regression analysis results for Talent Development

Independent variables	Standardized Beta Coefficients (t-statistics)		
	Model 1	Model 2	Model 3
	Controls	Main effects	Moderating effects
Gender	.050(.478)	.078(.748)	.090(.867)
Age	-.140(-1.301)	-.175(-1.583)	-.195(-1.770)
Education	.052(.505)	.075(.705)	.067(.637)
Highly unstable industry	-.065(-.610)	-.035(-.320)	-.045(-.413)
Indusimpact1_c		-.165(-1.322)	-.088(-.665)
Indusimpact2_c		-.149(-1.205)	-.028(-.196)
Indusimpact3_c		.187(1.555)	.260(2.037)
II1*II2*II3_c			-.276(-1.604)
R	.164	.282	.325
R2	.027	.080	.106
Adj.R2	-.015	.007	.025
F-Value	.634	1.102	1.303

Note: Indusimpact1_c: industry impact on PM course of action; Indusimpact2_c: industry impact on important sub-dimensions of PM; Indusimpact3_c: industry’s impact on organizational outcomes, II1*II2*II3_c: interaction term; * p<0.05, ** p<0.01, *** p<0.001; relatively stable industry is the omitted category.

4.6.6. Appraisal

Based on the discussions of Appraisal in chapter two of the literature review, and with the new scale for industry environment’s impact on PM practices, it could be hypothesized that;

H6a: Industry environment’s impact on PM course of actions will positively related to the objectives of performance appraisal in unstable Industry.

H6b: Industry environment’s impact on important sub-dimensions of PM will positively related to the objectives of performance appraisal in unstable Industry.

H6c: the Industry environment impact on organizational outcomes moderates the relationship between the industry environment impact on important sub-dimensions of PM and appraisal

Results of the testing

The table 4-10 below indicates that neither Model 1 nor Model 2 was significant. Moreover, demographic variables were not significant predictor of appraisal in PM in Model 2 either. Based on model 2, it is found that neither industry’s impact on PM course of actions nor industry’s impact on important sub-dimensions was significantly related to appraisal. In addition, industry’s impact on PM outcomes was not related to appraisal. Therefore, it could be concluded that H6a and H6b were not supported. Based on the results of Model 3, the moderating effect is not significant; thus, H6c was not also supported

Table 4-10: Regression Analysis Results for Performance Appraisal

Independent variables	Standardized Beta Coefficients (t-statistics)		
	Model 1 Controls	Model 2 Main effects	Model 3 Moderating effects
Gender	145(1.433)	143(1.384)	.136(1.314)
Age	-.224(-2.137)	-.205(-1.867)	-.193(-1.747)
Education	-.099(-.981)	-.090(-.854)	-.086(-.810)
Highly unstable industry	-.123(-1.182)	-.145(-1.323)	-.139(-1.267)

Indusimpact1_c		.042(.341)	-.002(-.016)
Indusimpact2_c		-.024(-.193)	-.094(-.649)
Indusimpact3_c		.084(.701)	.042(.325)
II1*II2*II3_c			.160(.926)
R	.286	.301	.315
R2	.082	.090	.099
Adj.R2	.042	.019	.017
F-Value	.2.051	1.265	1.212

Note: Indusimpact1_c: industry impact on PM course of action; Indusimpact2_c: industry impact on important sub-dimensions of PM; Indusimpact3_c: industry's impact on organizational outcomes, II1*II2*II3_c: interaction term; * p<0.05, ** p<0.01, *** p<0.001; relatively stable industry is the omitted category.

4.6.7. Feedback and Coaching

Based on the discussions of feedback and coaching in chapter two of the literature review, and with the new scale for industry environment's impact on PM practices, it could be hypothesized that;

H7a: Industry environment's impact on PM outcomes will be positively related to the communication between managers and employees as well as the feedback and coaching process.

H7b: Industry environment's impact on important sub-dimensions of PM will positively related to the communication between managers and employees as well as the feedback and coaching process.

H7c: the Industry environment impact on organizational outcomes moderates the relationship between the industry environment impact on important sub-dimensions of PM and feedback and coaching

Results of the testing

The results of the variance inflation factors test for all the variables in the model are between 1.011 and 1.402, which confirmed that there is no multicollinearity problem.

The table 4-11 below, which shows the results of the regression, indicates that both Model 2 and Model 3 were significant. Model 2, considering all of the independent variables was highly significant, with an R2 of 0.140 and an adjusted R2 of 0.72. R2 indicated what percentage the independent variables explained the dependent variable. Thus, in Model 1 and Model 2, the independent variables explained 6.1% and 14% of the variance, respectively. Based on the results of Model 2, it is found that the industry's impact on PM course of action and on important sub-dimensions is significantly related to feedback and coaching in PM, while the industry's impact on outcomes of PM is not. Therefore, it could be concluded that both H7a and H7b was supported. Based on the results of Model 3, the moderating effect is not significant; thus, H7c was not supported

Table 4-11: Regression analysis results for Feedback and Coaching

Independent variables	Standardized Beta Coefficients (t-statistics)		
	Model 1 Controls	Model 2 Main effects	Model 3 Moderating effects
Gender	-.105(-1.015)	-.103(-1.061)	-.111(-1.152)
Age	-.084(-.784)	-.035(-.340)	-.020(-.194)
Education	.049(.474)	-.027(-.273)	-.021(-.215)
Highly unstable industry	-.151(-1.416)	-.196(-1.913)	-.189(-1.845)
Indusimpact1_c		.476(4.093)*	.420(3.374)*
Indusimpact2_c		-.288(-2.503)**	-.377(-2.802)**
Indusimpact3_c		-.016(-.144)	-.070(-.585)
II1*II2*II3_c			.203(1.264)
R	.248	.374	.401
R2	.061	.140	.161
Adj.R2	-.020	.072	.085
F-Value	.1.501	2.062*	2.112*

Note: Indusimpact1_c: industry impact on PM course of action; Indusimpact2_c: industry impact on important sub-dimensions of PM; Indusimpact3_c: industry's impact on organizational outcomes, II1*II2*II3_c: interaction term; * p<0.05, ** p<0.01, *** p<0.001; relatively stable industry is the omitted category.

4.6.8. Incentives and performance based pay

Based on the discussions of incentives and performance based pay in chapter two of the literature review, and with the new scale for industry environment's impact on PM practices, it could be hypothesized that;

H8a: Industry environment's impact on PM course of actions will be negatively related to the incentives and performance based pay

H8b: Industry environment's impact on important sub-dimensions of PM will be negatively related to the incentives and performance based pay

H8c: the Industry environment impact on organizational outcomes moderates the relationship between the industry environment impact on important sub-dimensions of PM and the incentives and performance based pay

Results of the testing

The results of the variance inflation factors test for all the variables in the model are between 1.011 and 1.402 (age: 1.099; gender: 1.023; education: 1.011, industry impact on PM course of action: 1.513, industry impact on important sub-dimensions of PM 1.478; industry's impact on organizational outcome: 1.402), which confirmed that there is no multicollinearity problem.

The table 4-12 below, which shows the results of the regression, indicates that all of the Model 1, Model 2 and Model 3 were significant. Model 2, considering the independent variables was significant, with an R2 of 0.204 and an adjusted R2 of 0.141. R2 indicated what percentage the independent variables explained the dependent variable. Thus, in Model 1 and Model 2, the independent variables explained 6.1% and 20.4% of the variance, respectively. Based on the results of Model 2, it is found that the industry's impact on important sub-dimensions of PM is significantly related to Incentives and performance based pay, while the industry's impact on outcomes of PM and on PM course of actions were not. Therefore, it could be concluded that

H8b was supported; while the H8a was not supported. Based on the results of Model 3, the moderating effect is not significant; thus, H8c was not supported

Table 4-12: Regression analysis results for Incentives and performance based pay

Independent variables	Standardized Beta Coefficients (t-statistics)		
	Model 1 Controls	Model 2 Main effects	Model 3 Moderating effects
Gender	-.105(-1.015)	-.103(-1.061)	-.111(-1.152)
Age	-.084(-.784)	-.035(-.340)	-.020(-.194)
Education	.049(.474)	-.027(-.273)	-.021(-.215)
Highly unstable industry	-.151(-1.416)	-.196(-1.913)	-.189(-1.845)
Indusimpact1_c		.476(4.093)	.420(3.374)
Indusimpact2_c		-.288(-2.503)***	-.377(-2.802)*
Indusimpact3_c		-.016(-.144)	-.070(-.585)
II1*II2*II3_c			.203(1.264)
R	.189	.451	.467
R2	.061	.204	.218
Adj.R2	.034	.141	.147
F-Value	2.851**	3.251*	3.064*

Note: Indusimpact1_c: industry impact on PM course of action; Indusimpact2_c: industry impact on important sub-dimensions of PM; Indusimpact3_c: industry's impact on organizational outcomes, II1*II2*II3_c: interaction term; * p<0.05, ** p<0.01, *** p<0.001; relatively stable industry is the omitted category.

