

UNIVERSITY OF LJUBLJANA
SCHOOL OF ECONOMICS AND BUSINESS

TEAM MASTER'S THESIS

**THE LINK BETWEEN HUMAN RESOURCE MANAGEMENT,
EMPLOYEE PERFORMANCE MANAGEMENT AND
ORGANIZATIONAL PERFORMANCE IN NLB BANKA PRISHTINA**

Ljubljana, December 2022

BASHKIM BACA
FISNIK SELIMI

AUTHORSHIP STATEMENT

The undersigned Bashkim Baca, a student at the University of Ljubljana, School of Economics and Business, (hereafter: SEB LU), author of this written final work of studies with title “The Link Between Human Resources Management, Employee Performance Management and Organizational Performance in NLB Banka Prishtina”, prepared under the supervision of Professor Nada Zupan, PhD.

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Ljubljana, December 28, 2022

Author’s signature: _____

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LIST OF ABBREVIATIONS

(Fulfil the list of abbreviations)

sl. - Slovene

EU - (sl. Evropska unija); European Union

EIB - (sl. Evropska investicijska banka); European Investment Bank

HR – Human Resources

HRM – Human Resources Management

ROI – Return on Investment

SMART - (Specific, Measurable, Achivable, Realistic and Timely)

KAS – (Kasabank)

SME – (Small and Micro Enterprise)

KIPA – (Kosovo Institute for Public Administration)

NLB – (Nova Ljubljanska Banka)

CBAK – (Central Bank of Kosovo)

OU – (Organizational Unit)

INTRODUCTION

The purpose of the thesis is to examine how the performance management system helps the organization to identify through the modern human resources management whether the results are in line with a mission and objectives of the company.

Human resource management enables the organization to provide an effective performance management system in place. Always, there is room for improvement of standards and practices in order to achieve higher performance results. The implementation of the proper and adequate performance management system enables the organization also to identify the potential weaknesses that should then get enhanced by the organization. Compared with other resources, human resources are the most important in the performance of every organization or institution. In our region, mostly the concept of the HR still represents the functions on transactional activities such as benefits administration, record keeping and employee services etc. The HR functions are mostly being perceived as administrative.

Human Resource Management is important for banks because banking is a service industry. Management of people and management of risk are two key challenges facing banks. How you manage the people and how you manage the risks determines your success in the banking business. Efficient risk management may not be possible without efficient and skilled manpower. Banking has been and will always be a "People Business". Though pricing is important, there may be other valid reasons why people select and stay with a particular bank. Banks must try to distinguish themselves by creating their own niches or images, especially in transparent situations with a high level of competitiveness. In coming times, the very survival of the banks would depend on customer satisfaction. Those who do not meet the customer expectations will find survival difficult. We are living in the knowledge age where our existing management theories, which are oriented towards being more productive in the industrial society and the ethics around it, will need to undergo a 360 degree change. As mentioned earlier, the key driver that motivates people in the knowledge era is not livelihood or job satisfaction but is the feeling of empowerment. Banks must articulate and emphasize the core values to attract and retain certain customer segments. Values such as "sound", "reliable", "innovative", "international", "close", "socially responsible", etc. need to be emphasized through concrete actions on the ground and it would be the bank's human resource that would deliver this. (Chakrabarty, 2012).

Organisations with motivated and talented employees offering outstanding service to customers are likely to get ahead of the competition, even if the products offered are similar to those offered by the competitors. Customers want to get the right answer at the right time, and they want to receive their products or services promptly and accurately. Only people can make these things happen. Only people can produce a sustainable competitive advantage. Performance management systems are the key tools to transform people's talent

and motivation into a strategic business advantage. Performance management is a continuous process of identifying, measuring and developing performance in organisations by linking each individual's performance and objectives to the organisation's overall mission and goals. Performance management is critical to small and large organisations – for-profit and not-for-profit, domestic and global – and to all industries. After all, the performance of an organisation depends on the performance of its people, regardless of the organisation's size, purpose or other characteristics (Aguinis, 2013).

Companies that seek competitive advantage through employees must be able to manage the behaviour and results of all the employees. Traditionally, the formal performance appraisal system was viewed as the primary means for managing employee performance. Performance appraisal was an administrative duty performed by managers and was primarily the responsibility of the human resource function. Managers now view performance appraisal as a ritual-they quickly complete the form and use it to catalog all the negative information they have collected on an employee over the previous year. Because they may dislike confrontation and feel that they don't know how to give effective evaluations, some managers spend as little time as possible giving employees feedback. (Noe, Hollenbeck, Gerhardt & Wright, 2007)

In the study, the aim was to identify if the performance management took place or in what degree was installed in the organization (commercial bank in our sample). Main focus was placed to performance appraisal of the employees, in order to identify the techniques and means by which was measured the employee performance in the organization. The role of HR management and processes was described as well. In the text, the qualitative research method based on the study was used. There is descriptive and exploratory approach. Different knowledge represented in books, articles, web sites, and magazines was given theoretical explanations. Internal forms used in organization, observation, and reports were used.

The study made it possible to examine two research questions:

RQ1: How the organization implemented internal system of the performance management?

and

RQ2: How the performance appraisal impacted the employee behavior and organizational performance?

The master thesis is divided into four main parts.

The first and second parts are theoretical and explain the concepts of HRM in general and HRM in Kosovo by using books, journals, Internet web sites as one of the most important elements to business success today.

While the third and fourth parts, are descriptive and mostly based on quantitative research method through collection of numerical data, summary of those data and the drawing of interferences from the data.

Additionally, survey with bank employees has been conducted to identify the satisfaction level of employees with the performance appraisal system.

Master thesis is focused in NLB Banka Prishtina as one of the best banks in Kosovo and as a good example of successful organization development.

Based on the results obtained at the end, the findings and final conclusions have enabled to give recommendations to interested parties related to the organization's performance management issues.

1 HUMAN RESOURCES MANAGEMENT

1.1 Definition of HRM

Human resource management (hereinafter: HRM) is the practice of recruiting, hiring, deploying and managing an organization's employees. (Noe et al.,2007) HRM is often referred to simply as human resources (hereinafter: HR). A company or organization's HR department is usually responsible for creating, putting into effect and overseeing policies governing workers and the relationship of the organization with its employees. The term human resources was first used in the early 1900s, and then more widely in the 1960s, to describe the people who work for the organization, in aggregate. Nowadays more and more companies are interesting to use intangible assets and human capital as a way to gain an advantage over competitors. The role of the HRM function has been evolving over time. Although it began as a purely administrative function, most HR executives now see the function's major role as being much more strategic. (Noe et al., 2007)

However, virtually all HRM functions, in order to add value to the firm, must increase their efforts in the traditional and transformational activities. Traditional activities include: performance management, training, recruiting, selection, compensation and employee relations. These activities have moderate strategic value because they often form the practices and systems to ensure strategy execution. Transformational activities create long-term capability and adaptability for the firm. These activities include knowledge management, management development, cultural change and strategic redirection and

renewal. Obviously, these activities comprise the greatest strategic value for the firm (Noe et al.,2007).

HRM is really employees management with an emphasis on those employees as assets of the business. In this context, employees are sometimes referred to as human capital. As with other business assets, the goal is to make effective use of employees, reducing risk and maximizing return on investment (hereinafter: ROI). In strategic planning and strategy making, HRM becomes a vital actor (Truss, Mankin, & Kelliher, 2012). HRM is relatively new approach of the people management in every organization. People are considered as key source in this approach. So, organization through HR takes care of people management in order to achieve success and results. It tends to fulfill the strategic objectives.

HRM is responsible to keep good relationships between the people in organization, but also for their individual development. Human resources represent overall knowledge, ability, opportunity, capability, creativity, motivation and relations that organization has it.

Dessler (2016) defined that human resource management refers to the practices and policies that managers need to carry out towards the personnel aspects of the job management which includes acquiring, training, appraising, rewarding. Besides, managers need to provide a working environment with safety, ethic and fairness for the company's employees.

One of the important pillars of the knowledge-based economy is human capital. This may be enhanced by education, which nowadays is an important element of socio-economic life and a key factor for success.

Another reason for the increasing complexity of HR management centers around the expectations of most contemporary workers, especially well-educated employees who expect to have jobs that are meaningful and that provide opportunities for promotion and career advancement. No longer are most employees content to remain in dead-end jobs in which they have no input in the decisions that affect them and their jobs. (Stueart, Morner & Moran, 2017)

To take full advantage of the potential of its resources and capabilities, a firm must be appropriately organized. A firm's organization consists of its formal reporting structure, its formal and informal control processes, and its compensation policy. These are complementary resources in that they are rarely sources of competitive advantage on their own (Barney & Hesterly, 2012)

According to the ability-motivation-opportunity framework, skill-enhancing HR practices can directly help to optimize the levels or types of employees skills and abilities. For example, recruitment and selection practices are intended to insure that employees have the skills needed for task performance, and training and development may further provide employees with organization-specific skills with which to perform their work. Finally, for each HR policy, a variety of implementable practices exist. In order to implement pay for

performance, for example, companies may use merit pay, piece rate systems, or stock plans. Related to that, to implement a broad reach recruitment policy an organization may use internet, company-based websites, or widely circulated publications. While the choice of the specific practice may vary across organizations, provided the practices are consistent with the objectives of a pay for performance logic. (Jiang et al, 2012).

Importantly, the contextually based theory of human resources also serves to focus explicit attention on the factors that help to shape systems of HR practices in contemporary organizations. As such, it serves to redirect attention away from an exclusive preoccupation with the performance effects of HRM to wider concerns about the evolution and development of HRM systems themselves. (Paauwe, 2009).

1.2 HRM activities

Business success of a company is the result not only of strategy, technology and processes, but business success depends first of all from employees who are the main pillars of the company. Action and success in the business of the company relies on modern approach of actions with the potential of employees, who provide the possibility of competitive advantage and business success of the company.

The HRM policy of a company sets the areas, activities and actions with potential of employees. As the action with potentials of employees derives from the today and future needs and from the business strategy in connection with the vision, mission, goals, culture, values and planned development, the function changes its administrative role in the strategic role and thus becomes a business and strategic partner.

Basic activities of HRM can be listed as bellow:

- Strategy for management of human resources - Starting point for short-term human resource strategy (6-18 months) and long-term (3-5 years) is the plan of number of employees by area and job, enabling planning and guarantee optimum volume of potentials (competencies) of employees for the present and future challenges of a company, in line with it's strategy. Balanced structure of employees by gender, age, experience, knowledge, reduces risks and ensures the use of knowledge and sustainable development.
- Determining, planning and providing the necessary potentials (competencies) of the employees – The system of competencies represents the foundation, ie the basis for the implementation of HR strategy, employment policy, development of all activities related to potential of employees, and supports the strategy of a company.
- Recruitment, selection and job assignment for employees – The bases for employment are standards and plan of employees' number (business plan of the company) which is confirmed by the executive bodies of the company. On the basis of certified human resources plan and identified needs, the Section before the procedure of recruiting new employees, evaluated the possibility of filling in the job positions with internal employees and then announces external job vacancy. It verifies the necessity of

employment, respectively the possibility of relocating the existing employees. Within the human resources procedures, despite the professionalism is also very important the compliance and quick response.

