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Satisfaction with performance appraisal system as a tool to enhance employee outcomes in banking sector organizations – evidence from Republic of Kosovo

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ABSTRACT

Purpose – Considering that Performance appraisal is one of the most critical activities in the field of Human Resource Management, this research aims to understand the importance of building a performance appraisal system in the organization, in order to achieve the highest results by employees.

Aims – Primary aim of this paper is to analyze in detail the performance appraisal system and employee satisfaction. Another aim is comparing if the inclusion of financial or non-financial factors in this system, causes more employee satisfaction; and to see if there is any significant correlation between employee satisfaction with the performance appraisal system and effects such as performance improvement, employee motivation and loyalty to the organization.

Methodology – This paper contains an empirical research conducted with employees of two organizations in the banking sector and one hundred respondents. The research is addressed from the employee's perspective on the performance appraisal system in their respective organizations, by using the questionnaire as an instrument.

Findings – The results indicate a strong influence of financial factors on employee satisfaction with the performance appraisal system. As we analyze the effects, we notice a positive correlation between employee satisfaction with the appraisal system, and the improvement of actual performance. Analyzing correlation between motivation and loyalty, it is concluded that the correlation is strongest in the relation to loyalty.

Limitations – A wider sample that includes other banking companies would make these results more reliable.

Practical implications – These reported findings note that the employee satisfaction with performance appraisal system can be converted to short and long-term benefit for the organization. Ideas on how to achieve such satisfaction are also discussed.

Originality – This paper is relevant for all companies, mostly banks, which want to build an effective PAS that is preferable from their employees, and it is more likely to create positive effects towards these employees.

KEY WORDS

human resources management, performance appraisal, satisfaction, motivation, loyalty

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1 INTRODUCTION

Businesses are constantly confronted with the aggressive environment of competition. The same applies to the banking sector organizations in the Republic of Kosovo. Moreover, the situation becomes more complicated because many of them are new in terms of experience and management. However, all businesses and banks, based on their knowledge and ability strive to be effective. Effectiveness means the ability to achieve the desired results or effects. Every organization of any kind, size or nature wants to achieve certain results, but only few of them succeed in this goal. This is because achieving the desired results necessarily means the quality utilization and management of all the resources that the organization needs to support its activity. The fewer and the more critical are the resources to a particular organization's operations, the greater the skill, time and effort needed in order to manage the relationship (Torrington, Hall, Taylor, & Atkinson, 2014). This principle also applies to human resources, which by many authors are considered the most complex and important resource of an organization.

By banking nature, operating expenses, including salaries consumes about half of total revenue (Payant, 2006). Thus, no organization or bank has the financial benefit to keep low-performing and low-motivated employees in its ranks. Therefore, many banks in the Republic of Kosovo apply performance appraisal in order to manage the performance of their employees, which is ultimately the performance of the organization itself.

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Thus, performance appraisal is perceived to be critical in leveraging human capital towards a desired direction (Takeuchi, Lepak, Wang, & Takeuchi, 2007). The mechanism of performance appraisal can only be effective if it is viewed as fair and reflective of their actual individual's performance (Suliman, 2007). Employees are believed to show a positive reaction towards their jobs if they perceive fair treatment of the appraisal system in the workplace (Cook & Crossman, 2004). Also, recognition and reward of employee performance leads to differentiation between the productivity of the employees (Bishop, 1987). Furthermore, the workers reaction towards the appraisal mechanism plays a crucial role in the overall job satisfaction (Sabeen, Mehboob, & Muhammad, 2008). Since it is the key process through which work is accomplished, it is considered the "Achilles Heel" of managing human capital (Pulakos, 2009). This because, workers do not appreciate the processes of human resource activities all the time (Whitener, 2001).

Thus, from the discussions of the various authors mentioned above, specific aspects and all the key points of performance appraisal system are addressed in this research. Starting from the influencing factors, all the way to the subsequent effects of a performance appraisal system with which employees are satisfied. Therefore, the purpose of this paper is to clarify which factors should be emphasized during the appraisals, if the organizations want the employees to be satisfied with the performance appraisal system.

I consider that such a research conducted in the real conditions of the premises of banking organizations in the Republic of Kosovo will provide a clear picture of performance appraisal and its effects. It could also serve as a reference point for the management of these organizations and the employees themselves to configure an effective and motivating performance appraisal system, which in the future can become a strong point of the organization by claiming to be distinctive competence. However, it will also help to understand more clearly what makes them more satisfied and at the same time, what effects this satisfaction brings to organization.