4.7. Performance Management Practices in East Africa Trading House and Segon-Marill International Movers.

Ethiopia is attracting increasing attention as a destination for business due its large population, a rapidly growing economy and investment potential. Ethiopia's population of 93.8m, a rapidly expanding economy (% figures), high urbanisation rates and a young population – 73% of population is under 30 years of age – supports the case for investing in the Fast Moving Consumer Products (FMCG) sector(AWIB, 2013) . On the other hand, a decision by the Ethiopian investment board has reversed a major regulation that restricts foreign investors from

engaging in parts of Ethiopia's Investment Incentives and Investment Areas reserved for domestic investors by lifting the restriction on logistic industry which was exclusively reserved for Ethiopian nationals. Accordingly, the board, which comprises of key ministries and the National Bank of Ethiopia and is led by PM Abiy Ahmed, has lifted the restrictions imposed under Article 3.1(b) of the Investment Regulation No. 270/2012, "including the provision of bonded warehouse, consolidation and de-consolidation services, and allow joint venture participation of international logistics service providers holding up to 49% or less stakes," Article 3.1(b) of the Investment Regulation states that "packaging, forwarding and shipping agency services" are "exclusively reserved for Ethiopian nationals."(Addis Standard, 2018).

Although the competition in both industries can be considered as highly intense, In the broader FMCG industry, interesting opportunities exist for expansion of market outlets and the logistics industry of moving companies are struggling for same kind of potential customers available mainly in Addis Ababa. Thus, the competition in logistics industry of moving companies became highly intense especially after 2013. As a result of these two trends the competition among firms has been escalated as a lot of foreign companies joined the business in both industries and firms in these industries. More importantly, companies in both industries gave more emphasis in human development by launching different performance management programs at different times especially after 2014. Companies in logistics industry have launched the performance management reform program since March 2015 aimed at ensuring higher performance, higher levels of employee motivation and retention, and organizational development.

However, there are very few studies regarding the reform practices of performance management program in Logistics industry and FMCGs industry's current PM system adopted in both industry. The third research question is "*How do employees' performance management practices and systems work in FMCG and Logistics industries, East Africa Trading house and Segon-Marill, respectively?*" In order to answer this question, in this chapter an in-depth case study of the performance management system and practices in East Africa Trading House and Segon-Marill will be presented, providing an insight into the design, procedures and implementation of performance management systems in both companies will be investigated. All the information and data from this section is summarized and derived from the interviews with two members of staff in the HR department of each company.

4.7.1. PM Practices in Segon-Marill Movers

The performance management system reform aiming to enhance competitive advantage in the logistics industry and producing higher-level performance in these companies started in the mid-2016's, after a lot of foreign and local companies joined the moving sector especially in 2014. Since 2013, the packing and moving industry has experienced rapid development, due to governmental policies and entrance of two major foreign companies. The intense market competition requires all companies in this industry to move towards a more performance-based HRM system. In the following section, an in-depth case study of performance management reform in one moving company in Addis Ababa will be discussed, providing an insight into how PM system have changed from a traditional system to a modern performance-related scheme, and will also detail the design and procedures of the system.

4.7.1.1. An introduction to Segon-Marill Movers

Segon-Marill is one of Logistics industries 'Top Four' family owned moving companies and one of the largest moving companies in the country in terms of market capitalization and profit. It was founded in 2000 and has had a long history of development in moving industry. It has since been marking its pathway in the country and internationally through its network as the Leading Ethiopian moving company specialized in House Hold Effects, Antique and Fine Art packing as well as intercity moves of personal effects and office furniture. After a decade of collaboration, shared values and ambitions, Segon & Marill International Movers decided to tie the nodes and sign a merger effective as of January 1st 2011 and have decided to operate as Segon-Marill International Movers PLC. Since the entrance of many foreign MNCs and many other local companies in the sector which escalated the competition in the packing and moving industry, Segon-Marill mover's market share and profit started to decline after 2014 and started to reform its overall policy in accordance with quality management system(QMS) since 2018 and became ISO certified company in 2017.

In order to conduct an empirical study, I was given an opportunity to obtain access to this company through my professional network. In this company, there are more than 120 employees in head office and branches. The head of the HR department and one member of HR staff were interviewed, in order to obtain a thorough understanding of the reform process and the current

design of the performance management system in Segon-Marill. Exploring the reform of performance management system in Segon-Marill will provide us with an insight into how a Logistics industry of the packing and moving sector deals with this issue and into its design of the new performance management system since all of the ‘top four’ packing and moving companies have followed in its footsteps and have begun to change their traditional HRM system to a modern one.

4.7.1.2. PM System reform in Segon-Marill

As protectionist barriers crumble in this emerging market in Ethiopia, multinational companies are rushing in to find new opportunities for growth especially after the entrance of two giant MNCs moving companies after 2014 and many infants’ local companies. For top local moving companies, however, the influx appears to be a death sentence because of the increased competition in the market. And this is the primary reason for HRM system reform in logistics industry of top four family owned moving companies in Ethiopia. Due to the government policy of partial and full deregulation, foreign companies had the opportunity to develop at high speed. In such a case, the traditional family-owned logistics companies started to feel under pressure, as the traditional HRM system, especially performance management system, became incompatible with the new environment of the moving industry. It raised an important issue, which brought HRM system reform, including performance appraisal system reform, onto the agenda.

The primary problem for and reason behind the performance appraisal system reform in family-owned moving companies in Ethiopia, was that the old appraisal system became inconsistent with the development of the company as there was a limited link between appraisals and employees’ actual performances and contributions. The old appraisal system failed to motivate employees, especially in production-related positions such as packing, operations and marketing sections. Due to the rapid development of other types of moving companies(e.g privately owned joint-venture moving companies and other Moving companies in terms of postal services), the family-owned moving companies were facing increasing market competition. Hence, the management team of family-owned moving companies intended to improve the organizational performance. An important way of doing so was to reform the old performance appraisal system to a new modern one, which could better motivate the employees, by linking the appraisals to employees’ contribution and performance. This has been done by hiring different consultants.

Secondly, the old appraisal system in these moving companies was incompatible with the modern management style and the development of HRM system because it did not have clear, objective and specific measurement criteria, which made both supervisors and employees confused with appraisals. The traditional performance appraisal system in packing and moving companies was normally just a brief evaluation of employees' performance conducted by the supervisor, which was quite different to the modern system and had no link with employees' 'real' performance.

For instance, before 2016, the PM system in Segon-Marill, the supervisors needed to provide a general evaluation of the employees' performance at the end of each year. However, there was no objective and clear criteria for the employees' performance. Therefore, some other factors, such as the employees' attachment with supervisors, seniority, and communication skills, all have the potential to influence the supervisors' judgment. It was found in the interviews that the supervisor did not have specific criteria to follow in appraisal. The vague criteria of the appraisal system made it very difficult to provide a just, fair and accurate performance evaluation.

Consequently, the old appraisal system did not provide a clear picture of the responsibilities and obligations to employees and could not direct and help employees to improve their 'real' performance and align their performance to organizational goals and objectives. As a result of the above, Segon-Marill started to propose a performance appraisal system reform, which aimed to change the old inflexible system with vague criteria into a new one, which they expected to be more systematic, have clear, objective and specific criteria and give direction to both supervisors' evaluations and employees' improvement of 'real' performance.

4.7.1.3. PM System Reform Processes in Segon-Marill

Based on the above reasons and the competitive environment of the moving industry after 2014, Segon-Marill started to consider the reform of the HRM system, which included one important aspect: the performance management system. The reform was started in the middle of July 2016 and after a series of reform stages at the beginning of 2018 pilot group was formed and developed performance management policy including different PM tools. Therefore, Segon-Marill formed a performance management system reform pilot group made up of high-level managers, department managers and HRM department staff to carry out the reform. The pilot

group had three main goals. to make clear, objective and specific performance criteria or competency for appraisal, in order to ensure that the appraisals were linked to employees' real performances; to design a proper process for the implementation in order to minimize any negative impact on the company; to link the employees' individual objectives to organizational objectives in order to motivate employees; to encourage high production levels and gain competitive advantage in market competition.