The recruitment of the right people in the right working place (giving first priority to those who are employed in the company depending from the position) is conducted according to the plan of required competencies of employees and potential of employee for achieving the objectives. Internal employees of the company have advantage for filling in job vacancies, because this encourages and enables their development and expansion of their competencies. At the same time this prevents them leaving the company.

Depending on the need for human resources, it is selected the best way of recruiting the potential candidates. Selection of candidates is made in the following way: internal advertisement, the advertisement in the media, providing scholarships and opportunities as needed, recommendations of good candidates by the employees of the bank, internal movement of employees, career fairs, private agencies and "talented researchers' contact with schools and universities, associations and different organizations.

- Performance evaluation - Work performance management is based on correlation of job descriptions (works and tasks), the required potentials (competencies) of employees, regular conversations in assessing the performance of work for employees, development of employees, education, advancement (horizontal and vertical) and remuneration. Fundamental objective of conversations/discussions made while evaluating the performance of employees at the company, which according to the Job Performance evaluation is conducted at least twice per year, is the establishment of individual success, which affects the achievement of desired and planned business goals. Purpose of the conversation is to provide feedback information to employees performing tasks and achieving goals, which affects certain behaviors of employees and future achievements in their work. In conversation, the leader obtains useful information for the opinions, expectations and development needs of employees.
- Learning, education and training - Education and training is a key part and the support for the planned development of individual employees. The education is understood as obtaining and development of knowledge, use of information with the purpose of increasing the intellectual capital and increasing of the competitive advantage of the company. Educational activity shall be harmonized with the mission, vision and objectives of other parts of the employee system. Education is conducted through the verified programs of the institutions, where is achieved the valid formal public education, which is verified by a certification which is a public document, while trainings are usually conducted outside of the verified educational programs and is dedicated to obtaining theoretical and practical knowledge needed for conducting the duties in current or future workplace.
- Development of employees and treatment of the talented ones - Development of employees is supported by systems of motivation, remuneration, promotion, education,

handling of talented, career management and leadership culture. Development of these systems along with social programs - health care, providing employee satisfaction and affordable measures for their families - presents the basics of excellent working environment. This increases the companies good image as employer even in the foreign market and it is strengthened the identification of employees with the company, their commitment to work and it impacts the retention of talented individuals in the company. Development of employees and handling of talented individuals includes the employees in all areas and all working profiles. It ensures opportunities for professional and occupational development, individual character, increases flexibility and mobility, as well as possibilities of self-realization.

Development of each individual includes the planning, implementation and monitoring of its development and implementation of development activities, which include: expansion and improvement of work, movement between work-positions in the same or different scope, teamwork and project work, education, career planning and career path, transfer of knowledge, acquiring international work experiences.

Planning the development of all employees is based on their segmentation depending on success at work and development opportunities. The purpose of segmentation is to identify employees with potential for more intensive and greater effectiveness at work, as well as employing the right people in the right places. Simultaneously, it serves as the basis for advice on motivational approaches, remuneration, development planning, promotion, and dismissal of employees. (NLB Banka, 2012)

1.3 Strategic HRM

Strategic HRM is designed to help companies best meet the needs of their employees while promoting company goals. Strategic HRM is the proactive management of people. It requires thinking ahead, and planning ways for a company to better meet the needs of its employees, and for the employees to better meet the needs of the company.

Strategic HRM, or ‘people strategy’, is about creating a coherent planned framework for employees to be hired, managed and developed in ways that supports an organisation’s long-term goals. It helps ensure that the various aspects of people management work together to drive the behaviour and climate needed to create value and meet performance targets. It focuses on longer-term people issues, matching resources to future needs, and large-scale concerns about structure, quality, culture, values and commitment. It must also be a response to the evolving nature of work itself, which is explored in our Megatrends series and our Profession for the Future work. There’s no single HRM strategy that will deliver success in all cases. Organisations must define their own unique strategy according to their specific context, culture and objectives. People professionals are instrumental in applying their expertise to understanding organisational circumstances, and designing human capital value chains that reflect stakeholder demands (Gifford, 2021).

Figure 1. Human Resource Strategy



Source: Gifford (2021)

Strategic HRM is an approach that defines how the organization's goal would be achieved through people by means of HR strategies and integrated HR Policies and Practices. The central Premise of strategic human resource management theory is that successful organizational Performance depends on a close fit or alignment between business and human resource strategy. Therefore strategic human resource management techniques can be defined as the linking of human resources with strategic goals and objectives in order to improve business performance and develop organizational culture that fosters innovation, flexibility, and competitive advantage.

Performance management systems, which typically include performance appraisal and employee development, are the "Achilles' heel" of human resources management. They suffer flaws in many organizations, with employees and managers regularly bemoaning their ineffectiveness (Pulakos, 2004).

The effectiveness of even highly skilled employees will be limited if they are not motivated to perform, however, and HRM practices can affect employee motivation by encouraging them to work both harder and smarter. Examples of firm efforts to direct and motivate employee behavior include the use performance appraisals that assess individual or work group performance, linking these appraisals tightly with incentive compensation systems, the use of internal promotion systems that focus on employee merit, and other forms of incentives intended to align the interests of employees with those of shareholders.

Business leaders recognize that managing people is vital to organizational success, and it is among their top concerns (Boudreau & Ramstad, 2007). The theoretical literature clearly

suggests that the behavior of employees within firms has important implications for organizational performance and that human resource management practices can affect individual employee performance through their influence over employees' skills and motivation and through organizational structures that allow employees to improve how their jobs are performed.

The roles required of the HRM function have changed as people have become recognized as a true source of competitive advantage. This has required a transformation of the HRM function from focusing solely on transactional activities to an increasing involvement in strategic activities. In fact, according to a recent study, 64 percent of HR executives said that their HRM function is in process of transformation. The strategic management of the HRM function will determine whether HRM will transform itself to a true strategic partner or simply be blown up. HRM today must play roles as an administrative expert, employee advocate, change agent, and strategic partner. The function must also deliver transactional, traditional, and transformational services and activities to the firm, and it must be both efficient and effective (Noe et al.,2007).

In the last two decades there has been an increasing awareness that HR functions were like an island unto itself with softer people-centred values far away from the hard world of real business. In order to justify its own existence HR functions had to be seen as more intimately connected with the strategy and day to day running of the business side of the enterprise. Many writers in the late 1980s, started clamoring for a more strategic approach to the management of people than the standard practices of traditional management of people or industrial relations models. Strategic HRM focuses on human resource programs with long-term objectives. Instead of focusing on internal human resource issues, the focus is on addressing and solving problems that effect people management programs in the long run and often globally. Therefore the primary goal of strategic human resources is to increase employee productivity by focusing on business obstacles that occur outside of human resources. The primary actions of a strategic human resource manager are to identify key HR areas where strategies can be implemented in the long run to improve the overall employee motivation and productivity. Communication between HR and top management of the company is vital as without active participation no cooperation is possible (Agarwala, 2007). Referring to the same source, the benefits and barriers of the strategic HRM are categorized as in the tables below:

Table 1: Benefits and Barriers of the Strategic HRM

Benefits of Strategic HRM	Barriers of Strategic HRM
Identifying and analyzing external opportunities and threats that may be crucial to the company's success	Inducing the vision and mission of the change effort
Provides a clear business strategy and vision for the future	High resistance due to lack of cooperation from the bottom line
To supply competitive intelligence that may be useful in the strategic planning process	Interdepartmental conflict
To recruit, retain and motivate people	The commitment of the entire senior management team
To develop and retain of highly competent people	Plans that integrate internal resource with external requirements
To ensure that people development issues are addressed systematically	Limited time, money, and the resources
To ensure that people development issues are addressed systematically	The status quo approach of employees
To supply information regarding the company's internal strengths and weaknesses	Fear of incompetency of senior level managers to take up strategic steps
To meet the expectations of the customers effectively	Diverse workforce with competitive skill sets
To ensure high productivity	Fear towards victimization in the wake of failures
To ensure business surplus thorough competency	Improper strategic assignments and leadership conflict over authority
	Ramifications for power relations
	Vulnerability to legislative changes
	Resistance that comes through the legitimate labor institutions
	Presence of an active labor union
	Rapid structural changes
	Economic and market pressures influenced the adoption of strategic HRM
	More diverse, outward looking approach

Source: Agarwala (2007).

1.4 The link between HRM and company performance

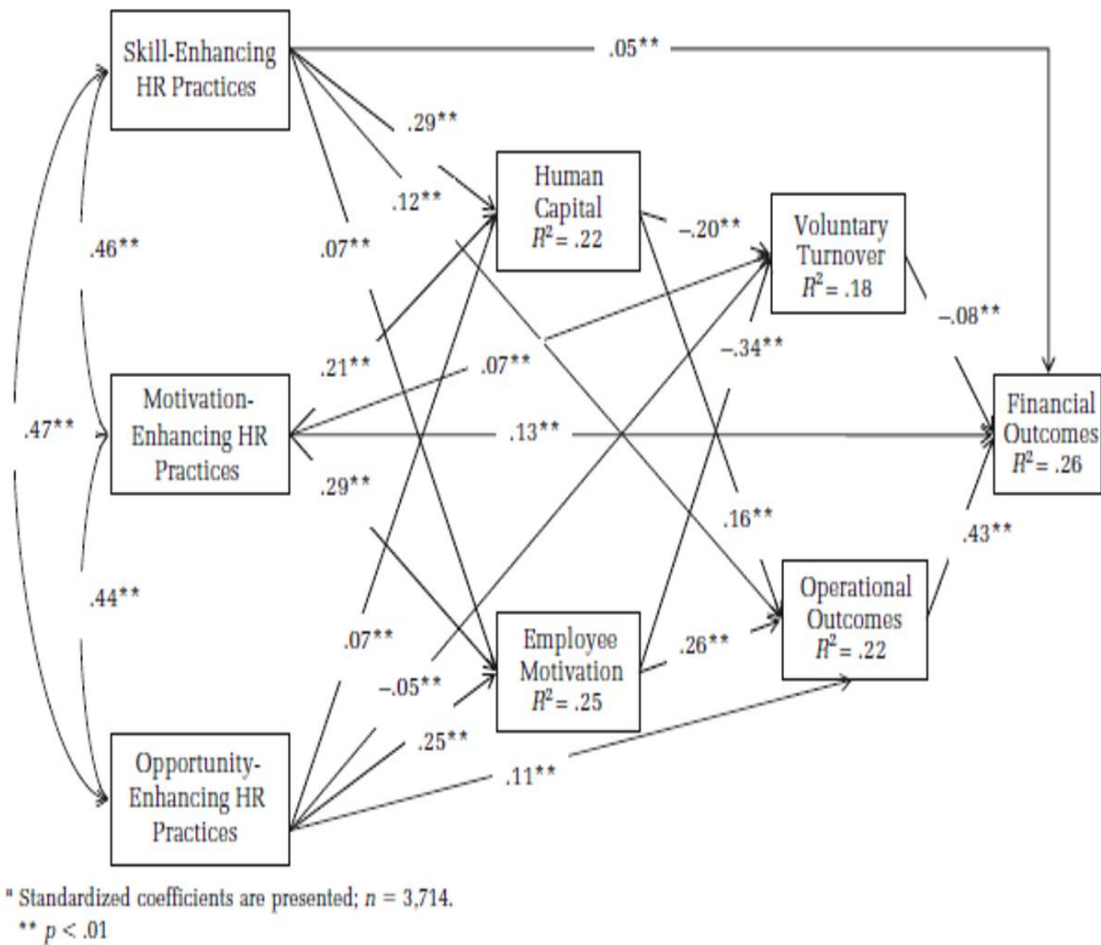
There seems to be a widespread agreement that human resources are the main source of competitive advantage in modern companies. Consequently, the traditional personnel function is being transformed into the human resource management (HRM), which, in turn, is becoming a part of strategic management with the goal of integrating HRM activities to fit business needs. (Zupan & Ograjenšek, 2004).