2 THEORETICAL REVIEW

By the notion of performance, we mean the knowledge and ability of the employee to understand and effectively perform the work, insights, analysis and synthesis of issues, as well as the experience and other special characteristics that a job requires (Leopold, Harris, & Watson, 1999). Whereas, Performance Appraisal (P. A.) is the process of measuring how well the employees do their jobs, based on a set of standards, and then communicating this information to employees (Heuerman, 1997). So, it is about a system through which the performance of employees is generally measured in terms of quality, quantity, time, cost and achievement over a certain period, and that this system necessarily serves certain purposes. This process makes a regular review of employee performance within the organization whether individual or team in certain annual or semi-annual periods, with certain methods and appropriate to the type of work and as such serves several purposes in the organization. This system usually is centrally designed. The assessment indicates the quality of performance or competence achieved or displayed by an employee by selecting the level on a scale that most closely corresponds with the view of the assessor on how well the individual has been doing (Armstrong, 2009).

Ideally, HR should be finding the best hires, nurturing the stars, and enhancing a productive work environment from which they have no desire to depart (Mathis & Jackson, 2008), and in this conception plays an important role Performance appraisal, which is already considered a necessity in the management of the organization. Today, organizations to be competitive in their industries must build a fair performance appraisal system, which influences members' behavior by correcting deviations and rewarding good performance, thus influencing employee motivation and reducing fluctuation. The task of the management is to conceive and define this performance properly, to use adequate methods and techniques for its measurement, to collect information, to perform the evaluation and to communicate the results to the employee. The quality of human resource will determine the fate of an organization (Lall & Zaidi, 2012).

Appraisals, however, can be quite a problematic issue. In fact, human resource management is the most critical and challenging task that management must perform. Critical because people are the key to organizational sustainability in today's competitive world. Challenging, because at least two individuals are not the same, so they do not have the same set of needs, ambitions, aspirations, or the same intellectual background. So the need to develop an appraisal system that is fair can be described by the fact that employees are sensitive to any differentiation in treatment that may be made to them. The fastest way to damage employee morale are the favors that employers can make with decisions such as those related to layoffs, shifts, overtime and disciplinary action (Kutlllovci, 2004). Therefore meeting the needs of all employees and at the same time achieving overall organizational objectives is one of the most difficult tasks.

Given that the performance appraisal is quite complex (as the theory above shows), also taking note the lack of research in this field (in our country), we aim to determine through this paper: What are the main factors, which cause satisfaction with the performance appraisal system to the employees of organization? Therefore, we hypothesize as follows:

H1: The impact of financial factors in employee satisfaction with performance appraisal system is greater than the impact of non-financial factors.

2.1 USES OF PERFORMANCE APPRAISAL

Organizations generally use performance appraisal in two potentially opposite ways. One use is to provide performance measurements for consideration in making payment or other administrative decisions for employees. Performance appraisal compensation is at the heart of the idea that salary increases should be given for achievement more than seniority (Mondy & Noe, 2004). Such compensation affirms the idea that salary increases are due to performance achievement rather than length of service (seniority at work), or the payment of salary automatically to all employees of the same levels. As such, it is in most cases widely accepted and enjoys greater credibility with employees. Other uses of performance appraisal such as promotion decisions, layoffs, layoffs and transfer are very important for employees. For example, partial layoffs may be justified by performance appraisal. Therefore, if an employer asserts that the decision was performance-based, performance appraisal should clearly document the difference between employees in performance. Similarly, promotion or demotion to a performance-based position should be documented by the system (Mondy & Noe, 2004). In cases where the employer is dealing with a strong union, appraisals are carried out with a special emphasis on pay administration purposes, because unions tend to emphasize seniority over merit, which many employers disagree with.

The other use focuses on employee development. Performance appraisal as a developer underscores the identification of training and development needs, as well as the planning of future employee opportunities and career guidance (Mathis & Jackson, 2008). This type of use is rarer than the administrative one but sometimes it is more important than the administrative use because the emphasis of many employees is not on the current salary, but on career planning and further development. In this way performance appraisal can be the primary source of information and feedback on things that are often the key to future development. Therefore, employees need to know how they are working so that they can make improvements when they deviate from the right path. While managers and supervisors need to know what obstacles may arise in the performance work of employees, so that they can remove these obstacles if they appear (DelPo, 2007). In the process of identifying employees' strengths, weaknesses, potentials and training needs through performance appraisal feedback, supervisors can keep employees informed of their progress, discuss areas where additional training may be useful, and compile future development plans (Mathis & Jackson, 2008). The role of the manager in this situation is more similar to that of the trainer and advisor because he helps employees by discussing good performance with them, explaining what improvements are needed and how they can further improve. According to the findings, we understand that financial rewards have positive effects on employee performance (Güngör, 2011).