4.7.1.4. The Design of PM System

The performance management system recommended by Armstrong (2009) and Aguinis (2009a) acted as a basic reference point for the design of performance management system in Segon-Marill in order to make their new performance management system more competitive in the local labor market. The pilot group decided that the new performance appraisal system should fulfill the following three criteria. Firstly, the design of the system should be a systematic modern style, with objective and specific performance criteria for both employees and supervisors, in order to provide a clear picture of how the performance is measured and what the employees are expected to achieve. Secondly, the procedures of appraisals should not be very complicated, involving the participation of both supervisors and HR department staff. Thirdly, the responsibilities of supervisors and HR department staff during the whole appraisal period should be very clearly documented in the regulations, in order to make sure everyone has a clear understanding of the duties. Based on the above criteria, the information collected during the preparation stage and the guidance of the pilot group, HR department developed a new performance management policy in 2018, with the following features.

A. Design and format of PM

Objective setting in terms of Key performance indicators (KPI's) was adopted as PM and Evaluation format. The design of the employees' objective with respect to KPI, which is used to measure the performance of employees, is vital to the success of the PM system. Choosing appropriate KPI for different employees should be reliant upon the clear and thorough understanding of what kind of employee performance is important to the organizational performance and success. Therefore, the objectives for employees in various departments with diverse responsibilities should be quite different. For instance, the KPI for sales staff would be quite different to the KPI assigned to employees in human resources, facilities management, operations or Logistics. Segon-Marill designed a detailed, clear and specific KPI for employees

in different departments, sections and positions, in order to make sure that the employees' performance was rated based on objective, appropriate and job-relevant performance dimensions. Performance criteria are generally divided into two types: quantitative job performance-related criteria and non-quantitative ability and behavior criteria. The proportional weight of these two types of criteria in total varies for different levels of positions in different department. For a Managerial level, the quantitative job performance-related criteria accounts for 70%, while non-quantitative ability and behavior criteria accounts for 30%. However, for middle level professional employees, the weight accounts for 60% and 40% respectively. For other employees quantitative job performance related criteria accounts for 30% and non-quantitative ability and behavior criteria is 70%.

For the distribution of performance ratings among employees, five evaluation benchmarks for the appraisal system; Exceptional, above expectations, meet expectations, below expectations and poor performance. The performance appraisal is conducted twice a year and they have an intention of making once on quarterly basis. The performance appraisal is conducted once per year. The supervisors normally make the decisions about performance ratings for subordinates at the end of the financial year, normally in December and at the end of June. It was found in the interviews of HR staff that performance rating was linked to bonus, salary increment and promotion in 2018 financial year considering the cumulative performance rating result of the 2017FY. However, the cumulative performance rating result of the 2018's FY showed that above 78% of the total employees rated by their supervisors scored above expectations, which makes the management to start looking at their PMS again and the management still did not made salary increment and bonus to be distributed on performance rating result. According the interview with the HR staff, the 2017's performance rating impact on pay, promotion and bonus shifted the supervisor's understanding and attention to focus on number of factors rather than the real performance and merit. For example, the 2018's performance rating was distributed based on last year's supervisors vengeance experience faced from employees.

The PM system is conducted manually by relevant staff and Segon - Marill designed necessary forms for the implementation of the PM system, in order to make the procedures formal and normative. The personal objective setting form and outcome and interview form is provided to

supervisors, while the appeal form is available to employees if needed. Three copies of each completed form are stored by supervisor, employee and the HR department respectively. The HR department takes responsibility for collecting relevant forms from both supervisors and employees, for passing the supervisors' completed forms to employees and for solving problems caused by the appraisal process, and to keep one copy of each form on file for further use.

According to the interviews, although the company's PM policy encourages frequent communication between supervisors and subordinates, there is actually a closed one-way communication system between supervisor and employee in PM processes. There is almost no direct contact required between supervisor and employee in PM, and there is not even communication in performance objective setting. The decision-making procedure in appraisals is normally a top-down process, which means that the supervisor makes decisions and the employees passively accept the outcomes (e.g. performance objectives and performance ratings) that are provided by the immediate manager

B. The procedures of PM system

In order to make the supervisors and employees familiar with the procedures of the PM system and gain a thorough understanding of every detailed step, the company developed a policy for appraisals with specific explanations of every step and all the elements. The instructions of PM procedures include four fundamental and interconnected processes: the performance planning, which explains the measurement criteria in detail and the procedures of evaluation, which consist of objective setting and agreement signing on the expectations at the beginning of the year; Managing performance throughout the year; mid-term review and the supervisors' decisions and distribution of performance ratings at the end of the year, the formal interview regarding the announcement of outcomes and feedback, and other important elements e.g. training and development.

The performance objective setting process at the beginning of the year was introduced as the first core part of the PM system, which requires each employee to sign an agreement on the performance target they intend to complete by the end of the period and year. The procedure of objective setting in Segon-Marill has the following three steps. Firstly, the supervisor will make

the original performance targets for each subordinate, by considering the performance target of the whole workgroup, the ability of the subordinate, and the previous individual performance target of each subordinate in the last year. Secondly, the subordinate passively accepts the performance target form and then signs the agreement showing that they are willing to achieve these goals by the end of the period. Thirdly, the original completed performance targets forms will be passed to the employees; and subsequently, the HR staff will collect these agreed and signed target forms from managers. It is found that the employees do not have any opportunity to participate in the performance target setting process, and not even have any direct communication with their supervisors, because it looks like a top down process. The employees are only able to accept the performance target and sign the agreement, even if they do not really agree with the original objective, and no further adjustment or change to the target can be made.

The second part of the PM system is managing performance throughout the year that Line Managers will be continuously managing and coaching the performance and behavior of employees over the course of the performance period and Line Manager and an employee will be continuously communicating in order to ensure similar expectations as to what is to be attained and how achievement will be measured. The formal conversation between supervisors with each subordinate regarding the results of the performance provides an opportunity for supervisors to explain the performance ratings and obtain the subordinates' feedback and reactions toward the appraisal. However, it is found that there is no other formal feedback and coaching practice in reality required to be provided to subordinates, during the evaluation period or year. Therefore, the feedback and suggestions in the formal review meeting at the end of the year is employees' sole opportunity to obtain comments, direction and help from the supervisors. The third core part of the new PM system in Segon-Marill is Interim Review/Mid-Term Discussion. It is a formal performance assessment meeting, (to serve as a check-in) to ensure that the employee is still on track with accomplishing the target. It is found that this part is poorly practiced in this company. It is only set in their policy. The fourth part is evaluating performance where the line managers are expected to review achievements, results and behavior in order to measure prior performance against mutually agreed Key Performance Indicators. According to their policy, the supervisors should determine what level of performance rating each subordinate obtains based on each subordinate's actual performance, contribution and the completion of the performance target. At

the same time, the supervisors are required to complete a result review form, to state clearly the results of the appraisal, a brief summary, review and feedback of the employee's performance, whether they have achieved the performance target, suggestions on how to improve in future, and expectations for the following year. Then, a formal face-to-face review interview will be held by supervisors with each subordinate individually. It has been found that due to the closed communication system and hierarchical relationship between supervisors and subordinates, the employees do not have an open way of expressing their opinions in appraisals.

The new PM system does not have a post-appraisal survey to collect information about employees' attitudes toward the PM system, the behavior of employees in evaluation and performance ratings. In the performance target setting process, the employees is able only to passively accept the performance target the supervisors set for them, and can hardly change it. Moreover, the employees do not have the opportunity for self-appraisal to self-comment on the performance and explain their contribution to either supervisors or the organization.

4.7.1.5. The Contribution of the New Performance Management System in Segon-Marill.

The new performance management system, which was significantly different from the previous one, brought about a lot of changes to both employees and the organization. It was the first time that the individuals' appraisals had been linked to the employees' 'real' performance and contribution, and to the development of the whole organization. Three major significances regarding its impact are summarized below.

First of all, the clear, detailed and specific performance criteria (KPI), designed for different departments, position and type of work, ensures that employees have a clear understanding of what performance is expected and valued by the company and can lead to a good evaluation. The previous PM system did not have clear and detailed criteria, which the employees were always very confused about. However, the new appraisals system provides very clear criteria to employees, who can now concentrate their efforts on the important aspects, which in turn leads to good performance ratings and positive supervisors' evaluation. Moreover, the clear criteria can also help the supervisors to make fair and quantifiable decisions of evaluation, which leads to fewer disputes.