Understanding the relationship between HRM and organizational outcomes is one of the long standing goals of macro HRM research. Researchers in strategic HRM have categorized organizational outcomes into three primary groups related to HRM: HR outcomes, operational outcomes, and financial outcomes. HR outcomes refer to those most directly related to HRM in an organization, such as employee skills and abilities, employee attitudes and behaviors, and turnover. Operational outcomes are those related to the goals of an organizational operation, including productivity, product quality, quality of service, and innovation. Financial outcomes reflect the fulfillment of the economic goals of organizations. Typical financial outcomes include sales growth, return on invested capital, and return on assets. In this study, we use "organizational outcomes" to refer to all three categories of outcomes at the organizational level. Second, strategic HRM research suggests that different types of outcomes may not necessarily have equivalent relationships with HR practices. Moreover, it is commonly asserted that HRM may influence the three types of organizational outcomes in sequence. For example, HR practices are expected to first influence HR outcomes (e.g., employee skills and motivation), which are proximal and the least likely to be contaminated by factors beyond HR practices. HR outcomes, in turn, may mediate the influence of HR practices on productivity, quality, service, safety, innovation, and other operational outcomes, which further affect financial outcomes. Although existing HR research often implies that HR outcomes serve as a key mediator between HR systems and key outcomes, the specific natures of models of this mediation depend on the theoretical perspective researchers have adopted when examining this relationship. On the one hand, several researchers have adopted the behavioral perspective of HRM. According to this perspective, organizations do not perform themselves, but instead use HR practices to encourage productive behaviors from employees and thus to achieve desirable operational and financial objectives. If an organization requires efficient employees, for example, its chosen HR practices and their effectiveness would likely differ from those of an organization that requires employees to be cooperative, to focus on service, or to engage in some other critical role behavior. The effectiveness of HR practices is realized when employees act in ways that are needed for implementing strategies and achieving various business objectives (Jiang, Hu, Lepak & Baer, 2012).

Taking a different approach, some researchers have drawn upon the ability-motivation-opportunity (AMO) model of HRM and suggested that employee performance is a function of three essential components: ability, motivation, and opportunity to perform. Extending this logic, HR systems designed to maximize employee performance can be viewed as a

composition of three dimensions in tended to enhance employee skills, motivation, and opportunity to contribute, respectively. Recently, several empirical studies have adopted and validated this conceptual framework (Jiang et al., 2012).

Figure 2. Final Model of Effects of HR Dimensions on Organizational Outcomes



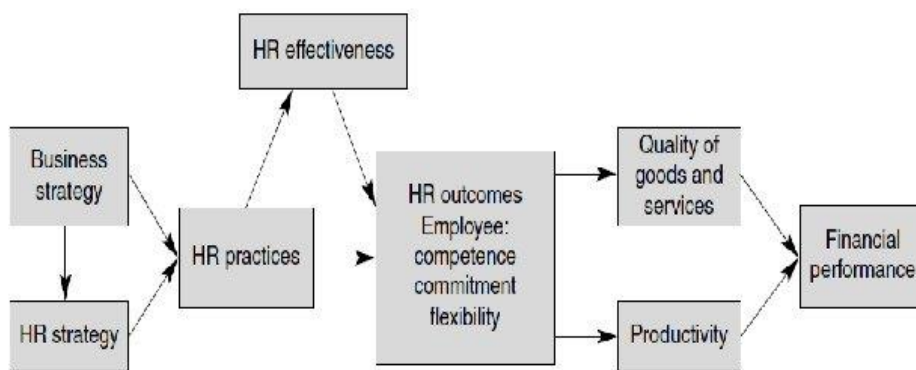
Source: Jiang et al.(2012).

AMO model is a business model used to suggest that employee success is a function of ability, motivation, and opportunity. The ability, motivation, and opportunity (AMO) model has been widely embraced in the human resource management (HRM) discipline to describe the complicated relationship between managed people and subsequent outcomes. According to a commonly held belief, a combination of an individual’s ability (A), motivation (M), and opportunity (O) can be used to calculate a measure of an individual’s performance (P) (represented as $AMO = P$). To get performance-driven outcomes, high-performance work systems should include HR practices that can influence an individual’s ability, motivation, and opportunity. AMO model is defined as HRM practices used for explaining the

relationship between human resources practices and performance by analyzing ability-enhancing, motivation, and opportunity-enhancing HR practices. According to the AMO theory, three separate work system components form employee characteristics and contribute to organizational progress. According to the notion, a system that considers an employee’s ability, motivation, and opportunity best serves the organization’s objectives. It offers organizational leaders a management tool that can influence performance. Performance is likely to be limited if any of the three qualities is missing, but performance is expected to be boosted if all three are present. High employee performance is a critical aspect of achieving company goals. All in all, the AMO model suggests that people perform well when they have the abilities and adequate motivation in a work environment that offers opportunities to participate.

Figure 3. The Link between Human Resource Management and Firm Performance

The link between HRM and firm performance



Source: Bailey (1993).

It was initially proposed by Bailey (1993) who had given suggestions that to ensure discretionary effort of an employee three components are needed:

- Needed skills
- Appropriate motivation
- Opportunity to participate

By taking inspiration from this analysis while designing the concept of high-performance work systems (HPWS), the AMO model was later developed by other authors as well.

Ultimately, HR strategy has the most significant impact on what employees actually do on the job. If the strategy focuses on customer service, for example, it will affect things like whether employees are friendly and helpful, whether they give the right answers and solve customers' problems. If the strategy is about efficiency, it will encourage employees to look for ways to lower costs or operate more efficiently. Do they engage in cost-saving behavior or waste time and money? The bottom line is that what employees actually *do* will decide how well the business strategy is executed. In the end, what employees do is the critical link in executing strategy. Because what employees do depends on what they have and feel, HR strategies need to focus simultaneously on building skills, motivation and behavior for a successful business strategy (Wright, 2008).

-Employee Actions Affect Business Success

There are five types of employee behavior relevant to a company's success.

- Task behavior refers to things that employees are supposed to do as part of their jobs (from the bare minimum to the maximum).
- Discretionary behavior refers to employees using their discretion to go above and beyond their job descriptions such as the airline gate agent who races to return a forgotten briefcase.
- Counterproductive behavior is all those things we do not want to see our employees doing: stealing supplies, taking long personal calls, even sabotaging products or equipment.
- Attendance is the extent to which employees show up on time. Although perfect attendance is neither possible nor even desired (in the case of a sick employee), workers who call in sick when they feel fine create scheduling hassles and reduce productivity.
- Turnover, of course, refers to an employee leaving the organization. Again, zero turnover is neither possible nor desired, but excessive turnover of average employees results in additional replacement costs, and turnover of an outstanding employee (if replaced by a less skilled employee) may result in a permanent decrease in productivity.

In discussing HR strategy, productivity is usually measured using the number of products produced or delivered divided by the number of full-time employees (FTEs) or number of labor hours. If employees are engaged in positive behaviors, fewer will be needed for a high level of output. On the other hand, careless or deliberate mistakes and negative employee behavior can cause product defects, some of which can't be repaired. In some industries such as mining and refining accidents can be costly or fatal, and HR strategies must be developed to encourage safe behavior of employees.

- Employee Actions Affect Customers

Any employee who interacts with customers has the potential to elicit positive or negative experiences. It is described personal experience of how an HR strategy has influenced what employees feel and do, with significant impact on customers and company profits.

-Employee Actions Affect Company Finances

Employee behavior can affect your firm's financial outcomes, especially in its impact on operations and customer service. For instance, when quality and productivity decrease, there is an immediate impact on expenses if products must be destroyed, reworked or produced at higher cost. When customers get defective products or services, they will take their business elsewhere, obviously affecting the firm's revenue stream. As revenues decrease and expenses increase, the firm's profitability will soon deteriorate. Every HR practice costs money to develop and time to implement and deliver. These costs go directly to the organization's bottom line. For instance, being selective in hiring may result in better employees, but it will cost more in terms of testing and interviewing. In addition, providing more training for employees will increase their skills and potentially their attitudes, but every day of training costs both real money for travel, accommodations, meals, trainer fees and days when the employee is off the job. You shouldn't think in terms of doing more and more HR strategy, because at some point you will have diminishing returns when the additional investment in the practice costs more than the benefit gained. Do implement high-performance HR practices that increase productivity, but don't let their costs surpass the benefits or there's no real financial gain for the company. In order to create efficient HR practices that don't cost more than they are worth, you need a plan, or strategy map, to keep you on track (Wright, 2008).

2 EMPLOYEE PERFORMANCE MANAGEMENT

2.1 The purpose of employee performance management

The purposes of performance management systems are of three kinds: strategic, administrative, and developmental (Noe et al.,2007).

- **Strategic purpose**

First and foremost, a performance management system should relate employee activities with the organization's goals. One of the primary ways strategies are implemented is through defining the results, behaviors, and, to some extent, employees characteristics that are necessary for carrying out those strategies, and then developing measurement and feedback systems that will maximize the extent to which employees exhibit the characteristics, engage in the behaviors, and produce the results.

Performance management is critical for companies to carry out their talent management strategy, that is, to identify employees' strengths and weaknesses, link employees to appropriate training and development activity, and reward good performance with pay and other incentives.

- **Administrative purpose**

Organizations use performance management information (performance appraisals, in particular) in many administrative decisions: salary administration (pay raises), promotions, retention-termination, layoffs, and recognition of individual performance. Despite the importance of these decisions, however, many managers, who are the source of the information, perceive the performance appraisal process only as a necessary evil they must go through to fulfill their job requirements. They feel uncomfortable evaluating others and feeding those evaluations back to the employees.

- **Developmental purpose**

A third purpose of performance management is to develop employees who are effective at their jobs. When employees are not performing as well as they should, performance management seeks to improve their performance. The feedback given during a performance evaluation process often pinpoints the employee's weakness. Ideally, however, the performance management system identifies not only any deficient aspects of the employee's performance but also the causes of these deficiencies - for example, a skill deficiency, a motivational problem, or some obstacle holding the employee back. Managers are often uncomfortable confronting employees with their performance weaknesses. Such confrontations, although necessary to the effectiveness of the work group, often strain everyday working relationships. Giving high ratings to all employees enables a manager to

minimize such conflicts, but then the developmental purpose of the performance management system is not fully achieved.