2.2 PERFORMANCE MEASUREMENT AND ERRORS

Undivided in defining job performance is the development of an instrument for measuring it. Therefore, the assessment instrument is more than a form which must be completed "after the event" at the request of the RH department. It is a diagnostic tool to be used as a basis to facilitate improvement and self-improvement of what a person needs to start, stop, or continue to do at work. In short, it specifies for both the manager and the employee what needs to be observed to achieve the desired results of the organization (Boxall, Purcell, & Wright, 2007). Performance appraisal methods and instruments try to measure the effectiveness of employees' work using completely objective criteria and comparative scale. One of the most important problems in performance appraisal is the definition of criteria, which include quality, quantity of work, self-initiative, ability, reasonableness, permeability, experience, skill, creativity, innovation, scientific knowledge, communication, security, and approach towards decision-making (Kutllovci, 2004). Criteria should be identified in the job description because performance measurements that leave out some of the job tasks are considered deficient.

Since the notion of "performance" is often not clearly defined in the organization, and because its measurement may not be properly defined by the organization, various errors may occur in the administration of this process. Moreover, the difficulty increases during the administration of this process because different elements from inside and outside the process can have a great deforming impact. There are many factors and stages in this process from which problems can arise, but in short, we distinguish errors resulting from inaccuracies in performance measurement, as well as errors that evaluators can make in this process. Understanding these mistakes is helpful in improving this process, although their complete elimination is impossible, raising awareness of them is fruitful. As errors that are encountered in the performance appraisal process, we distinguish "Contamination" and "Deficiency". Contamination is an error that occurs when things that should not be measured in the performance appraisal process are included in the appraisal of employee performance (Stewart & Brown, 2011). So, contamination as a mistake is presented to us when we measure something we should not do. Deficiency is an error that occurs when the things that should be included in evaluating an employee's performance are not measured. So deficiency as error occurs

when we do not measure something that needs to be measured (Stewart & Brown, 2011). Human is a complex being, which makes performance appraisal very difficult because employees tend to be optimistic about appraisals, regardless of their performance. On the other hand, appraisers tend to be biased, prejudiced, and influenced by certain external factors, which may not be very significant to how employees perform. Therefore, in general, as mistakes that can be made by appraisers, we single out: "Different standards", "Effect of finality and primacy", "Central tendency", "Evaluator tenderness", "Evaluator severity", "Bias of evaluators", "Halo" and "Horn effect." "Contrast error", "Sampling error". However, despite the difficulties, this activity is necessary in the organization and as such, it should not be avoided under any circumstances because it lays the groundwork and gives rationality to managers' decisions regarding salary, promotion, employment, transfer or dismissal.

Effective evaluations begin before the actual evaluation, with the manager defining employee performance and performance criteria. Job definition means ensuring that managers and subordinates agree on tasks and job standards, the evaluation method to be used (Dessler, 2013). In the absence of a carefully designed performance system, people could judge the performance of others including their subordinates, even arbitrarily, based not on reason or fact, but on intuition and prejudice. A good system is based on carefully crafted behavioral documents and employee results, is focused on important performance criteria, and focuses on continuous improvement. Performance appraisals make the workplace fairer and more impartial and also more predictable. Thus reducing the chances for boring and controversial employees (DelPo, 2007). Performance appraisal has many uses and purposes, and perhaps the most important of the goals is to make employees feel equal by rewarding them for their work.

2.3 IMPORTANCE OF PERFORMANCE APPRAISAL

The purpose of evaluation is to provide a clear idea of the past, present or future performance of employees. Performance appraisals are widely used to administer wages and salaries, provide feedback to employees, and identify the strengths and weaknesses of individuals (Mathis & Jackson, 2008). The information that comes through this process provides the basis for the recruitment, selection, training and development of existing staff as well as for maintaining the quality of the workforce by rewarding employees adequately and appropriately for their performance. It is increasingly accepted that performance planning and adaptation has a critical effect on individual performance, on achieving performance goals, using the necessary resources, guidance and support from central managers (Torrington, Hall, Taylor, & Atkinson, 2014). When developing the formal appraisal system, managers usually provide inputs on how the final appraisal system will work. It is important for managers to understand that evaluations are their responsibility. Through the evaluation process, the performance of effective employees can be further developed and the performance of poor employees can be improved or poor performers can be removed from the organization (Mathis & Jackson, 2008). Consequently, through the design, implementation and maintenance of a dynamic and fair performance appraisal system, individual and organizational performance can be monitored and enhanced resulting in better effectiveness and organization.

When it's done properly, performance appraisal is a process, not a document - it is a way of structuring the relationship with employees; is the evaluation of employee performance generally in terms of quality, quantity, cost and time. A good system includes; observation, documentation and communication. It envisions a workplace where each supervisor knows how work is going in his or her department (who does what and how well he or she does the job), and documents employee performance until it happens (DelPo, 2007). Employees' attitude towards performance appraisal is positively related to work (intended purpose) (Chompukum, 2012). A rating scale is supposed to help make judgments and enable these judgments to be categorized to inform performance or to take payment decisions, or simply to produce a consistent summary of data on how well or badly an employee is performing the job (Armstrong, 2009). Employee satisfaction with performance appraisal is directly related to affective commitment to the organization and negatively to turnover goals (Kuvaas, 2006). Satisfaction with the P.A. can only be translated when employees see that positive evaluations result in salary increases, promotion, rewards and employee development (Patrick & Ozturen, 2015).