Secondly, the annual performance expectations agreement signed at the beginning of the year helps to clarify the performance objectives of each employee, and also to predict the output of each workgroup and even the whole company through the year. When the supervisors set the performance targets for each employee, the performance of employees in the previous year are considered. Moreover, the performance objective setting could also align the employees' individual interest and goals with those of the whole organization.

Another most important part of the introduction of the new PM system to all the employees in company was a training session and knowledge sharing and transfer programs. All employees were required to attend the department-based training course, which is organized by the department managers and HR department. All the supervisors learnt their responsibilities and the procedures of appraisals and that they are required to pay more attention to employees' work and have a clear understanding of employees' performance management throughout the year.

Thirdly, the performance management system reform, can also affect the employees' motivation to some extent. From employees' perspectives, the achievement of performance targets is fully linked to the performance rating the employee obtains by the end of the year; while a failure to fulfill the objective leads to a poor rating and even negative effects, such as a warning from the supervisor. Thus, the employees are motivated to work hard after the implementation of the new system. According to the interviews, it is found that the top management of Segon-Marill expect that the new system could increase the employees' motivation, although the motivation effect is not that good, something that will be explained in detail in next section 4.6.

4.7.2. PM Practices in FMCG industry of East Africa Trading House

According to precise consult international (2013), East African Holdings is a well-known company FMCG operations industry and one of the largest wholesaler of household goods in Ethiopia with broader geographical scope of operations in the country. EAH is continuously evolving and strengthening its position as a major contributor in the development of the private sector in Ethiopia. This company is also in the first batch of local private company which entered the FMCG industry in Ethiopia. It has over 17 offices and branches across five regions in the

country. This company had over 60 employees in its head office and 130 employees around its branches. Two employees in the department of human resource of the East Africa Trading house in the head office was interviewed, in order to get the relevant information about the design and procedures of current performance management system of the bank.

4.7.2.1. Design and format of performance management system

Key performance indicators (KPI) are adopted as the performance evaluation format for the East Africa Trading house. The company has designed very detailed, clear and specific KPI for management employees in different departments and sections and positions, in order to make sure that the employees' performance is rated based on objective, appropriate and job-relevant performance dimensions. For non-management positions the evaluation format is designed to show how groups or individuals, in collaboration with their supervisors, strive to achieve set goals and objectives. For example, the KPI for management employees in sales and operation section has two parts: financial objectives and non-financial objectives. The financial KPI includes the measurement of development of new customers, business activities, return on investment, and referral of customers; and the section weight for financial KPI is 60% of the total appraisal. On the other hand, the non-financial KPI has the following ten parts: customer service, knowledge and quality of work, strategic thinking, risk assessment/decision making/judgment, collective management/ team work, non-financial internal control standards and non-financial-internal & external compliance; and the section weight for this is 40%.

The KPI is very clearly described in terms of measurement title, description of the measurement, measurement criteria, target, stretch target and due date (a copy of the KPI for employees in the sales and operation section is provided as an example in the Appendix 4). Therefore, the employees are able to easily understand the measurement criteria and what kind of achievement and performance will lead to good outcomes and benefits from the company; while the supervisors are able to clearly make the proper distribution of performance ratings among the employees according to the direction of KPI. With respect to multi raters or 360 degree, the appraisal from customers and peers are also included in the current performance management system in East Africa Trading house, although both of them account for only 5% respectively in total evaluation. The other 90% of the appraisal are conducted by their supervisors, based on employees' work performance. For the allocation of performance ratings to individual

employees, five evaluation benchmarks are adopted in this company: 5 Outstanding, 4 Very good, 3 Satisfactory, 2 Marginal, and 1 Unsatisfactory. The performance ratings are always allocated among different employees, according to these five levels.

The performance evaluations are conducted twice per year. The first evaluations are conducted in the end of December. The supervisor provides the first performance rating to each employee. This performance rating is highly related to any outcomes in the end of the year (e.g. bonus, gain sharing and transfer into shareholder status, salary increment, or promotion). In the following June, a final performance rating is distributed to employees. This performance rating represents the employees' performance in the entire past year and will be linked to the following HR outcomes. Usually, the second performance rating is completely linked to the bonus and salary adjustment distributed to employees in the following July or August. The employee who obtains a better performance rating will be allocated a better bonus and salary than their colleagues. Moreover, the performance rating is also partially linked to both promotion and training. When the managers consider which employee should be promoted to a higher position, the previous performance ratings provide important clues and references. Nonetheless, the performance ratings are not decisive, because there are other important factors that influence the managers' decisions as well, e.g. the employees' personality, the leadership of the employee and communication skills. The performance ratings will also partially influence the employees' opportunities for training. The company organizes several types of training for the employees and chooses the employees for training based partially on the employees' performance ratings. It is found that the PM system in East Africa Trading house provides an open two-way communication to employees and supervisors. As there is not a highly hierarchical relationship between supervisor and subordinates, the employees are always able to easily and smoothly communicate with their supervisors.

4.7.2.2. Procedures of PM system

The policy for the performance evaluation system of East Africa Trading House provides a detailed instruction of the whole procedure and each step of performance evaluations throughout the whole year. The appraisal involves an integrated process including the following steps or elements: performance objective setting in the beginning of the year, the first performance

ratings distribution in the middle of the year (in the end of December), the final performance ratings distribution at the end of the year (in the following June), a formal review regarding the performance ratings, employee participation, appeal process, supervisor neutrality and training of both employees and supervisors.

The performance objective setting, the important start of performance management system, is conducted at the beginning of one year in (normally in July, the time after). It normally includes the following three steps. Firstly, considering the subordinates' performance objectives in the last year and the group goal in the current year, the supervisor will determine an original performance objective for each subordinate. The second step is that each subordinate reviews the objectives and puts forward their own opinion on the original objective and their own objective.

Thirdly, the supervisor and the subordinates reach a mutual agreement and a final performance objective for each subordinate is decided for the following year. Finally, each employee signs an annual appraisals contract, which explains the specific performance objective the employee commits to achieve by the end of the year. East Africa Trading house encourages the employees' participation in the objective setting process, by which the employees could express their own opinion on the adjustment of the original objective decided by supervisors, because participation can increase the employees' acceptance of objectives and their motivation to achieve the objectives in the following year. As objective setting is the start of the PM communication process and has a great impact on the following steps of the PM processes, the company pays it great attention and makes sure that the supervisor and subordinates have good communication so as to reach a consensus on objectives.

In the end of December, the first performance rating of the year has been allocated to each subordinate by the supervisor and a formal review also be held for the supervisor to explain of the performance rating as well as feedback toward the subordinates' performance in the past half year. However, it is found that no other formal feedback is provided to employees. But the employees are able to contact their supervisors easily for feedback and direction under the open two-way communication system, which is encouraged by the company. The employees have opportunity to communicate with supervisors for timely direction and feedback and also have the

chance to express their own opinion on any step of the appraisal process and explain their performance, contribution and endeavors to their supervisors. The employees do not have self-appraisal, which requires the employees to give a proper performance rating and to comment on their own contribution in the past year. The company does not have a post-evaluation attitude survey.

4.8. Comparison of the Industrial Environment Impact on PM between the Two Company

A comparative study between highly unstable industry environment and the relatively stable industry environment will help to explore the success and shortcomings of the implementation of the PM system in Segon-Marill movers and East Africa Trading House, respectively and this experience will be helpful for the future reform or improvement of performance management systems for companies in logistics industry. Thus, this section has the following three objectives: firstly, the impact of industry environment on PM practices will be compared between these two companies; secondly, a detailed comparative study of specific features of employees PM practices (e.g. Goal setting, Talent development, Appraisal, Feedback and coaching, and Incentives and performance based pay) and the effectiveness of PM practices towards organizational outcomes in terms of employees productivity, engagement and retention will be conducted between the two companies. Finally, the achievements and limitations of the performance management system in both companies will be discussed and some practical suggestions will be provided. In this section, both of quantitative and qualitative data will be used to conduct a comparison among these two companies and the analysis strategy for both of them will be discussed below.

Thus, in this section, a strategy consisting of two steps will be adopted in the analysis of each aspect; the multiple comparison of mean difference of relevant scales by using the independent sample t-test and Levene's test and then the discussion of possible reasons for the difference in employees' attitudes towards PM practices by drawing the relevant findings from the interviews with managers, employees and HR staff.