The assessment of people's performance at work—performance appraisal— has been of interest to scholars and practitioners for literally hundreds of years. More recently, there has also been a growing interest in the process of managing performance. The two topics are clearly related, but they are not identical. *Performance appraisal* refers to a formal process, which occurs infrequently, by which employees are evaluated by some judge (typically a supervisor) who assesses the employee's performance along a given set of dimensions, assigns a score to that assessment, and then usually informs the employee of his or her formal rating. Organizations typically base a variety of decisions concerning the employee partially on this rating. *Performance management* refers to the wide variety of activities, policies, procedures, and interventions designed to help employees to improve their performance. (DeNisi & Murphy, 2017).

Performance management is not an easy field to navigate. It's constantly evolving. Referring to this, employees are sometimes left feeling deflated, unmotivated and unengaged and managers are frustrated at the poor levels of team and individual employees performance. Thankfully, more and more companies are waking up to the importance (and resulting benefits) of effective performance management systems.

2.2 The process of employee performance management

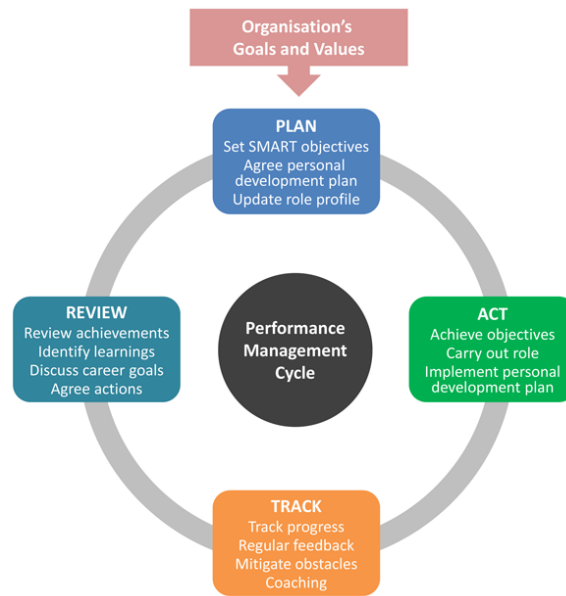
The first step towards revitalising and improving the existing performance processes is to understand what an effective performance management system is. To do this, below are addressed the points as follows:

When discussing performance management, many people automatically think of the annual performance review process. But the performance appraisal is only one component of what is considered to be performance management. One of the best definitions of performance management is provided by Michael Armstrong in his Handbook of Performance Management, which carefully and plainly lays out the Armstrong performance management cycle: (Hearn, 2018)

“Performance management is the continuous process of improving performance by setting individual and team goals which are aligned to the strategic goals of the organization, planning performance to achieve the goals, reviewing and assessing progress, and developing the knowledge, skills and abilities of people.”

A key point here is that performance management is a continuous process and not a once-a-year activity. Quality performance management should, therefore, bring together a number of different, integrated activities to form an ongoing “performance management cycle”, as it is presented in figure 4.

Figure 4: Performance Management Cycle



Source: Hearn (2018).

The first stage of Armstrong’s performance management cycle is the “Planning” phase for the forthcoming period. Planning should involve:

- Agreeing on SMART objectives.
- A personal development plan.
- Actions to be taken in the coming months.
- A review of the employee’s job requirements, updating the role profile where necessary.

Historically, organizations tended to carry out this planning stage once a year. However, with the business environment becoming increasingly agile and fast-moving, many organisations are adapting their processes to set “near-term” objectives every three months. The organization’s goals and values should feed into performance planning to ensure that individual performance aligns with the overall strategy of the organisation. Specifically, each SMART (Specific, Measurable, Achievable, Realistic and Timely) objective should contribute to achieving one or more of the organization’s goals.

Personal development planning, meanwhile, should consider what behaviors, skills or knowledge the individual needs to develop to successfully achieve their objectives and uphold the organization’s values.

Traditionally, organizations have placed a lot of their emphasis on the “Review” part of the cycle, often because a performance assessment is required for reward purposes. However, it is always advised that it is the “Act” and “Track” stages that are the most important. These

stages are where performance is actually delivered and results achieved. Individuals need to be encouraged to schedule in regular time to work on achieving their objectives and personal development plans. Similarly, managers need to be checking in with their staff regularly. They must give frequent, effective feedback and use coaching skills to help their team members overcome challenges and identify opportunities for learning and performance improvement. If this is left until an end-of-year review, it is too late, thus the objectives and development plans may end up only partially achieved.

It is noticeable that in the above performance management cycle, there are no arrows between the four stages. This is because, in reality, the stages do not flow one after the other. Act and Track should be continuous throughout the year. Reviews may take place at any point and planning may take place several times during the year and be re-visited as the needs of the business change.

These regular performance discussions are typically developmental and future-focused. They provide team members with an opportunity to explore what has gone well and how success can be replicated again, any challenges faced and how they may be overcome and agree on actions both the individual and manager need to take to develop the individual and further improve their performance. Such check-ins is also a great opportunity to address employee development while offering training opportunities and regularly reinforcing performance expectations.

A real contribution to performance (in its multidimensional meaning) will happen only once we approach HRM from a more holistic and balanced perspective, including part of the organisational climate and culture, aimed at bringing about the alignment between individual values, corporate values and societal values. This will be a unique blending for each organisation, which is difficult to grasp by outsiders (including competitors) and thus contributes to sustained competitive advantage. (Paauwe & Boselie, 2005).

2.3 Performance evaluation

An employee's job performance has a significant impact on their longevity and upward mobility within an organization as well as prospective job opportunities with other organizations. Companies use employee performance evaluations as a tool to document an employee's performance over time (Williams, 2020).

Being informed about the evaluation's potential benefits helps to ensure that the process is a positive one. An employee performance evaluation, also known as a "performance review," is a process used by organizations to give employees feedback on their job performance and formally document that performance. Although companies determine their own evaluation cycles, most conduct employee performance evaluations once per year. Some companies also conduct evaluations when employees reach the end of their initial probationary period. Those who perform well on that evaluation are typically removed from

probationary employment status. Evaluation information is stored in the employee's file and may be requested by future employers or institutions of higher education. Performance evaluations vary significantly in structure and format across industries and companies. They might include rating scales, self-assessment checklists, formal observations or performance tasks. Typically, at least a portion of an employee's performance evaluation includes a review of outcome metrics or progress against previously identified goals. In the corporate sector, for example, part of an employee's performance evaluation might include a review of sales generated or company growth targets. In a school setting, the academic performance of students in a specific class is included as a component of the evaluation.

In situations where current or former employees are pursuing legal action against a company, having clear documentation of that employee's performance is very important. This is especially relevant in situations where an employee is terminated or turned down for a promotion. In these cases, the performance evaluation can serve as objective evidence that confirms the company's decision-making.

With the busy pace of many organizations, an employee performance evaluation may be one of only a few times that employers give structured positive feedback and reinforcement to their employees. Doing so boosts employee morale, shows them what to continue doing and helps build a positive relationship between the employer and employee. This can help minimize employee turnover as employees identify clear ways that their work is valued and valuable.

Employee performance evaluations provide a dedicated time for managers to focus on individual performance and growth and development opportunities. This is an ideal time for employees to discuss their salary, career goals and learn what they need to do to achieve those goals. By identifying areas of strength and areas for improvement, employers and employees can develop a growth plan that expands the employee's skills and benefits the company. This can open doors to the advancement and attainment of long-term career goals. In certain companies, merit-based pay increases and/or bonuses are issued to employees who perform well on evaluations. A strong performance evaluation may also lead to opportunities for advancement within the company. This can include formal advancement through a promotion or assignment of leadership responsibilities. Given the potential benefits and long-term implications of a performance evaluation, it is important to prepare for this process thoughtfully. (Williams, 2020).

Although many organisations have systems labelled 'performance management' they are usually only performance appraisal systems. Performance appraisal emphasises the assessment of an employee's strengths and weaknesses and does not include strategic business considerations. Also, performance appraisal systems usually do not include extensive and ongoing feedback that an employee can use to improve her performance in the future. Finally, performance appraisal is a once-a-year event, often driven by the HR department, whereas performance management is a year-round way of managing business,

driven by managers. Implementing a well-designed performance management system has many advantages. From the perspective of employees, a good system increases motivation and self-esteem, helps improve performance, clarifies job tasks and duties, provides self-insight and development opportunities, and clarifies supervisors' expectations. From the perspective of managers, good systems allow them to gain insight about employees, allow for more fair and appropriate personnel actions, help them to communicate organisational goals more clearly, let them differentiate good and poor performers, and help drive organisational change. Finally, from the perspective of the HR function, a good system provides protection from litigation. Poorly designed and implemented performance management systems can have disastrous consequences for all those involved. For example, employees may quit, those who stay may be less motivated, and relationships (e.g., supervisor– subordinate) can suffer irreparable damage. Also, poorly designed systems can be biased, resulting in costly lawsuits, and wasted time and resources. In the end, low-quality and poorly implemented systems can be a source of enormous frustration and cynicism for all those involved (Aguinis, 2013).

2.4 Characteristics of an effective employee performance management

There are a few basic elements involved in building an *effective performance management framework*, including (Hearn, 2018):

Goal setting: it needs to set goals the right way. They need to be meaningful and understood. Employees should have context as to why these individual goals matter and how they are furthering organizational objectives. Employees will care much more about their roles and be much more engaged when they know and truly understand how their job matters.

Goal setting should be a collaborative process. Where once goals trickled downwards from the higher-ups in an organization, modern companies are going to align goals upwards. So, goal setting should involve meeting with employees and being transparent about company goals, direction and obstacles. Armed with this information, employees can create goals which complement organizational objectives and make daily decisions to further these objectives. Furthermore, when employees are put in the drivers' seat and allowed to develop their own goals (before having them approved by their line manager), employees experience a heightened sense of autonomy and ownership over their work. Inevitably, this results in improved employee performance.

Transparent communication and collaboration: employees always demand and deserve their managers and leaders to be open and authentic. They don't want to be kept in the dark when their companies are going through hard times. They want to be kept abreast of pertinent information. On top of this, they want real-time communication while building healthy relationships with their colleagues and managers. This will involve regular feedback and honest discussion, even when such communication is difficult or uncomfortable.

Employee recognition: an effective performance management system should prioritize employee recognition and reward. Employees should feel valued and appreciated for the work they do and the effort they put in. If employee recognition is not a priority, this will most likely have a negative bearing on the voluntary turnover.

Honest and regular feedback and reviews: the more frequent and precise the feedback, the better it is the individual performance. It is that simple. Employees want regular insights into their work and the better-informed employees are regarding their performance, the better are they able to improve and excel.

Employee development: no ambitious top performer wants to remain at a company long-term without honing and developing skills. Advancement and development are important to employees, companies stand to benefit when employees are more skilled and capable.