Given that the performance appraisal is quite complex (as the theory above shows), also taking note the lack of research in this field (in our country), we aim to determine through this paper: What effects are created in the organization when employees are satisfied with the performance appraisal system?

Therefore, we hypothesize as follows:

H2: Employee satisfaction with the performance appraisal system positively affects the improvement of employee performance.

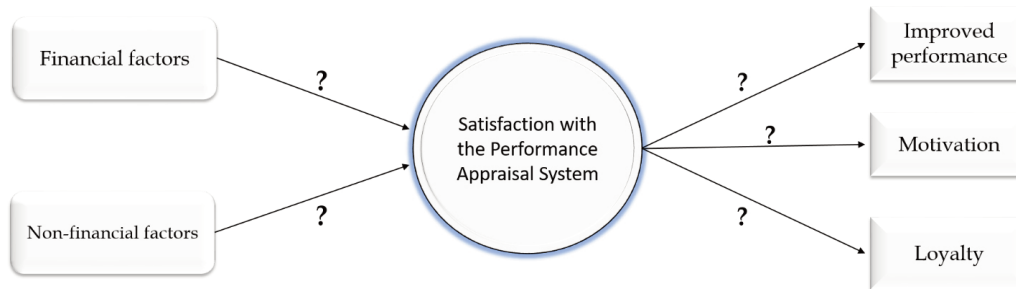
H3: Employee satisfaction with the performance appraisal system has a positive effect in employee motivation.

H4: Employee satisfaction with the performance appraisal system positively affects the employee loyalty to the organization.

2.4 CAUSAL FRAMEWORK OF THIS STUDY

The model in Figure 1, presents the causal framework of this paper, which derives primarily from the goals of this research. Consequently, through this paper we will try to clarify the complex relationship of financial and non-financial factors with employee satisfaction in the performance appraisal system, and then we will try to understand what effects are caused in the organization when employees are satisfied with performance appraisal system. Thus, by analyzing this issue from all dimensions we understand how important is the method of building performance appraisal and eventually what are advantages that a good performance system brings to the organization.

Figure 1: Causal Model Framework



3 METHODOLOGY

3.1 POPULATION AND SAMPLE

The population consists of all banks of the private banking sector that operate in the Republic of Kosovo. According to the Association of Banks of Kosovo in our country operate ten (10) commercial banks, with 269 branches and sub-branches, with approximately 3063 employees (referring to the data of 02 February 2019).

The sample in this research consists of two companies of the banking sector, respectively NLB Bank and Raiffeisen Bank. This selection of the sample is not completely random, because in order to have a more detailed overview of the system of performance evaluation, application, use and its effect on employees, the sample should have been taken by the largest organization of employees. Thus, in the Kosovo Business Registration Agency, NLB Bank has 488 employees registered while Raiffeisen Bank has 497 employees registered and these two banks are among the banks with the largest number of employees, which the researcher could have access to do the research. These two organizations which belong to the banking sector have approximately similar characteristics (*in terms of services, employees, geographical spread*), which helps to conduct a more detailed analysis, more likely to notice any changes, but also with greater opportunity to understand the general characteristics of performance appraisal in the banking sector in our country (*as a representative, generalized sample*). Given that if the sample covers 2% of the population, many researchers consider it a useful sample, the same can be determined in the case of this sample, as it covers 3.26% of the population.

3.2 PARTICIPANTS

Participants in this research are sum of one hundred (100) non-managerial employees, taken as a sample from two banks in the Republic of Kosovo. Such sample was selected due to the limitations imposed by the banks that agreed to be part of this research. Thus, the research included all types of job positions, starting from: cashiers (20%), credit analysts (33%), business analysts (15%), sales agents (15%), personal banker (6%), data update officers (3%), lawyers (3%), client advisors (2%), financial reporting officers (3%). Among them, 55% were male 45% of them female. The age categories were different, while the age group of 20-29 years is represented by 29% of respondents, the age group 30-39 years is represented by 36%, the age group 40-49 years is represented by 21% of respondents, and the age group 50-50 years is represented by 14% of respondents in this survey. Regarding the experience of the respondents, we see that 6% of them have work experience of less than one year, 14% have experience of one to three years, 19% have experience of four to six years, 37% have experience of six to ten years, and 24% have more than ten years of work experience. Regarding the professional training of respondents, we notice that we have 6% of employees with secondary education, 5% of them with pre-university school, 55% of employees hold a Bachelor degree and 34% of them hold a Master degree.