Industry Environment Impact on PM Course of Actions

It is widely reported that the firm's industry (or industries) is an important part of the environment within which organizational policies and practices are framed and executed (e.g.,

Porter, 1980; Dess, Ireland & Hitt, 1990). Wright and Snell (1998) highlight the importance of industry as a critical contextual variable for HRM. Wright and Snell (1998) recognize this by emphasizing that the increased uncertainty and competition characterizing many industries requires a flexible organization and workforce enabling it to reconfigure resources and activities in response to environmental demands. Consistent with the contingency perspective, one can contend that the relative importance of Performance Management depends on the environment and industry and that an appropriate fit between PM practices and these conditions should contribute to superior performance and outcomes (Datta, Guhtrie and Wright, 2003). Thus, given the different types of industry environment in which these two companies are operating, it could be hypothesized that:

***Hypothesis 9:** industry environment's impact on PM Course of action and pre-requisites will be significantly stronger in Segon-Marill than East Africa Trading house.*

***Hypothesis 10:** industry environment's impact on important sub-dimensions of PM will be significantly stronger in Segon-Marill than East Africa Trading house.*

***Hypothesis 11:** industry environment's impact on PM outcomes will be significantly stronger in Segon-Marill than East Africa Trading house.*

The first aim of this section is to conduct a comparative study of Industry's impact on PM course of actions, sub-dimensions and outcomes between the two companies, by using the results from the employee survey and the evidence from employees' and managers interviews. Moreover, the second aim is to discuss the antecedents of the industry environment in PM, by analyzing and summarizing the employees' and managers' statements and the HR staff's descriptions of PM system in the interviews.

4.8.1. Quantitative Analysis of Survey Results

The carefully designed employee survey was distributed in these two companies to assess the practice of performance management and its effectiveness. Data were collected both from the employees and management members. The sample consisted of a total of 97 employees, with a valid 44 samples from East Africa Trading House and 53 samples from Segon-Marill movers.

Among the variables in the survey, three scales, industry environment impact on PM course of action and pre-requisites, Industry environment impact on important sub-dimensions of PM, and Industry environment impact on PM outcomes how the industry environment influences the PM practices in the two companies. Moreover, two scales with similar eight sub-scales- PM policy formulation, Objectives of the PM processes, PM pre-requisites, Goal setting and Measurement standards, Talent development, Appraisal, Feedback and coaching, Incentives and performance based pay – were adopted to examine the PM practices in both companies. In order to examine the effectiveness of PM practices towards organizational outcomes, employees’ attitudes towards the PM is examined using three scales - Employees productivity, engagement and retention in terms of the employees’ attitudes. In the comparative study, these fourteen scales will be used to compare the difference between the two companies. Therefore, in order to make comparative study of the two companies in this case, the independent sample t-test was selected for computing and testing the mean difference between different groups. Moreover, the Levine’s test, which is used to assess the equality of variance in different samples, was also chosen, in order to examine whether there is a significant difference between the variances in the population.

In the survey, there are three scales relating to the impact of industry environment on performance PM practices, The independent sample t-test for the data from the two companies was computed to compare the mean difference in these three scales, while the Levene’s test was adopted to assess the equality of variance in the samples from the two companies (see table below 4-13, 4-14).

The Industry Environment Impact on PM Course of Actions

The first scale the industry environment impact on PM course of actions was calculated by independent sample t-test and levene’s test, and the results are given in the tables below. The mean of the scale in segon-marill is 4.2377, which is computed by 53 valid responses, while the mean for East Africa trading house is 3.7455 computed by 44 valid responses. According to the following tables, the findings indicate that there are significant mean differences between these two companies. The resulting p-value of Levene’s test is 0.000 (less than critical value, e.g. 0.05), which means that there is a significant difference between the variances in the population. According to the t-test for equality of means, significant differences were observed between the two companies. The findings indicate that industry environment has a greater impact on the PM

course of action in highly unstable industry of Segon-Marill than relatively stable environment of East Africa. Therefore, in Segon-Marill the industry environment has the strongest impact on PM course of actions.

Table 4-13: Independent sample t-test, Levene’s test and comparisons for industry’s impact on PM Course of actions.

Descriptive statistics				
Scale: Industry environment impact on PM Course of action and pre-requisites				
	N	Mean	Std. Deviation	Std. Error Mean
Segon-Marill Movers	53	4.2377	.59363	.08154
East Africa Trading House	44	3.7455	1.02287	.15420

Independent Samples Test									
	Levene's Test for Equality of Variances		t-test for Equality of Means						
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
								Lower	Upper
EV assumed	16.321	.000	2.957	95	.004	.49228	.16650	.16174	.82282
EV not assumed			2.822	66.133	.006	.49228	.17443	.14402	.84054

Note: EV means Equal variance

The Industry Environment Impact on Important Sub-Dimensions of PM

The second scale is the industry environment impact on important sub-dimension of PM, was calculated by independent sample t-test and levene’s test, and the results are given in the tables below. The mean of the scale in Segon-Marill is 4.2264, which is computed by 53 valid responses, while the mean for East Africa trading house is 3.8273 computed by 44 valid responses. According to the following tables, the findings indicate that there are significant mean differences between these two companies. The resulting p-value of Levene’s test is 0.003 (less than critical value, e.g. 0.05), which means that there is a significant difference between the mean in the population. According to the t-test for equality of means, significant differences were observed between the two companies. The findings indicate that industry environment has a

greater impact on the important sub-dimensions of PM practices in highly unstable industry of Segon-Marill than relatively stable environment of East Africa. The average impact on PM sub-dimension in highly unstable industry is 0.34 stronger than the relatively stable industry environment. Therefore, in Segon-Marill the industry environment has the strongest impact on PM course of actions.

Table 4-14: Independent sample t-test, Levene’s test and comparisons for industry’s impact on important sub-dimensions of PM

Descriptive statistics				
Scale: Industry environment impact on PM Course of action and pre-requisites				
	N	Mean	Std. Deviation	Std. Error Mean
Segon-Marill	53	4.2264	.54355	.07466
East Africa Trading House	44	3.8273	.86867	.13096

	Levene's Test for Equality of Variances		t-test for Equality of Means						
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
								Lower	Upper
EV assumed	7.919	0.003	2.759	95	0.004	0.39914	0.14468	0.11191	0.68638
EV not assumed			2.648	69.431	0.01	0.39914	0.15075	0.09845	0.69984

Note: EV=Equal variances;

The Industry Environment Impact on PM Outcomes

The third scale is the industry environment impact on PM outcomes, was calculated by independent sample t-test and levene’s test, and the results are given in the tables below. The mean of the scale in Segon-Marill is 4.1950, which is computed by 53 valid responses, while the mean for East Africa trading house is 3.7500 computed by 44 valid responses. According to the following tables, the findings indicate that there are significant mean differences between these two companies. The resulting p-value of Levene’s test is 0.010 (less than critical value, e.g. 0.01), which means that there is a significant difference between the mean in the population. According to the t-test for equality of means, significant differences were observed between the

two companies. The findings indicate that industry environment has a greater impact on the important sub-dimensions of PM practices in highly unstable industry of Segon-Marill than relatively stable environment of East Africa. The average impact on PM sub-dimension in highly unstable industry is 0.34 stronger than the relatively stable industry environment. Therefore, in Segon-Marill the industry environment has the strongest impact on PM course of actions.

Table 4-15: Independent sample t-test, Levene’s test and comparisons for industry’s impact on PM outcomes

Group Statistics					
		N	Mean	Std. Deviation	Std. Error Mean
Industry impact on PM Outcomes	Segon-Marill	53	4.1950	.73506	.10097
	East Africa	44	3.7500	.93766	.14136

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Independent Samples Test										
		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the	
									Lower	Upper
Industry impact PM outcomes	EV assumed	2.641	.107	-2.620	95	.010	-.44497	.16987	-.78220	-.10774
	EV not assumed			-2.562	80.699	.012	-.44497	.17371	-.79062	-.09931

To summarize, the survey findings indicated that there are significant differences between these two companies, in terms of industry impact on PM course of actions, industry impact on important sub-dimensions of PM and industry environment impact on PM outcomes. Among these two companies, in highly unstable industry of Segon-Marill, industry environment has the strongest impact on PM course of actions, important sub-dimensions of PM and PM outcomes; while the impact of industry in relatively stable industry of East Africa Trading house is weakest. Thus, all of three hypotheses H9, H10 and H11 were supported.