Having all the elements of the performance management cycle in place is very important, but this will not necessarily lead to effective performance management for the organization. There are many other factors in play, such as:

- Having buy-in from leadership and senior management to performance management;
- Ensuring the performance management cycle is continuous and not an annual process.
- Ensuring performance conversations and reviews are meaningful and not “tick-box” exercises.
- Having easy to use performance management software which supports effective performance management and gives you visibility of performance management activity.
- The skills and willingness of the managers to deliver effective performance management on a day-to-day basis.

Unfortunately, only some of organizations declare being happy with their current performance management systems. If not vigilant, performance management processes can often become *inefficient and counterproductive*.

Below are a few ways this can happen:

The system is not fair or accurate: this often occurs when annual reviews are favored over more continuous performance management. After all, how can an employee be fairly and accurately assessed and treated when their entire year’s performance is summarized in one sitting? Can managers remember all pertinent events from as far as a year ago, and how will the employee receive the appropriate levels of feedback, motivation, support and recognition? In fact, how can the annual review be fair if there is no existing and trusting relationship between employee and manager?

Managers are treating employee performance management as a “box-ticking” exercise: this happens when managers go through the motions, perform reviews and give feedback, but they are simply paying lip service to the process. These managers might take a useful tool,

such as personal development objectives, and do the bare minimum with employees, without revisiting and revising them. This is a huge warning sign of an inefficient performance management system. If the managers are checked-out, your employees will soon follow suit.

Businesses these days can grow so quickly that paper-and-pen systems become redundant: these days, technology is more affordable, simpler and more accessible than ever before. To be truly effective, companies need to invest more in easy-to-use, streamlined technology. One way to get employees to dread performance discussions is to make them feel they are going to be judged by their manager every time they have a conversation. Rather than tearing employees down, managers should be a coach. They should be supportive and encouraging, rather than dictatorial and impatient.

Goal setting is one of the most replicated and influential paradigms in the management literature. Hundreds of studies conducted in numerous countries and contexts have consistently demonstrated that setting specific, challenging goals can powerfully drive behaviour and boost performance. (Ordonez, Schweitzer, Galinsky & Bazerman, 2009).

To achieve sustainable competitive advantage, a firm's resources, when compared with those of its competitors, must be valuable, rare, difficult to imitate, and invulnerable to substitutes (Noe et al, 2007).

Performance management is central to gaining competitive advantage thus will be elaborated throughout the thesis with special emphasis on the performance appraisal as one very important part of the broader process of performance management.

Most of the attention in the text will be if the company in our case uses these practices, the ways of implementing and their outcomes.

2.5 How to Improve Measures of Performance

Performance improvement professionals in general do not pay enough attention to the development, use, and evaluation of performance measures. For example, it is common practice to use only one type of performance measure. These are usually subjective ratings which are often contaminated, deficient, or of questionable content validity. Few studies collect ratings from more than one source, multiple types of performance measures are rarely used in a single study, and there is a significant lack of studies that collect both judgmental and objective measures. These factors strongly suggest that the multidimensionality of performance is regularly overlooked in research practice. Moreover, little is written about procedures that might be used to develop valid performance measures for different purposes or levels of analysis, and, perhaps more importantly, little is known about the range of performance conceptualizations or measurement approaches that have been used in research. (Bates, 2009)

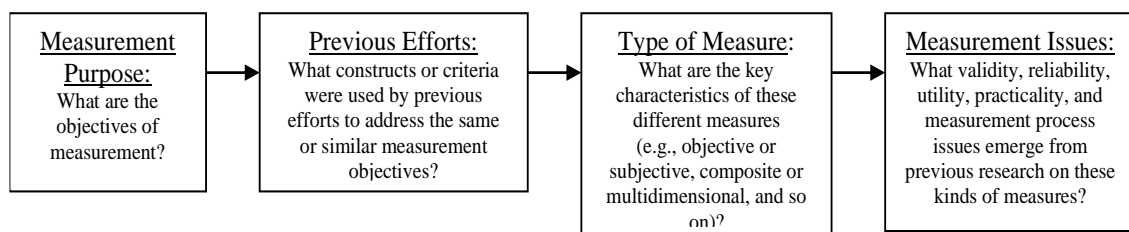
Different fields of study use different conceptualizations and measures of performance because of the bias of their professions. For example, industrial/organizational psychology typically defines performance at the individual level because that is their primary focus. Economists focus on relatively broad indicators of economic performance. Human resource development addresses performance at multiple levels of analysis and therefore has a broad range of performance ‘types’ to measure.

Advancing the performance improvement practice will require new initiatives that pay attention to the following:

- Systematically analyze and document the performance conceptualizations and measurement approaches used in performance improvement research.
- Classify performance measures by domain, metric, and level of analysis, and chronicles the range of performance definitions used in research, the criterion measures used to operationalize those definitions, and the research/organizational goals addressed.
- Summarize the processes used in the development of various performance measures along with identification of key advantages, limitations, methodological difficulties encountered in developing and using those measures.
- Evaluate performance measures based on the psychometric and qualitative criteria discussed earlier. (Bates, 2009)

Following figure provides a graphic overview of the key components:

Figure 5. *Situational Framework*



Source: Bates (2009)

2.6 Employee development

Four approaches are used to develop employees: formal education, assessment, job experiences, and interpersonal relationships (Noe, 2008). Many companies use a combination of these approaches. Larger companies are more likely to use leadership training and development planning more frequently than smaller companies.

Formal education programs include off-site and on-site programs designed specifically for the company's employees, short courses offered by consultants or universities, executive MBA programs, and university programs in which participants live at the university while taking classes. These programs may involve lectures by business experts, business games and simulations, adventure learning, and meetings with customers.

Assessment involves collecting information and providing feedback to employees about their behavior, communication style, or skills. The employees, their peers, managers, and customers may provide information. Assessment is most frequently used to identify employees with managerial potential and to measure current managers' strengths and weaknesses. Assessment is also used to identify managers with the potential to move into higher-level executive positions, and it can be used with the work teams to identify the strengths and weaknesses of individual team members and the decision processes or communication styles that inhibit the team's productivity.

Most employee development occurs through job experiences: relationships, problems, demands, tasks, or other features that employees face in their jobs. Major assumption of using job experiences for employee development is that development is most likely to occur when there is mismatch between the employee's skills and past experiences and the skills required for the job. To succeed in their jobs, employees must stretch their skills—that is, they are forced to learn new skills, apply their skills and knowledge in a new way, and master new experiences.

Interpersonal relationships: employees can also develop skills and increase their knowledge about the company and its customers by interacting with a more experienced organization member.

Use of technology to communicate with employees without causing information overload continues to be a challenge for HR professionals. The growth in the use of mobile technology will continue to have an impact on the way organizations communicate to employees and the way employees communicate and collaborate with each other.

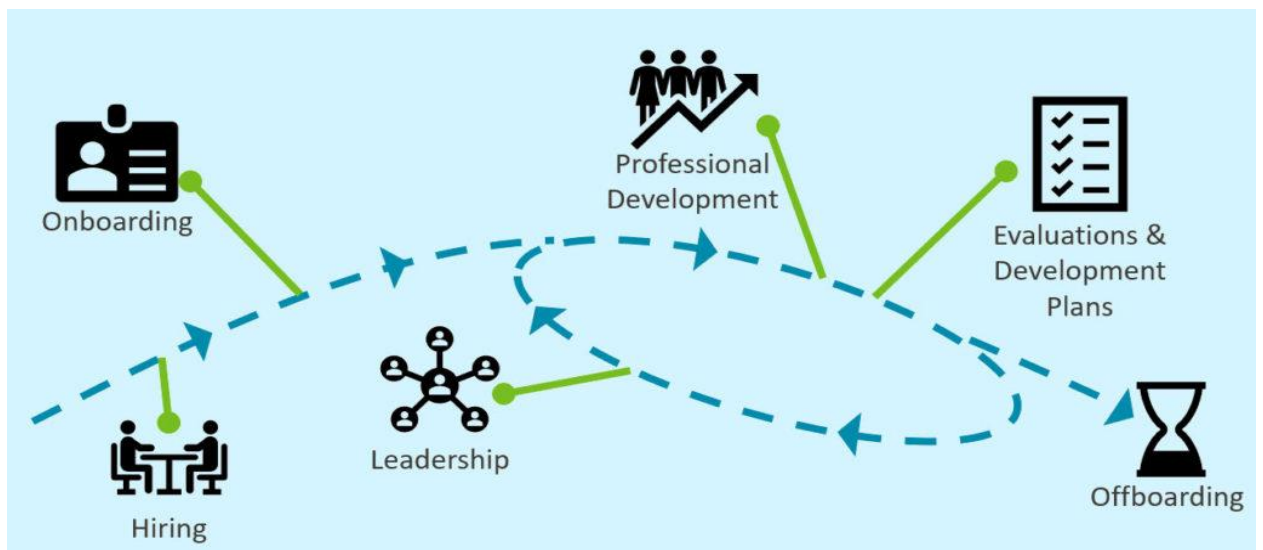
Mentoring and coaching are two types of interpersonal relationships that are used to develop employees.

A mentor is experienced, productive senior employee who helps develop a less experienced employee. Most mentoring relationships develop informally as a result of interests or values

shared by the mentor and protégé. An additional advantage is that participants in the formalized mentoring relationship know what is expected of them.

A coach is a peer or manager who works with an employee to motivate him, help him develop skills, and provide reinforcement and feedback. There are three roles that a coach can play part of coaching may be one-on-one with an employee (such as giving feedback)). Another role is to help employees learn for themselves. This involves helping them find experts who can assist them with their concerns and teaching them how to obtain feedback from others. Third, coaching may involve providing resources such as mentors, courses, or job experiences that the employee may not be able to gain access to without the coach's help.

Figure 6. Employee Development



Source: Paterson & Dewar (1982)

The role of front-line managers in people management, enacting HR practices and engaging in leadership behaviour means that they must be included in any causal chain seeking to explain and measure the relationship between HRM and organizational performance. (Purcell & Hutchinson, 2007).

Performance management systems serve as important 'feeders' to other personnel and development activities. For example, consider the relationship between performance management and training. Performance management provides information on developmental needs for employees. In the absence of a good performance management system, it is not clear that organisations will use their training resources in the most efficient way (i.e., to train those who need it and in the areas needed most). Performance management also provides key information for workforce planning. Specifically, an organisation's talent

inventory is based on information collected through the performance management system. Development plans then provide information on what skills will be acquired in the near future. This information is also used in making recruitment and hiring decisions. Knowledge of an organisation's current and future talent is important to decide what types of skills need to be acquired externally and what types of skills can be found within the organisation. Finally, there is an obvious relationship between performance management and compensation systems. Compensation and reward decisions are likely to be arbitrary in the absence of a good performance management system. In short, performance management is a key component of talent management in organisations. It allows for an assessment of the current talent, and makes predictions about future needs at both the individual and organisational levels. Implementing a successful performance management system is a requirement for the successful implementation of other HR functions including training, workforce planning, recruitment and selection, and compensation (Aguinis, 2013).