In this research, non-managerial employees were selected because these employees' performance evaluations are more frequent (*monthly basis*), and the methods used are more similar across different banks. In the other hand,

managerial employees in most cases have less frequent evaluations (*quarterly basis*), and banks differ a lot in terms of the methods used (*in most cases the method of planning and performance evaluation - MBO is used*).

3.3 INSTRUMENT AND PROCEDURE

The research instrument of this study is the questionnaire, the design of which is based on the theoretical model of the study, and which is adapted to the needs of this research by answering research questions and testing hypotheses. The methodology books suggest that all aspects of the questionnaire should be tested before the questionnaire is considered ready for administration (Kinnear & Taylor, 1996); (Ghauri, Grønhaug, & Strange, 2020); (Hox & Boeije, 2005). Thus, before starting the field survey, we conducted a pilot survey at a bank, and after consulting with field experts, we implemented the necessary improvements. This research, as a necessity to extract the necessary information, contains a total of twenty (20) questions, which are mainly closed-ended questions with alternatives as well as questions where the evaluation of statements is required by the Likert scale (1-5).

Impact of financial factors in satisfaction with performance appraisal – The measurement of the impact of financial factors in employee satisfaction with performance appraisal, was accomplished by taking to accord the involvement of these particular factors, with the appraisal system. Considering that performance appraisal can be used for administrative or developmental purposes, the questions have been treated in a way that can (indirectly) lead to the apprehension of the employee's purposes, for wanting the performance appraisal system to be implemented. In this study, the measurement of the financial factors includes three main components: "Employee salary is determined based on performance appraisals"; the performance appraisal system is closely related to incentives and rewards"; Promotion in the organization is directly related to performance appraisals". The Reason that "Job Promotion" has been listed as part of the components, is in view of the fact that in many cases, job promotion also includes an increase in salary and benefits; therefore, this particular component fits better in the financial factors group.

Impact of non-financial factors in satisfaction with performance appraisal – The measurement of the impact of non-financial factors in employee satisfaction with performance appraisal, was accomplished by taking to accord the involvement of these particular factors, with the appraisal system. In this study, the measurement of the non-financial factors also includes three main components: "The established standards of performance at work are adequate"; The current PA system helps to identify the strengths and weaknesses of employees"; The performance appraisal system is useful for career planning".

Satisfaction with performance appraisal – The measurement of the employee satisfaction, with performance appraisal was developed based on prior work (Meyer & Smith, 2000), and it was adapted for the needs of this study. Thus, it includes four items that concern the overall satisfaction with PA activities in the organization, the adequacy of feedback the employees receive, and the employee perceptions of their organization's commitment to conducting developmental performance appraisal.

Improved performance – The measurement of improved performance was developed based on prior work (Sharma & Sharma, 2017), and it was adapted for the needs of this study. The improved performance was also assessed by three items, using descriptive adjectives, which are more commonly applied to estimate performance. Example items include: "I almost always perform better than what can be characterized as acceptable performance", "I often perform better than what can be expected", "often expend extra effort in carrying out my job".

Motivation – Is also assessed by three items, using descriptive adjectives, which are more commonly applied to estimate extrinsic and intrinsic work motivation (e.g., (Cameron & Pierce, 1994)). Example items include: "Performance appraisal is valuable to myself as well as to my organization", "I try to work as hard as possible" and "The tasks that I do at work are enjoyable".

Loyalty – Is also assessed by three items, using descriptive adjectives, which are more commonly applied to estimate loyalty towards organization (e.g., (Kuvaas, 2006)). Example items include: "I feel emotionally attached to this organization", "This organization has a great deal of personal meaning for me"; "I feel like 'part of the family at my organization".

The items were first prepared in English, and then translated to Albanian. The conventional method of back-translation was applied to translate the measures and discrepancies were resolved by discussion (Brislin, Lonner, & Thorndike, 1975). The collection of all data was carried out during February 2020. The survey was conducted in two forms, in manual and electronic form via email. The employees received the questionnaire through the organizations, which then returned the completed forms to the researcher. Furthermore, the specific organizations ensured us that each subject had complete confidentiality of his or her response.

Reliability of the research instrument

A common form of reliability measurement is "Internal Consistency Reliability", which is often measured with the Cronbach Alpha test. In this research as an evaluation tool of the research instrument I used the Cronbach Alfa

test by means of the SPSS program. From the test developed for the employee questionnaire has resulted the reliability coefficient of 0.836, which means a reliability of 83.6% if expressed in percentage. However, considering that in this research paper different concepts are integrated, it is necessary that we measure the Internal Consistency Reliability for each of the concepts. The results shown in the table below signify that the questionnaire used as an instrument has a relatively high degree of alpha scale.