4.8.2. Qualitative Analysis of Interview Results

Besides the employee survey, information about the performance management practices in both companies was collected by the interviews with two HR staff members in both companies. Moreover, in order to explore what factors influence the effectiveness of PM practices, the interviews with selected employees and managers were also conducted, with a sample of 2

supervisors and 4 employees in Segon-Marill Movers and 2 supervisors and 3 employees for East Africa Trading House. The interview questions were specially designed to test the impact of industry environment on PM practices.

Relevant information from the interviews of both employees and managers was obtained, which was highly consistent with the survey. It has been observed that employees in Segon-Marill believed industry's impact on PM practices to be prevalent, in terms of PM course of actions, sub-dimensions and outcomes. On the other hand, the East Africa Trading house employees reported that their industry environment is not complex and will have little impact on PM, but that this is not a common phenomenon. They believed that they could adjust their practices when the environment forced them to do it. The detailed findings in both companies will be specifically explained in the following sections.

Findings from interviews in Segon-Marill

In the interview, all four employees strongly believed that the industry environment has an impact on PM practices. The industry environment, influencing almost all HR practices, such as performance Management, promotion, career development and recruitment within the logistics industry because of highly intense competition.

The interview results revealed that in employees PM especially, in talent development and appraisal, the industry characteristics is informally considered and employees emphasize that all factors associated with the job must be considered in PM processes, as the jobs are different in their characteristics.

As per the interview result with the HR Manager and one management employee with operational planning executive title, Industrial and Economic factors are highly considered in formulation and implementation of performance management.

Conversely, problems exist in collaborating and feedback sessions as a result of the challenges posed by the industry environment. Segon-Marill has shifted to a collaborating knowledge transfer/sharing and coaching culture for effective performance management process by fostering dialogues between line managers and employees.

In addition, Interviews with one more management employees revealed that they prefer results rather than the PM processes.

“The industry by itself is highly stressful and The PM process is time consuming and we have a large workload to tackle the industry environment’s challenges. It takes time to consider every element of PM form. I don’t think that behaviors are so important. As a manager, I would rather evaluate results than behaviors. Results are more important for managers in this industry. Behaviors probably have to be considered for administrative jobs.”

Employees don’t feel enough support from the managers because of their busy work schedule. One more respondent stated that;

“We have conversations about setting new goals with managers at the beginning of the year, finalizing around mid-June. We have mid-year and year-end reviews with line managers in policy only. I don’t feel coaching or any support in terms of learning from my line managers because of lack of time.”

In conclusion, data from the Segon-Marill respondents seems to suggest that employees and managers view the impact of industry characteristics as identified during the policy formulation, feedback, talent development, pay and communication processes. Industry characteristics are considered on all PM processes. However, the industry characteristics create certain challenges for effective implementation of performance management.

Findings from Interviews in East Africa Trading House

Meanwhile, in East Africa Trading House, the situation is quite different from the Segon-Marill in some aspects. In the interviews, all three employees reported that the industry environment in FMCG industry is not complicated and so far it is relatively stable because there is high demand for consumers’ goods in the market. The industry environment does not have a strong influence on PM policy formulation and implementation processes. The company has long history of operations in FMCGs industry. However, the culture of the company is very performance-oriented, which ensures that the majority of supervisors and employees in the company focus on work performance. And customer attraction and satisfaction is a major tool in evaluating employees’ performance. This means that there is little focus on the industry’s characteristics for employees PM policy formulation and implementation of the processes.

The managers' interviews, on the other hand, provided different information, that industry's environment influence the PM practices in terms of decisions and communication. As one manager said, supervisors' yearly bonuses are fully linked to the performance of the whole workgroup; as a result, almost all supervisors in the company are quite performance-oriented. Supervisors do make decisions or provide directions based on the industry's environment characteristics in performance management, because they need to retain the able subordinates to stay for work in their own group, in order to achieve a better group performance. Therefore, the performance-oriented culture in East Africa Trading positively affects supervisors' decisions and behavior in PM; in the way that supervisors pay great attention to the performance of each subordinate and regard the development of counter-productive as the supervisors fear to release talent sub-ordinates.

In conclusion, the impact of industry on the performance management process is slightly observed in East Africa Trading House. Both quantitative results from the survey as well as qualitative results from the interviews indicate that the impact of industry environment on PM is significantly different between these two companies.

CHAPTER FIVE

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This study has explored the performance management practices in two different organizations operating in different industrial environment. This pioneering study has examined the impact of industry environment on performance management practices and the suitability of performance management systems at an organizational level in specific industry conditions. Two in-depth case studies were conducted, the first investigating a company operating in highly unstable industrial environment, and the second looking at a company operating in relatively steady industrial environment, with the aim of providing an insight into how their current performance management is operating and the industrial impact in performance management.

This last chapter summarizes the whole study. The key findings identified from the two case studies above will be revisited and the answers to each sub research questions will be briefly summarized.

5.1. Summary of Key Findings

Based on the assessment of the companies' performance management practice and data analysis made in chapter four of the study, the following are summarized and presented here under:

- According to these 14 interviews, three major findings were observed, in which the industry environment influences the employees' performance management in different organizations operating in various industries, in terms of three aspects:
 - First of all, Today's hyper-competitive environment has enlarged the strategic importance of a firm's employees and associated HR policies and Practices, and the knowledge and skills of an organization's employees have become increasingly important to its performance, competitiveness and advancement. Thus, the characteristics in the industry environment impacts employees in terms of three aspects; PM course of actions, i.e, PM policy formulation, objectives of the PM processes and the pre-requisites of PM processes; important sub-dimensions of PM, for instance, target setting, employees behavior, appraisal and more importantly the talent development activities and pay; and the PM outcomes.

- Moreover, it confirmed that there are seven types or dimensions of industry environment have an impact both on performance management practices and its outcomes, including level of uncertainty in an industry caused by threats of new entrants, bargaining power of buyers and suppliers, ownership patterns, the technology, competitors' action, growth pace of the industry, geographical scope of operations and the labor market.
 - Lastly, Employee performance management as a part of company HRM processes is influenced by industry characteristics as it focuses on eliciting employee behavior's consistent with firm strategy and other requirements imposed by industry related issues. However, not all of dimensions of industrial environment have a significant impact on the effectiveness of performance management practices. Only strong or closeness of those dimensions to the company's business significantly influences the features and outcomes of PM in the performance management process or practices.
- The empirical study were conducted in two different industries or two companies – one company from logistics industry operating in highly unstable environment and one company from FMCGs industry operating in relatively steady environment, and finally obtained 97 valid questionnaires from model testing. The results of the model testing indicated that industry environment's impact on PM course of actions and industry environment on important sub-dimensions of PM is positively related to employees' attitudes towards PM outcomes. However, it was found that there is no significant relationship between industry's impact on PM course of action and any dependent variables.
 - It is very interesting to note the difference between industry environment's impact on important sub-dimensions of PM and industry environment's impact on PM course of actions, in terms of the relationship with employees' attitudes of PM outcomes.
 - An important explanation for this could be that important components of the HRM practices, such as training, incentives and pay, performance evaluation, are more valued by employees, and thus organizations' decisions in HRM practices regarding the outcomes would influence not only organizational policy, but also will be easily observed, noticed and challenged by employees.

- Compared to industry environment's impact on important sub-dimensions of PM, which is more accepted by employees, industry environment's impact on PM outcome has a negative impact on employees' intentions of engagement, retention and productivity.
- Both quantitative results from the survey as well as qualitative results from the interviews indicated that the industry's environment impact on performance management practices, in companies operating in highly unstable industry of logistics industry, i.e. in Segon-Marill Movers, has a greater and stronger impact on PM practices than companies operating in relatively stable industries, i.e. FMCGs industry of East Africa Trading House.
- The antecedents of the industry environment impact in PM were also examined and three possible reasons have been discussed, including;
 - The growth rate of the industry,
 - Highly intense competition caused by the entrance of many local and foreign companies with the process of industrialization.
 - Low attention and reactions that were given to the challenges of these phenomena lead to the prevalence of the industry environment impact on PM practices in particular and firms performance in general within Segon-Marill Movers. Of course, such influence does not preclude meaningful employees PM variation across firms in the same industry, but less variation may occur among firms working on the same tasks, using similar procedures, and experiencing similar opportunities to grow than occurs across industries.
- Based on the findings, significant differences in the performance management systems were observed between the companies.
 - Firstly, the introductions of the performance management systems were different in both companies. The Segon-Marill in this study, which is operating in logistics industry, changed its performance management system because the new pace of highly competitive environment required it to implement the performance management system reform coupled with company-wide change management program. Meanwhile, East Africa Trading House adopted the current performance-oriented management system when the company sold its majority

stake to South Africa's Tiger Brands and formed joint venture before 10 years now.