3 HUMAN RESOURCE MANAGEMENT IN KOSOVO

3.1 Current state of HRM in Kosovo

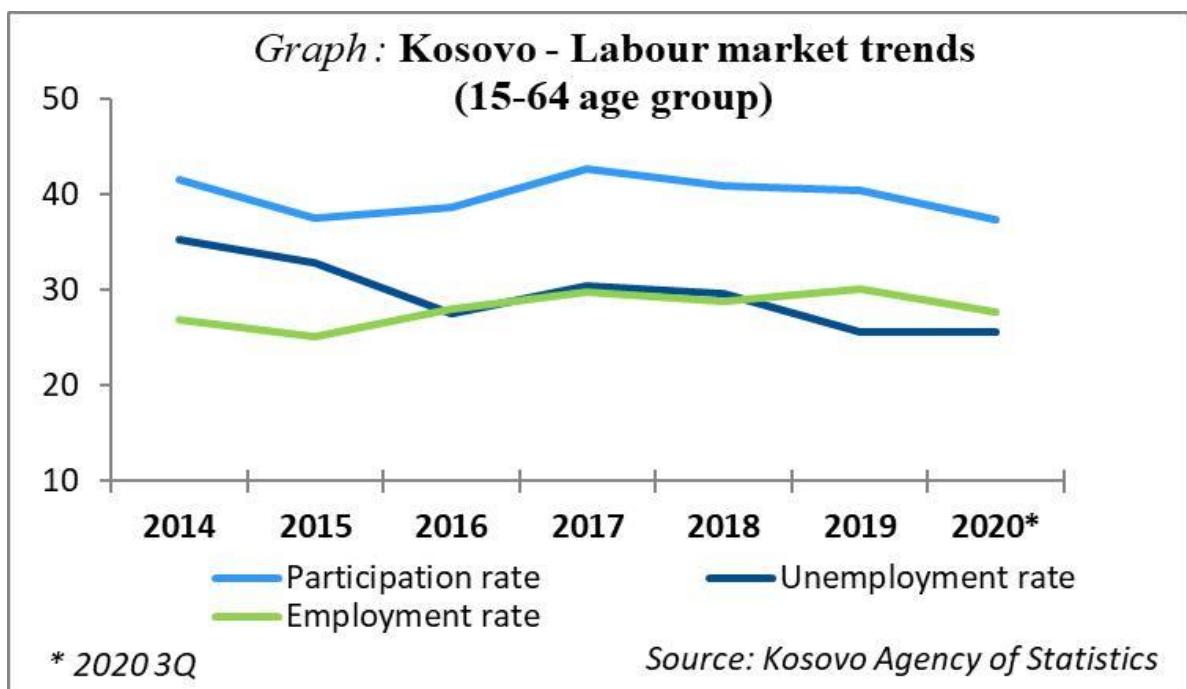
Kosovo's economy until the late 60s has been well developed. The economic development started in the 70s and up to 80 years-it has been a good development, but political instability of recent years '80 and '90-tions made to the Kosovo economy gradually be destroyed and the economy verge happened in '98 and '99 during the war. Therefore, current education sector in Republic of Kosovo is characterized by extensive reform efforts in all subsectors, addressing key challenges of increasing participation and improving equity and quality of education with limited resources. The last decade has seen a proliferation of new legislation, construction of schools and classrooms and setting up of new institutions. Human resource development has become an essential component the development process. This is due to the fact that any development process is driven by the human factor. It is further urge, that policy formulation is a journey with challenges. The strength of the policy implementation lies in identifying such challenges, and finding ways of overcoming them. Human resource development is closely linked to other human resource factors that pertain at a given period, such as recruitment policies, labor market patterns, the age and experience of staff etc. Human resource development policies therefore must be reviewed from time to time to keep in step with the changing environment. It also highlights the key challenges faced, the lessons learnt and the way forward in enhancing sustainable human resource development in the country (Rexha, Qerimi & Ismajli, 2013).

Actualy, Kosovo is a developing country and it has 1.8 million residents. As for the year 2019 it has the highest unemployment rate in the region 25.1 % (Kosovo Agency of Statistics, 2020). As the significant part of the workforce is unemployed, the main economic

activities that are more developed are Small and Medium Enterprises (and in specific micro-enterprises) and agricultural activities.

Number of the new entrants to the labor market in Kosovo is very high. It is estimated that the number of young people who enter every year in the labor market is such high that it requires at least a real economic growth of 7%, in order to absorb these new entrants and to contribute to reducing the high rate of the unemployment (Kosovo Agency of Statistics, 2020).

Figure 7. Kosovo Labor Market Trends (Kosovo Agency of Statistics, 2020)



Source: Kosovo Agency of Statistics (2020)

Likewise, there is prevalent indication that economic growth is an essential component for overall development. One point where various subjective measures of people’s well-being agree is that unemployment has a very adverse effect on people’s quality of life. People who become unemployed report lower life-evaluations, even after controlling for their lower income. The adverse effects persist over time (Stiglitz, Sen & Fitoussi, 2009).

Being a developing country and going through a transition phase, from closed to open economy, Kosovo is facing numerous challenges to manage its HR in several aspects. The national economy has good potential as most inhabitants are young. During the year 2019 the youth unemployment rate (15-24 years) is 55.3%.

Referring to the report of RIINVEST (Riinvest Institute for Development Research, 2003) the economic growth process was followed by wide spectrum of policies: development of finance, public infrastructure, regulatory framework, industrial policies, and government intervention. The crucial reforms oriented toward the consolidation of the economy based on the market and the creation of the stable economic policies is key factor for the economic growth in economy in transition. The challenges of the developing country, as an economy involved through the globalization processes must be oriented and focused in exceeding the problems in these fields:

- Savings, respectively inadequate investments,
- Inadequate workforce,
- The worsening of conditions for trade,
- Weak institutions.

In this RIINVEST report, inadequate workforce is listed as the second challenge for the economy. This should raise the awareness to all involved parties and to take measures for giving the importance to the Human Resources Management.

Kosovo Institute for Public Administration (KIPA) is an institution that was created as an executive agency within the Ministry of Public Administration of the Republic of Kosovo. KIPA aims to contribute to building a modern public administration in Kosovo, to help the overall development of Kosovo as a prerequisite for European integration. KIPA is ready to serve the needs for training and development of the public administration through a qualified staff, cutting-edge training technology and a rich library.

Despite the existence of such centers, it is concluded that the public administration of the country is not only large in numbers of employees, but as such it is also in the low professional level. To eliminate this defect, it is proposed that central and local institutions undertake certain measures pertaining to the identification of performance of these employees and through a SWOT analysis to identify urgent needs they have, so that existing human resources be re-qualified.

Furthermore, the process of retraining of employees is proposed to be implemented by higher education providers in the country who are already accredited. These institutions need to design and accredit specific programs depending on the needs of the institutions, by offering modern modules that contain knowledge, language and information that will make public administration staff more efficient at their work, based on the skills and competencies they acquire.

The field of education and training, according to this principle, should be considered as one of the highest political priorities of Kosovo, as a country that aims to be part of the European Union.

Human resources management in Kosovo is still in development process and there is lots of needs for improvements and changes. To advance the human resources, there is a need for new training modules and practices where employees can be trained and updated with new knowledge and become more productive. Other step that needs to be taken is to reform the education system, it can help employees to get more knowledge regarding the market needs and at the same time organizations would find it easier to select the right staff. Training abroad would also help to the companies to be in track with new trends.

It needs also to be provided a new information sources such as professional studies, periodical issues, internet forums to help companies to have proper process of the HR development aspects.

As key HR development aspects of interest in Kosovo is that the majorities of professional and administrative staff working in independent institutions are civil servants, and are paid according to the relevant legislation in place. In most organizations, there is a person covering HR but who cover it varies as: owner/manager, HR Professionals, accounting and administrative positions. The HR development is mainly focused on the following HR aspects: recruitment, learning and development, personal administration and remuneration and benefits.

Most of the organizaions in Kosovo do not have proper process of the HR aspects. Only few organizatons have separate department for HR, which tells us that HR is still in begining process of development. According to one survey, one-fourth of independent institutions have one or more senior positions where the incumbent's mandate has expired. In fact, there have been numerous cases when the appointment procedure took more than one year, which severely hampered the work of these organizations. ("The State of Independent Institutions in Kosovo"). For example, the recruitment of the first

local Ombudsperson had taken four years, with the process finally concluded in 2009. The subsequent recruitment of the five Deputy ombudspersons took place between 2010 and 2011 and lasted more than one year. The recruitment of the IMC Council has also encountered serious delays. The mandate of all the board members has expired, with three of them vacant for more than one year. As a result, the IMC Council has been unable to make any decision over the past year due to the lack of quorum as its board membership was decimated by mandate expiry.

The reasons for these delays include the poor advance planning for upcoming vacancies and a lack of suitable candidates once the appointment procedure commences. Therefore, there

is need and interest for developing the HR aspects in most of the big organizations in Kosovo (Rexha, Qerimi & Ismajli, 2013).

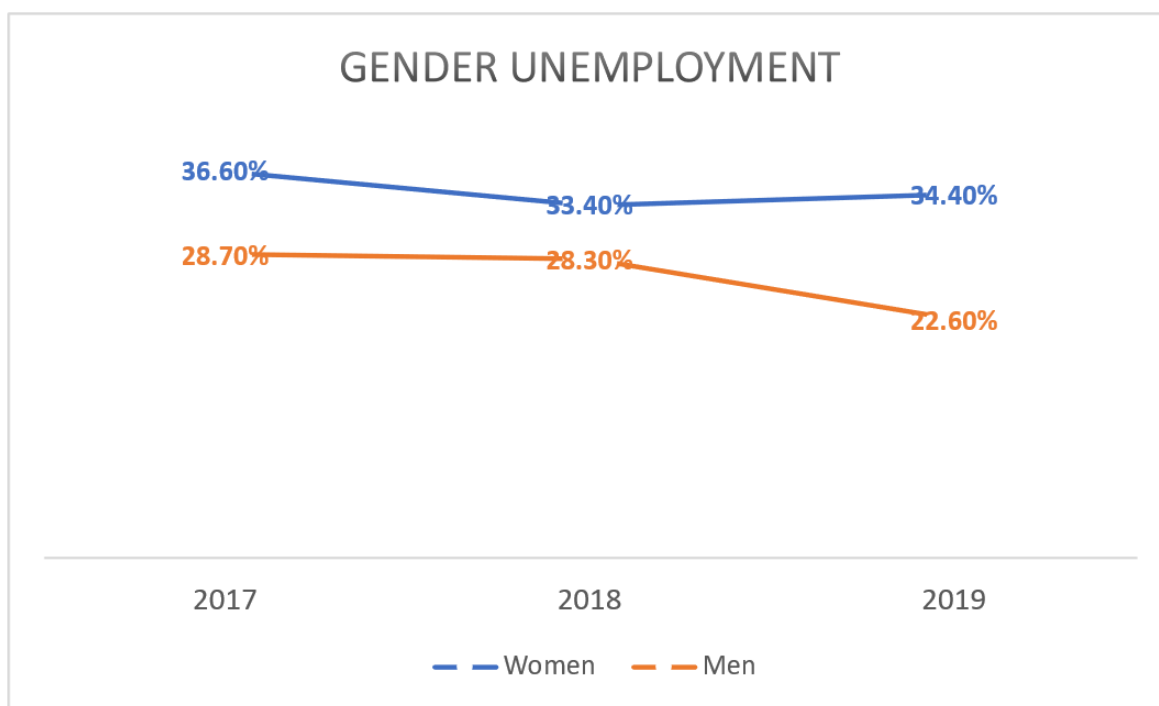
There was also study published on February 2020 (“The impact of human resource management practices on organizational performance case study: manufacturing enterprises” in Kosovo by two Kosovan authors Arta Jashari and Enver Kutllovci) in which they find that the most valuable assets in an enterprise are employees. In this paper they have presented the condition of Kosovo’s manufacturing enterprises in terms how they manage their employees by using specific practices. From the results it is noticed that the managers of those 100 enterprises in Kosovo recognize the importance of having qualified employees and they use HRM practices to make them feel equal and motivated for work.