Table 1: Cronbach Alpha Test Results
Reliability Statistics

	Cronbach's Alpha	N of Items
Financial factors	.812	3
Non-financial factors	.784	3
Satisfaction with performance appraisal	.837	4
Improved performance	.803	3
Motivation	.824	3
Loyalty	.843	3
Questionnaire	.836	20

4 RESULTS

4.1 TESTING THE FIRST HYPOTHESIS

The best system of performance appraisal is only good as how well the system is linked to rewarding employees for the work performed. This paper aims to determine the views of the employee's, to the question of how the performance appraisal should be conducted in the organization. Thus, we have confronted the correlation of estimates with financial and non-financial factors. In addition, we will see which of these factors employees prefer to be associated with performance appraisal.

This hypothesis was tested using multilinear regression analysis, for both groups of factors.

Table 2: Linear Regression Analysis and ANOVA for Financial Factors
Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.494 ^a	.255	.128	.592

a. Predictors: (Constant), 14.4. Promotion in the organization is directly related to performance appraisals. 14.3. The performance appraisal system is closely related to incentives and rewards. 14.2. Employee pay is determined based on performance appraisals.

b. Dependent Variable: 19. How satisfied are you with the PAS in your organization?

ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	6.161	3	2.054	5.863	.001 ^b
Residual	33.629	96	.350		
Total	39.790	99			

a. Dependent Variable: 19. How satisfied are you with the PAS in your organization?

b. Predictors: (Constant), 14.4. Promotion in the organization is directly related to performance appraisals. 14.3. The performance appraisal system is closely related to incentives and rewards. 14.2. Employee pay is determined based on performance appraisals.

Table 3: Analysis of Linear Regression and ANOVA for Non-financial Factors
Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.391 ^a	.153	.126	.593

a. Predictors: (Constant), 14.6. The performance appraisal system is useful for career planning. 14.5. The current PA system helps to identify the strengths and weaknesses of employees. 14.1. The established standards of performance at work are adequate.

b. Dependent Variable: 19. How satisfied are you with the PAS in your organization?

ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	6.069	3	2.023	5.760	.001 ^b
Residual	33.721	96	.351		
Total	39.790	99			

a. Dependent Variable: 19. How satisfied are you with the PAS in your organization?

b. Predictors: (Constant), 14.6. The performance appraisal system is useful for career planning. 14.5. The current PA system helps to identify the strengths and weaknesses of employees. 14.1. The established standards of performance at work are adequate.

As it results from the above analyzes, the R Square value for financial factors is **0.255** and the significance level is **0.001**. The R Square value for non-financial factors is **0.153** and the significance level is **0.001**. This reveals that 25.5% of employee satisfaction with the performance appraisal system can be predicted (*determined*) by the involvement of financial factors and the importance given to these factors in relation to performance appraisal. This means that financial factors have a major impact on employee satisfaction with the performance appraisal system as a variable. While non-financial factors can predict (*determine*) satisfaction only 15.3%. A value which of course is not low, but this paper aims to make a comparison between the factors and in this case, the financial factors are seen by employees as the most important. So according to the developed models we accept the null hypothesis.

4.2 TESTING OF THE SECOND HYPOTHESIS

One of the main goals of Performance Appraisal, in addition to creating an overview of employee performance and documenting it, is to improve, maximize or at least optimize employee performance. If a system does not achieve this goal then it is not fulfilling its role and task towards the organization, consequently it is only partially successful in the work it does. Among the main goals of this paper is to understand whether the information that comes out of the performance appraisal system affects the optimization of the performance of employees of the banking sector in our country. To test this hypothesis 2, correlation analysis was used.

Table 4: Correlations – "Second Hypothesis"
Correlations

		Satisfaction with PAS	Improved performance
Satisfaction with PAS	Pearson Correlation	1	.318*
	Sig. (2-tailed)		.004
	N	100	100
Improved performance	Pearson Correlation	.218*	1
	Sig. (2-tailed)	.029	
	N	100	100

*. Correlation is significant at the 0.05 level (2-tailed).

The results from the correlation analysis test show that there is a strong positive correlation (*of the second degree*) between the tested variables, which are statistically expressed with a correlation level of $r = 0.318$ and a significance level of $\text{Sig} = 0 < 0.05$. The analysis shows that as the variable X increases, this causes an increase of variable Y also, which means that the more employees feel satisfied with the Performance Appraisal System, the more they will try

to improve their performance. Consequently, the effect of the estimates will practically increase. Consequently, this makes us accept the null hypothesis. These results show a great similarity with the previous findings of different researchers on the relationship between these two variables.

4.3 TESTING OF THE THIRD HYPOTHESIS

There are many authors (Gabriel & Nwaeke, 2015); (Güngör, 2011); (Kuvaas, 2006); (Ibeogu & Ozturen, 2015), who claim that employee satisfaction with the performance appraisal system is closely related to their motivation for work. Therefore, through this paper we will test this correlation, to see if this paradigm does not change even among employees of banking organizations in the Republic of Kosovo. To test this hypothesis, correlation analysis was used.