- Secondly, the design and procedure of the whole performance appraisal system was different between these two companies. Several similarities in procedure were observed between these companies, such as adopting KPI as performance criteria, including both quantitative and qualitative criteria, and similar evaluation benchmarks. However, it was still found that the current PM system in Segon-Marill was significantly different from the system in East Africa Trading House, in terms of the following aspects of procedure: PM purpose, frequency of appraisal, communication style, supervisors' feedback, employees' participation, talent development activities, objective setting process and alignment with incentives and pay systems.
- The third difference between these companies is employees' attitudes toward the performance management outcomes, including employees' attitudes towards productivity and engagement. It was found that employees in Segon-Marill expressed greater dissatisfaction with how performance is managed, communication with their supervisors as constrained by manager's lack of time and their busy schedule, and the design and implementation of the system than employees of East Africa Trading House. Employees in Segon-Marill also mentioned their dissatisfaction in relation with the industry nature as being the third most stressful industry in the world.
 - However, there was a similarity between these two companies in employees' attitudes towards the performance management outcomes in terms of retention considering their intention of staying in their companies. Employees in both companies reflected their intention shifting their current employer.

5.2. Conclusions

In spite of the extensive discussion of performance management systems in a cultural, enterprise ownerships and organizational context, there has been a great shortage of in-depth studies into the design and implementation of performance management systems in different Ethiopian

organizations in a market or industry context, leaving a significant gap in the understanding of performance management reform in highly growing and changing pace of competition in logistics organizations e.g. the impact of industry environment on performance management practices. In recent years, more and more privately-owned companies in logistics industry have started to reform their performance management system by linking the individual evaluation to their work performance. Nonetheless, no study has explicitly answered the question of how performance management systems work and practiced in different organizations with similar type of ownership patterns operating in different industry. In order to fulfill the research gaps identified, the main research question of this research was presented as follows: *“How has performance management system been practiced in different organizations with similar ownerships patterns operating in different industry environment in Ethiopia, and how performance management practices vary by industry?”* In order to answer this question, several priori studies and theories, including theories on performance management, the research into performance management systems in and theories regarding industry environment were reviewed. Based on the research gaps and these studies, four sub-research questions were proposed and a range of hypotheses were also been developed.

In conclusion, this study has provided an in-depth case study of the performance appraisals system of the two companies operating in different industries with almost similar nature ownerships pattern in Ethiopia, indicating how the performance management system is implemented in each companies regardless of the industry characteristics based on the interviews of two HR department staff in both company. Firstly, the whole process of performance management system reform in the privately-owned family business of Segon - Marill movers in packing and moving sector of the logistics industry was introduced, with emphasis on the origins of the reform, the preparation stage of The reform, the process of the reform, the design of the new PM system, the Secondly, as East Africa Trading house does not amended its PM policy since 2009, this chapter provided a thorough description of its current performance evaluation system, focusing on these two aspects: the format of the system and the procedures for appraisals. Therefore, the following section will present a cross-case analysis of performance management system in both companies, the aim being to provide a comparative investigation

into how performance management systems differ in companies operating in different industries with almost similar type ownership patterns.

In section 1 of the pilot study, it was found that the impact of industry environment on PM practices has three features; Firstly, the characteristics in the industry environment influence policy makers to take the industry environment impact in to consideration in policy formulation, in designing the objectives of the processes and the pre-requisites required to proceed with PM processes; Secondly, the industry environment has an impact on important sub-dimensions of the PM practices, in such a way that the industry environment influences the supervisors to provide more help or direction to, to set goals for sub-ordinates, to develop their talent, to have communication, etc.; and Thirdly, the industry environment has an impact on PM outcomes.

5.3. Recommendations

The degree of uncertainty in an industry can impact the ethics of both management and employees, especially where compensation is based on revenues and ethical behavior towards customers and suppliers may slip downward as employees scramble to bring in more work in highly unstable industry.

It is important for organizations to be aware of the potential negative impact of the characteristics in the general industry environment on employees' attitudes of productivity, engagement and retention. Moreover, it is necessary for them to take actions to limit and constrain the negative impact of the industry by giving more emphasis on how to manage employees' performance.

Industry characteristics have to be considered in performance management in all companies. Consideration of the impact of competition or degree of uncertainty in the industry, and industry growth is very important.

Performance management faces certain challenges imposed by the industry characteristics. Attestation of employees, which aims at assessing employee professional expertise, may be considered similar to a performance management system. However, it lacks certain practices of the performance management process. Companies have to consider planning, setting goals, developmental based activities, performance reviews. Therefore, companies have to benefit from PM.

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Appendix 1: Pilot Questionnaire

This questionnaire was designed to measure Industry environment impact on performance management practices by raising a number of potentially related things. You will find a series of statements below. Each represents opinion gathered from different experts and there are no rights or wrong answers. You will probably disagree with some items and agree with others. The researcher is interested in the extent to which you agree or disagree with such matters of opinion. Please read each statement carefully and then indicate the extent of your disagreement/agreement with each item according to the following scale:

1	2	3	4	5
Strongly disagree	disagree	no opinion or neutral	Agree	Strongly agree

Please indicate your response by filling in the appropriate circle (1, 2, 3, 4, or 5) on the multiple choice answer sheets. Mark only one response for each item. Industry environment below refers to any of those dimensions in the following types defining industry characteristics:(1) level of uncertainty in an industry caused by threats of new entrants, bargaining power of buyers and suppliers, (2)competitors’ action (3) growth pace of the industry.

No	Statements	1	2	3	4	5
1)	The industry environment provides more help in formulating performance management policy					
2)	The Design of the employee’s performance management system is often based on and shaped by the characteristics in the industry environment.					
3)	It is important to have the information in industry environment in better framing the objectives of the performance management system, if an organization wants to have better performance management system than competitors.					
4)	Completion of strategic planning as a pre-requisite for performance management builds on industry analysis					
5)	In today’s highly competitive world, understanding of the job in question which is done through job analysis takes the industry environment in to consideration.					
6)	Supervisors’ time and ability of setting goals for the employees is influenced by the challenges in the industry environment.					
7)	Including behavioral competencies in the performance planning and agreement such as employee’s business awareness and customer focus is importantly influenced by the Inputs from the industry environment					
8)	Talent development activities of the firm will be significantly affected by the characteristics of the industry environment					
9)	The characteristics in the industry environment will help and influences supervisors to provide continuous feedback, coaching, and direction in appraisal to employees.					
10)	The challenges of the industry environment will always have the possibilities of determining incentives and performance based pay.					
11)	With hypercompetitive conditions in the industry environment, pressure is put on your organization to retain labor, reskill it or make it redundant.					
12)	Industry’s level of uncertainty either positively or negatively shape employees engagement or their commitment to the organization					
13)	Competitors’ action and industry’s level of uncertainty will have both a threat and opportunities for employee’s productivity.					

Thanks for your participation!

Appendix 2: Questionnaire for model testing

Addis Ababa University School of Commerce
School of graduate studies
Department of Human Resource Management

Research Questionnaire for partial fulfillment of MA Degree

Dear Respondents,

The purpose of this questionnaire is to get some insights on performance management practices and industry environment impact. Information serves for academic research purpose only, which is intended to generate knowledge to be utilized in understanding the impact of industry characteristics on employee's performance management practices. As a representative of your institution, your views are of important in my study and I would appreciate you responding to this questionnaire. I assure that the response recorded by you will be kept confidential and anonymous.

Thank you for your time, co-operation and contribution to my study!