Interpretation of the correlation analysis shows that each of the selected practices for the study has a significant relationship with performance. Based on the results of the research it has been suggested that HR practices should be implemented with the intent of maximizing employee’s results that in turn will enhance the organizational performance through transparent Recruitment & Selection, Training & Development opportunities for employees, Performance Based Reward of competent employees, Participation of Employees on the Strategic Objectives and Decision Making Process and Work Conditions which will help the employees to feel secure and motivated to work. Also, other previous empirical studies have indicated that there is an increasing link of between HRM practices and performance. This study matches with Wright et al. (2005) who emphasize that HRM practices are strongly related to the firm’s performance (Jashari & Kutllovci, 2020).

3.2 Data on Kosovo’s labor force

According to the “Labor Force Survey in 2019” conducted by Kosovo Agency of Statistics (KAS), published in April 2020, almost two thirds of Kosovo's population it is of working age (age 15-64). It is expected the working age population to increase rapidly over the next decade as Kosovo is among the countries with the youngest population in Europe. From 40.5% (488,485 persons) of the population that is economically active, 25.7 % (125,305 persons) are unemployed. Among persons in the labor force, unemployment is higher for females than for males (34.4% compared to 22.6 %).

Figure 8: Unemployment Rate in Kosovo



Source: KAS (2019)

In 2019, 73.1% of employed persons were employees, 8.1% were self-employed and had other employees, 13.6% were self-employed with no other employees and 5.3% were family workers.

Trade, construction, manufacturing, and education employ more than half of employed persons in 2019. Trade employ 17.0%, continuing with construction with 12.6%, manufacturing with 11.9% and education with 10.0%, of employed persons in Kosovo. Education, trade, and health care were the three leading female employers (employing 53.0% of employed females). Trade, construction and manufacturing are the most common sectors of employment for males (employing 46.3% of employed males).

Based on the same report, almost two thirds of Kosovo's population is of working age (age 15-64). It is expected that the working age population to increase rapidly over the next decade as Kosovo is among the countries with the youngest population in Europe. From the working age population, 59.5% are not economically active, which means that they are not employed and have not been active in search of employment during the past four weeks and / or are not ready to start working within two weeks. From 40.5% (488,485 persons) of the population that is economically active, 25.7% (125,305 persons) are unemployed. The ratio of employment to the population (employment rate), 30.1% (363,180 persons) are employed. Around 59.5% of the working age population is inactive. There are significant gender differences in all labour market. One in five (21.1%) females of working age are active in the labour market, compared with about three-fifths (59.7%) of working-age males.

Among persons in the labour force, unemployment is higher for females than for males (34.4% compared to 22.6 %). The employment rate among working age females is only 13.9 %, compared with 46.2 % for males. This very low degree of unemployment among females stems from the combination of very low participation in the labour force and high unemployment. Females were mainly employed in the education, trade and health sectors (53.0% of employed females). Males were mainly employed in the sectors of trade, construction, and manufacture (employing 46.3% of employed males). Youth unemployment is very high in Kosovo. In 2019, young people in Kosovo had two times more likely to be unemployed than adults. Among persons aged 15-24 in the labour force, 49.4% were unemployed. Unemployment is higher among young females (60.3 %) than young males (44.1%). One-third (32.7%) of those aged 15 to 24 years in Kosovo were not in education, employment or training (NEET). This number is 34.2% for young females compared with 31.4% for young males. Most of those employees reporting to work fulltime. Around 93.3% of respondents reported working full time in their main job. The reasons for working part-time differ between the genders, as females, taking on the role of care within the family, reduce the hours available for employment. The main reason for males not working full time, was the lack of a full-time job. Around 18.8 % of employed people belonged to the category of unstable employment. This means that they are either employed in their business (own-account workers), or contribute to a family business (paid or unpaid). Only 45.3 % of employed persons had a permanent contract in their main job, while 54.7 % had temporary contracts, no significant differences between males and females. People who had temporary contracts were asked why they had this kind of contract and 90.8 % of respondents reported that there was no other available contract. Net salaries of most employees were between € 400 to € 500 per month. Gender differences were observed with 1.8% higher for females than for males.

Regarding this report, main concern for the future is the group who involves young people that are unemployed, not in school, nor trained, i.e. they are completely detached from the labour market and does not participate neither in the education system. High rates of this group in the population of young people raise concerns about youth employment in the future as it indicates detachment from the labour market. In addition, a large number of young people not engaged in countries with high unemployment of young people, such as Kosovo, can cause reduced profits due to increased competition, and has the opportunity to contribute to social problems. In this report (Kosova Agency of Statistics, 2020), 111,064 of young people (aged 15 to 24) in Kosovo do not attend school, were not employed or in training and account for 32.7% of the young population.

Lately, Kosovo Agency of Statistics (KAS) has also published the “Wage level in Kosovo 2012-2019” report. This publication contains data on the average gross and net wage by sectors and economic activities in the Public Sector (Administration), Private Sector and Public Enterprises in Kosovo.

Based on this report, below it will be presented shortly the level of wages to create the idea about this category in the country.

In year 2012, the average gross wage in Kosovo was 431 Euros, while in 2019 it was 602 Euros, an increase by 171 Euros, or 39.7%. Net wage from 384 Euros that was in 2012 increased to 537 Euros in 2019, with an increase by 153 Euros or 39.8%.

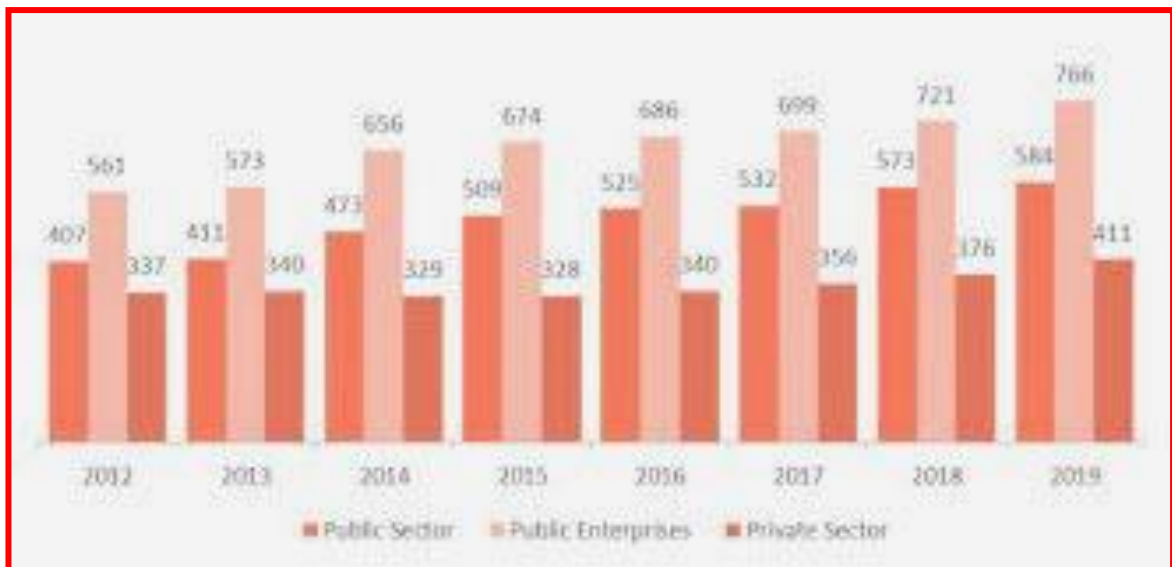
The average gross wage in the Public Sector in 2012 was 407 Euros, while in 2019 it was 584 Euros, increasing by 177 Euros, or 43.5%. Net wage from 353 Euros that was in 2012 increased to 519 Euros, an increase by 166 Euros or 47.0%.

The Private Sector in 2012 had an average gross wage of 367 Euros, while in 2019 had 420 Euros, an increase by 53 Euros or 14.4%. Net wage from 333 Euros that was in 2012 increased to 380 Euros in 2019, an increase by 47 Euros or 14.1%.

The average gross wage in the Public Enterprise Sector in 2012 was 518 Euros, while in 2019 it was 801 Euros, an increase by 283 Euros, or 54.6%. Net wage from 465 Euros that was in 2012 increased to 707 Euros in 2019, an increase by 242 Euros or 52.0%.

Figure 9: Average Gross Wage Level by Sectors 2012 – 2019

(in Euro)



Source: Kosovo Statistics Agency (2020).

Gross and net wages by economic activities in Kosovo are also very important indicators. The average gross wage in 2019 according to the highest economic activities was at: Organizations and extra-territorial bodies with 1450 euros followed by electricity, gas, steam and air conditioning supply with 958 euros, then Information and communication with 690 euros and mining and quarrying with 614 euros, while the lowest wage was at

Accommodation and food service activities with 256 euros. The average net wage in 2019 according to economic activities has the same ranking as above with: Organizations and extra-territorial bodies with 1263 euros followed by Electricity, gas, steam and air conditioning supply with 844 euros, then Information and communication with 610 euros and mining and quarrying with 546 euros, while the lowest salary was at Accommodation and food service activities at 234 euros.

The highest level of wage in Kosovo was in the public enterprise sector while the lowest wages were in the private sector (Kosovo Agency of Statistics, 2020).

3.3. Socioeconomic context

Kosovo's economy remains heavily consumption-led, with remittances and government expenditure accounting for approximately 40 percent of its GDP. The recent EU progress report appreciates the progress in developing a functioning market economy and improvements in the business environment but emphasizes that the informal economy remains widespread. Nevertheless, Kosovo remains one of the poorest countries in Europe and has the lowest level of per capita gross domestic product (GDP) in the Western Balkans. Despite recent progress in the Doing Business Ranking, the business environment in Kosovo is weak mainly due to poor governance, an erratic and insufficient supply of electricity, and lack of an adequately trained workforce. The perception of a weak "rule of law" impedes initiatives for foreign investments and supports small scale low value-added production, instead of more competitive companies (ETF, 2021).