Table 5: Correlations – "Third Hypothesis"
Correlations

		Satisfaction with PAS	Improved performance
Satisfaction with PAS	Pearson Correlation	1	.333**
	Sig. (2-tailed)		.001
	N	100	100
Motivation	Pearson Correlation	.333**	1
	Sig. (2-tailed)	.001	
	N	100	100

** . Correlation is significant at the 0.01 level (2-tailed).

The results from the correlation analysis test show that there is a strong positive correlation (*of the second degree*) between the tested variables, which are statistically expressed with a correlation level of $r = 0.333$ and a significance level of $\text{Sig} = 0 < 0.05$. The analysis shows that as the variable X increases the variable Y also increases, which means that the more employees feel satisfied with the Performance Appraisal System, the more they will feel motivated. These results show a great similarity with the previous findings of different researchers on the relationship between these two variables. However, it must be considered that between these two concepts, a large number of factors can interfere to (*either change or adapt this result*). Thus, taking into account that this research excludes analysis for any mediator effects, it is preferable that we accept the result (*even though statistically significant*), with a certain margin of restraint.

4.4 TESTING THE FOURTH HYPOTHESIS

All organizations want to have the best employees working for them and they are interested that these employees that bring added value for the organization, to not want to leave. Given the impact of performance appraisal as one of the most complex systems implemented in the organization, in addition to performance improvement and motivation, we want to know if this process can affect the improvement of employee loyalty to the organization. To test this hypothesis, correlation analysis was used.

Table 6: Correlations – "Fourth Hypothesis"
Correlations

		Satisfaction with PAS	Improved performance
Satisfaction with PAS	Pearson Correlation	1	.406**
	Sig. (2-tailed)		.000
	N		100
Loyalty to the organization	Pearson Correlation	.406**	1
	Sig. (2-tailed)	.000	
	N	100	100

** . Correlation is significant at the 0.01 level (2-tailed).

The results from the correlation analysis test show that there is a strong positive correlation (*of the second degree*) between the tested variables, which are statistically expressed with a correlation level of $r = 0.406$ and a significance level of $\text{Sig} = 0 < 0.05$. The analysis shows that as variable X increases the variable Y also increases. Consequently, this makes us accept the null hypothesis.

5 DISCUSSION

In the recent past, research studies witness that only few organizations are satisfied with their existing performance appraisal systems and the dissatisfaction is greater enough (Showkat, 2013). The concept of performance management is receiving increased attention as a route to improved results (Boxall & Purcell, 2003). Thus, the main objective of this research is to compare which group of factors (*financial or non-financial*), has more impact on employees in terms of their satisfaction with the performance appraisal system. Also, to find out how employees behave when they are satisfied with the performance appraisal system. Sequel to this, the results of the hypotheses are thus discussed in this section.

Empirical findings show that employees of the banking sector are more content with the involvement of the financial factors in the performance appraisal system, than they would be with the involvement of non-financial factors. However, this does not imply that the employees prefer financial factors over non-financial factors; still, they prefer financial factors to be more present in the construction of performance appraisal system. Thus, we can declare that financial factor has a bigger impact on employee satisfaction with the performance appraisal system than non-financial factors. These findings are not entirely novel, since prior research has indicated similar impact, e.g., (Ibeogu & Ozturen, 2015). Also, similar results are found by (Güngör, 2011), from which we understand that financial rewards have positive effects on employee performance. Based on this finding, it is essential for employees to know how their performance is linked to their reward (Chompukum, 2012), and this is mainly a duty of their supervisors. Based on the results of this paper and discussions amongst authors, in order to achieve positive effects to their employees, the organization should emphasize on financial advantages, when and if the individual and general performance is satisfactory. Especially, the connection between PA and aimed performance can derive motivation through employees.

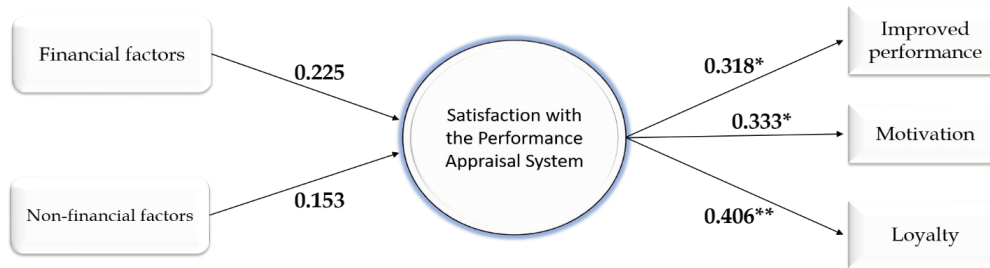
Moreover, this study contributes to this research field by providing additional empirical support to the opinion that performance appraisal satisfaction may enhance performance, motivation and loyalty towards organization. It is found by (Gabriel & Nwaeke, 2015), that compensation and reward practice of organizations significantly impacts on the performance of employees in those organizations. In this paper, we have found similar correlation between satisfaction with performance appraisal and improved performance ($R \text{ value} = 0.318^*$). According to (Güngör, 2011), variable of motivation was explained by Financial Rewards ($R \text{ square} = 13.2$), which is a strong prediction of the depended variable. Similar strong correlation is found in my research between motivation and satisfaction with performance appraisal system ($R \text{ value} = 0.333^{**}$). Except this (Kuvaas, 2006), found that employee satisfaction with performance appraisal is directly related to affective commitment to the organization. This is similar to my findings of strong positive correlation between satisfaction with performance appraisal system and Loyalty to the organization ($R \text{ value} = 0.406^{**}$). In the contrary, poorly developed and administered appraisals result in diminished levels of employee satisfaction (Ducharme, Singh, & Podolsky, 2005).