Part 1: Personal background Information:

1. **Gender:** Male Female

2. **Age:** 18 -30 31-40 41-50 51 and above

3. **Educational:** High school College Diploma First Degree Master's Degree or above

Please read each statement carefully and then indicate the extent of your disagreement/agreement with each item according to the following scale:

1	2	3	4	5
Strongly disagree	disagree	no opinion or neutral	Agree	Strongly agree

Part 2: Industry environment impact on performance management practice

No	A. Impact on course of action and pre-requisites	1	2	3	4	5
14)	The industry environment provides more help in formulating performance management policy					
15)	The Design of the employee's performance management system is often based on and shaped by the characteristics in the industry environment.					
16)	It is important to have the information in industry environment in better framing the objectives of the performance management system, if an organization wants to have better performance management system than competitors.					
17)	Completion of strategic planning as a pre-requisite for performance management builds on industry analysis					
18)	In today's highly competitive world, understanding of the job in question which is done through job analysis takes the industry environment in to consideration.					
No	B. Impact on Sub-dimensions of performance management	1	2	3	4	5
19)	The challenges in the industry environment will influence supervisors' attention, time and ability of setting goals for the employees.					
20)	Including behavioral competencies in the performance planning and agreement such as employee's business awareness and customer focus is importantly influenced by the Inputs from the industry environment					

21)	Talent development activities of the firm will be significantly affected by the characteristics of the industry environment					
22)	The characteristics in the industry environment will help and influences supervisors to provide continuous feedback, coaching, and direction in appraisal to employees.					
23)	The challenges of the industry environment will always have the possibilities of determining incentives and performance based pay.					
No	C. Impact on PM outcomes					
24)	With hypercompetitive conditions in the industry environment, pressure is put on your organization to retain labor, reskill it or make it redundant.					
25)	Industry's level of uncertainty either positively or negatively shape employees engagement or their commitment to the organization					
26)	Competitors' action and industry's level of uncertainty will have both a threat and opportunities for employee's productivity.					
Part 3: Performance Management's course of action and pre-requisites						
No.	I. Policy formulation and design	1	2	3	4	5
1	The company's performance management practice is considered in the company as a strategic tool in enhancing individual & organizational performance					
2	The company's performance management practice strongly creates an alignment between employee performance & organizational goals					
3	The cycle of performance management (plan, act, monitor & review) is clearly observed in the company's performance management practice					
No	II. Objectives of PM processes	1	2	3	4	5
4	The company's performance management practice allows high employee participation					
5	The company's performance management practice creates a cordial and a harmonious relationship between an individual employee and the line manager based on trust and empowerment.					
6	The company's performance management practice drives employee productivity and retention					
7	Agree key objectives, training and development identification, performance based reward system & performance feedback are the major objectives of the company's performance management objectives in the company					
No	III. Pre-requisites	1	2	3	4	5
8	Employees are well aware of the organization's vision, mission and strategic goals					
9	Employees objectives support the organization's strategic goals and objectives					
10	Employees are clear with their duties and job responsibilities					
Part 4: Important sub-dimensions of performance Management practices						
No.	1. Goal setting and Measurement Standards	1	2	3	4	5
11	My individual performance target is aligned with the strategic objective of competency/department and the organization					
12	I am clear about what my job responsibilities are and what is expected from me					
13	I am clear about my performance targets & parameters					
14	I am informed and reach on an agreement with my supervisor about the standards that will be used to evaluate my work					
15	My Performance target is realistic & attainable (achievable)					
	2. Talent Development					
16	In general the training in your company equips you to meet the competition in the market					
17	The training given to you has helped you to perform better in the job					
18	The training programs I went through in this company effectively prepared me to provide high quality service.					
19	Employees in my job category normally go through training programs every few years to					

	improve our skills					
20	I have sufficient information about the Training and Development policy of my organization					
	3. Performance Appraisal					
21	My supervisor assesses my performance objectively against the performance parameters set					
22	Performance appraisal makes me work harder than expected					
23	I'm satisfied with the current performance appraisal system in the organization					
24	Performance appraisal helps me in identifying my improvement area & what corrective action to take					
25	Performance appraisal result is used to give training & development program					
26	Performance Appraisal is fair to all employees appraised.					
27	Performance appraisal makes me better understand what should be doing					
28	Performance appraisal positively influences individual and team performance					
No	4. Performance Feedback	1	2	3	4	5
29	I receive feedback regularly about my performance from my supervisor					
30	I receive performance feedback timely					
31	I'm always informed about any change made in my initial performance target by my supervisor					
32	I clearly understand my supervisors comments and opinion during the feedback session					
33	The feedback I receive is helpful in increasing my productivity					
34	The feedback I receive helps me in identifying improvement areas and what corrective action to take					
35	My supervisor regularly records my performance and critical incidents with the intention of giving objective feedback					
36	Performance feedback in my organization is fair and unbiased					
No.	5. Incentives and Performance based reward System	1	2	3	4	5
37	Performance management is directly linked to reward systems					
38	The performance based rewards provided by the company very frequently motivate me to give my best					
39	The performance based rewards motivate me to be timely in completing my duties					
40	My level of wage is fair and satisfactory to the degree of my performance					
41	Performance based rewards are varied					
42	High performer employees are entitled for job promotion than low performers					
43	The company uses performance appraisal result as one input for promotion decision					
44	The company well recognize & reward high & extraordinary performances					
45	The recognition for good work encourages me to work beyond the requirements of my job					
46	The company grants bonuses to employees based on employees' performance contribution					
47	The bonus I receive is satisfactory & makes me work harder					
48	The company gives adequate incentives for high performing employees					
49	Incentives given for high performers encourages me to perform more					

Thank You for Your Valuable Responses

Appendix 3: Interview questions for pilot studies

Interview questions for investigation of industrial impact

1. How would you define the environment of your company? Is it stable or dynamic?
2. What are the main external factors make impact on HRM processes as well as PMS of your company? What challenges or problems do they create?
3. How competitive your environment is?
4. How it influences on your HRM processes as well as your PMS?

Appendix 4: *Interview questions for case studies*

1. What is the format and design of the new performance management system in your organization?
2. What is the administrative purpose of the new performance management system in your organization?
3. How often are performance appraisals conducted in your organizations?
4. How were the criteria for the evaluation decided upon during the performance appraisal system reform?
5. Can you introduce the performance criteria which have been adopted in the performance appraisal system in your organization? KPI? Objective or subjective criteria?
6. What kind of the benchmark does your Company adopt in performance appraisals?
7. How is the performance of employees in different departments evaluated in the performance appraisal system? Do they have same criteria and benchmarks?
8. Does the performance appraisal system have 360 degree appraisals e.g. appraisal from customers and peers?
9. How are employees' performance objectives set at the beginning of appraisal?
10. How does the supervisor communicate with the subordinates in performance appraisals?
11. How frequently are supervisors required to provide formal feedback to subordinates regarding their performance? How about informal feedback?
12. Is there any participation opportunity in the process of appraisals provided to employees?
13. Is employee voice in performance appraisal valued and noticed by supervisors and the organizations?
14. Do employees have opportunities to appeal the results of the appraisal, when they feel any unfairness in or dissatisfaction with performance appraisal?
15. How does the Company deal with the employees' appeals? Who participates in the solution process of the appeal process?
16. Does the Company conduct post-appraisal attitude surveys in order to explore employees' affective reactions toward the performance appraisal system?
17. What is the role of the supervisor in performance appraisals?
18. What responsibilities does the supervisor have in performance appraisals?
19. How many subordinates is one supervisor responsible for in performance appraisals?
20. What are the employees' responsibilities in performance appraisals?
21. Has the implementation of the performance appraisal system helped to establish a scientific and objective system for the evaluation of employees' performance?
22. How did the HR department evaluate the implementation of the performance appraisal system?

23. Has the implementation of the performance appraisal system helped to reduce any unwanted behavior among the internal management of your organizations?
24. Has the implementation of the performance appraisal system helped to reduce any unwanted behavior among employees in the Company?
25. Has the implementation of the performance appraisal system affected cooperation among employees in the Company?
26. How were employees in different departments involved in the implementation of performance appraisal?
27. What impacts have the implementation of the performance appraisal system had on different employees in your organization? (a. employees in core functions; b. employees in support functions)
28. How fair do you think the performance appraisal system implemented in your company is?
29. What factors in appraisal do you think have a negative impact on the fairness of the performance appraisal system in your Company?
30. What kind of impact does the industry environment have on performance management in your organizations?
31. What types of the industry environment will have an impact on performance management practices?
32. How does the industry environment influence supervisors' decisions and behavior in practicing performance management in your company?
33. Are supervisors' understanding of industry environment-based decisions and behavior prevalent in your organization? If so, why did this become prevalent within your organizations?
34. Has the organization taken any action to limit the developments in and/or the influence of the industry environment within the organization?
35. Has the company taken any action to limit supervisors' understanding of industry environment-based decisions and behavior in appraisals?
36. What do you think have been the achievements and what problems have occurred in the implementation of the performance appraisal system in your organization?
37. How do you think the current performance management system in your organization could be improved?
38. Do you have any further comments?