Also, based on the second research question of this paper, it is found how employees behave when they are satisfied with system of performance appraisal. Moreover, perhaps the most practically important and novel theoretical contribution of this study is finding that performance appraisal satisfaction has the highest correlation with the loyalty than the improvement of performance or motivation. Performance appraisal guides employees work related attitudes and behaviors (Werther & Davis, 1996). Therefore, improving performance appraisal effects at employees should be a priority of contemporary organizations. Also, this system must be used as a proactive tool to increase performance and not a reactive instrument to punish employees. Finally, indirect support for a PA satisfaction–work performance relationship is obtained from studies reporting a positive relationship between PA satisfaction and overall job satisfaction (Blau, 1999); (Pettijohn, Pettijohn, Taylor, & Keillor, 2001); (Ellickson, 2002).

6 CONCLUSION

The summarized results of the conceptual framework of this paper are presented graphically in the following figure.

Figure 2: Results of the Conceptual Framework of the Model



In the first place, we see a strong influence of financial factors on employee satisfaction with the performance appraisal system, which means that employees tend to feel more satisfied when the performance appraisal system is related to financial factors such as salaries, bonuses and promotion.

As we analyze the effects of employee satisfaction with the performance appraisal system we notice: A positive correlation of the first degree of 0.318 between employee satisfaction with the appraisal system and the improvement of actual performance; whereas, this correlation when analyzed for motivation, is presented of the first degree with values 0.333; and this correlation is the strongest in relation to loyalty to the organization, which is a second-degree connection with a value of 0.406.

Thus, the main finding of the research supports the view that performance appraisal system should be connected closely with financial factors such as salary and bonuses. Also, a clear reward system for good performance should be presented in the organization.

The contributions of this research should be viewed in light of several limitations. First, the study investigated performance appraisal satisfaction with only two main organizations in the Republic of Kosovo. Second limitation is that data was collected by self-report, this can cause concern about possible mono-method bias and percept-percept inflated measures (Crampton & Wagner, 1994). Also, the banks had very strict rules when it comes to giving out information and attending to researchers, this affected their return rate of the questionnaires, thus sample size is another limitation of this study. Another limitation is that sample was only employees from Republic of Kosovo, thus, future research should examine the model using a cross-national sample. Above all, the biggest limitation of this research may be the exclusion to analysis of the intervening variables, presence of which would give us a clearer picture of the relationship between the concepts, that would also be reflected in the correlations.

Despite these limitations the findings reported may have some interesting implications for human resource managers. First, it is important to note that the positive findings regarding satisfaction with performance appraisal system is that this satisfaction can be translated into a short and long term benefit for organization. In the short term, it can be used as a tool to improve employees' performance, and in a long term it can be used as a tool to increase loyalty toward organization and thus to lower the turnover intention. Also, the research clearly states what should be and how should be done in the organization to achieve this satisfaction. In order to obtain such positive outcomes, managers may use contingency approach (Certo & Certo, 2012); (Giacobbe, Jackson, Crosby, & Bridges, 2013); (Harris & Piercy, 2010); (Hongbo & Fangfang, 2010). This means that for the employees with low performance they can use more financial factors to motivate them (*such as salary and bonuses*). In the other hand, for the employees with good and acceptable performance they can use non-financial factors (*such as delegation of authority and participation in decision making*).

Future research could also investigate additional factors that may mediate the relationship between performance appraisal satisfaction and employee outputs. One of them can be cultural differences in management of banks or organizations, or the factor of tendency to fluctuate as a result of dissatisfaction with performance appraisal system. Also, a study by differentiation of banks with local and foreign capital should be investigated, to find out the main difference on managing the process of performance appraisal. Since the fundamental aim of performance appraisal system is increased performance, any study of variables and factors that may moderate the linkage between performance appraisal satisfaction and employees output, should be of interest to both practitioners and academics.

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