Referring the same report, despite some progress, there seem to be no major developments that could significantly affect the structure of the economy and demand for skills. Certain sectors like agriculture, manufacturing and IT seem to be experiencing positive trends (partly due to donor support), however the economy is still dominated by low value-added services. Some sectors are already facing skills shortages due to their maturing and participation in international competition. There are no tracer studies in Kosovo that would provide additional information on demand for skills, and a good mapping of economic priorities at local level is missing.

Migration to Western Europe, both legal and illegal, is quite widespread in Kosovo and is caused by political and socio-economic circumstances. It is estimated that 122,657 citizens or 6.9% of the resident population migrated from Kosovo in the period 2012-2016, of them 22,012 in 2016. There is a general agreement that migration of skilled labour force may cause skills' shortages and impede the economic development, although benefits of the country from increased remittances and potential investments by Diaspora should not be undermined. Kosovo businesses have already expressed their concern for shortage of skills in the sectors of Construction, Health and Hospitality, which is largely attributed to migration. Also, there is a strong perception that this trend will continue due to the needs of

developed countries for skilled labour force, with those unskilled risked to be left behind (ETF, 2021).

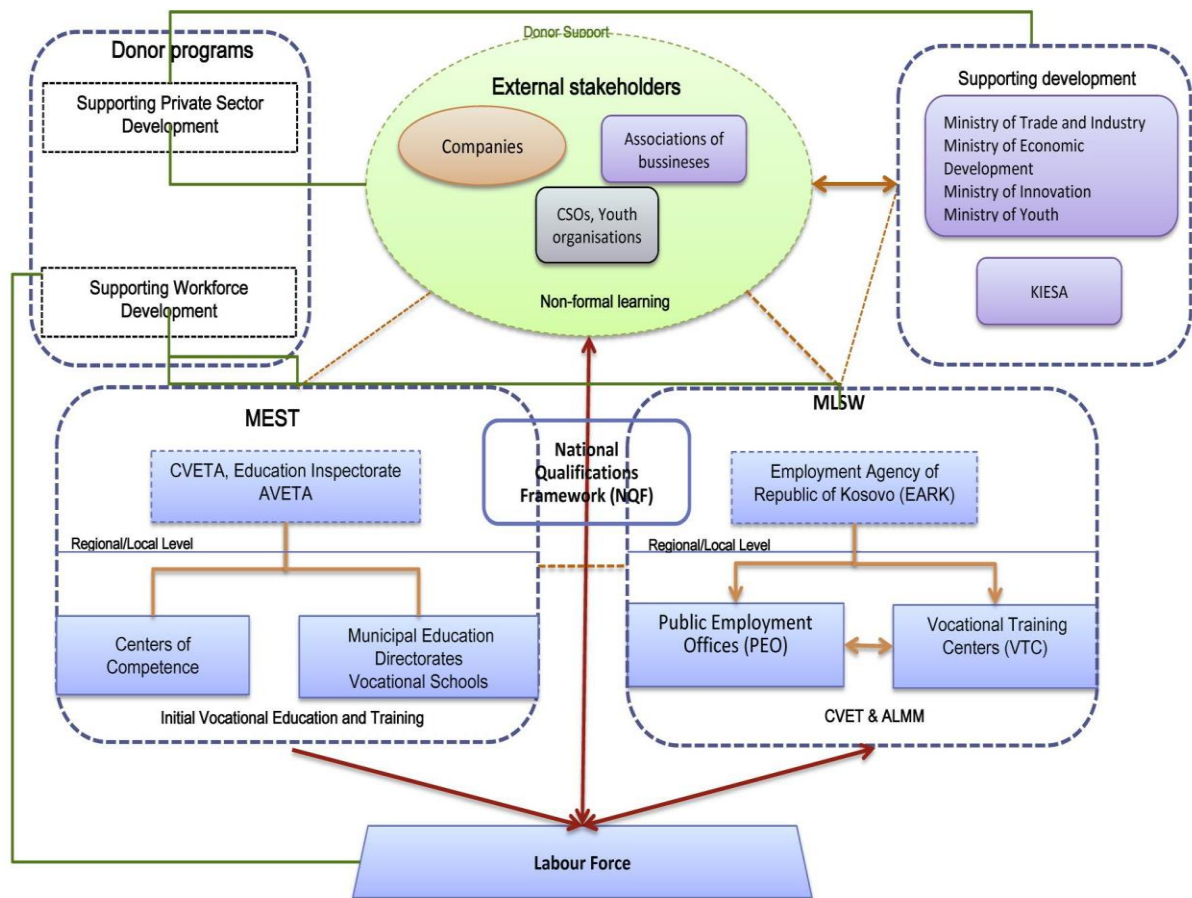
3.4. Education sector context

The general structure of the Education System in Kosovo is outlined as follows. Compulsory Education starts at the age of 6 with primary level (grades 1-5, ISCED 1) and continues with lower secondary level (grades 6-9, ISCED 2). Upper secondary education (grades 10-12, ISCED 3) is not compulsory and is divided into two main streams: General Secondary Education (Gymnasia) and Vocational Education. Graduates from either stream need to complete state Matura exam to gain access to the University (Bachelor level, ISCED 6, EQF 6). Graduates from vocational schools may pursue studies in tertiary vocational programs (ISCED 5, EQF 5), in which case state Matura exam is not required.

In the school year 2017/18, 53% of upper secondary students enrolled in VET (Vocational Education and Training) schools, whereas 47% in general schools (gymnasia). On the other hand, 40.7% of students in vocational schools are girls, whereas in gymnasia 58.2%. Since there are no tracer studies carried out in vocational schools it is virtually impossible to estimate number of VET graduates having used various progression routes available within the Kosovo Education System. However, it is indicative that 24,152 students were expected to graduate from secondary schools in Kosovo (both gymnasia and VET schools) in the school year 2016/17, whereas 23,524 students enrolled in the first year of Bachelor studies in the academic year 2017/18, which constitutes 97.4% of secondary school graduates.

The links between the Kosovo's economy and the country's education system are still weak. The private sector still has difficulties to define its needs, and the schools – both for VET and HE – are not yet able to provide the labour market with potential employees who had undergone practice-oriented training and whose skills make them immediately attractive for future employers. Many companies report problems hiring new employees, largely because of insufficient experience or skills, and consider this kind of constraint as impediment for their growth. On the other hand, there is a general distrust of companies towards the VET sector in Kosovo. Well-established and export-oriented companies emphasize the need to make significant investment in providing remedial training to their staff.

Figure 10. National Framework for Vocational Education and Training



Source: ETF (2021)

Kosovo is a country with a high rate of Information and Communication Technology (ICT) use. According to a report of the Kosovo Association of Information and Communication Technology (STIKK), it is estimated that 76.6% of Kosovo population are Internet users, mainly for entertainment purposes. This is at the level of developed countries. Various studies have identified ICT as one of the most interesting sectors for investment, whereas overall application of ICT by the industry remains limited, since companies have not captured appropriately its competitive benefits.

The education system has low access to information and communication technology (ICT) and contemporary technology is not integrated appropriately in curriculum, teaching or education system management. The computer-pupil ratio in Kosovo is 1:46 and much lower compared to the EU average where 3-7 pupils use a computer. The integration of ICT in learning and teaching remains an important priority that needs to be addressed soon, although ICT is already included in the “Life and Work” field of the new Curriculum Framework.

Improving regulatory and business environment is a key to economic growth and job creation, and a durable solution to reducing inactivity and unemployment. Despite recent progress in the Doing Business Ranking, the business environment in Kosovo is weak mainly due to poor governance, an erratic and insufficient supply of electricity, and lack of an adequately trained workforce. The perception of a weak “rule of law” impedes initiatives for foreign investments and supports small scale low value-added production, instead of more competitive companies.

Access of young people and women to the labour market can be increased through provision of quality employment services, active labour market measures and support to self-employment. Although improvement of services for vulnerable categories is a strategic priority for the competent Ministry (Ministry of Labor and Social Welfare) and EARK (Employment Agency of the Republic of Kosovo), registration of youth with the public employment service in Kosovo is the lowest in the West Balkans Region, indicating that young people do not have high expectations from this kind of support. Youth constitute the largest group of beneficiaries from ALMMs (Active Labour Market Measures), but the number of beneficiaries from those measures in Kosovo is very low compared to unemployment, so the share of unemployed youth benefiting from ALMMs in Kosovo is the lowest in the Region. The same applies to those opting for self-employment, in which only 35 registered jobseekers received support through a specific self-employment programme operated by EARK within the ALMMs.

Improved education providing skills demanded by employers leads to higher employment. First, demand for skills is not identified in a systemic way, but rather through ad-hoc research projects implemented with donor support. On the other hand, need for responding to demand for skills is underlined in all Kosovo strategic documents addressing improvement of the situation in the VET Sector with respective measures clearly described. However, VET system fails to provide students with the skills demanded in the labour market. Not only curricula do not match the changing need in the labour market, but profiles offered in vocational schools are not based on the need of the local market.

Based on the market needs, what is most emerging and most interesting to be applied is the entrepreneurial education. Entrepreneurship learning in school must be promoted. Entrepreneurial education helps young people develop new skills that can be applied to other challenges in life. Non-cognitive skills, such as opportunity recognition, innovation, resilience, teamwork, and leadership will benefit all youth whether they intend to become or continue as entrepreneurs. The Education System is responsible for teaching entrepreneurship in the most suitable way, and therefore the inclusion of entrepreneurship-related topics within the ICT course should be re-considered. Entrepreneurship courses should rather have modular structure and can be offered to secondary students within the regular classes or as an extracurricular activity (ETF, 2021).

4 HUMAN RESOURCE AND PERFORMANCE MANAGEMENT – “NLB BANKA PRISHTINA” CASE

4.1 Background of NLB Prishtina

4.1.1 NLB entry into banking sector (2007)

A stable financial sector in Kosovo was one of the most important preconditions for the overall economic recovery in this area and provided the preconditions for new challenges and tasks for all participants in the financial market. It was generally estimated that significant progress has been made in those years in providing financial services in terms of both volume and quality of services, regardless of the economic environment. Banking was one of the most developed sectors and represented a stable support for the further economic development of Kosovo.

The Central Banking Authority of Kosovo, with the huge support of international financial institutions, with its activity on the supervision of the banking sector has made a basic contribution to the establishment of a stable banking system in Kosovo.

The introduction of the EUR as the official currency in Kosovo, in the first post-war days, enabled the maintenance of a stable financial system in Kosovo.

The establishment of quality supervision of the banking sector and the introduction of the EURO currency in Kosovo has shown its positive effects, among other things, through the first foreign investments in the banking sector by establishing banks with foreign capital ProCredit, Raiffeisen and then NLB. It is estimated that investments in the banking sector were one of the most significant foreign investments in Kosovo.

Based on the official business indicators as of December 31, 2007, it can be stated that commercial banks in Kosovo managed to maintain competitiveness and business success, even though Kosovo's economy was underdeveloped.

Kosovo's financial market at that time had 6 commercial banks, 9 insurance companies, 2 pension funds, 16 microfinance institutions and 23 exchange offices. Kosovo's financial sector was dominated by the banking sector, which was the most important and dynamic component of the sector, accounting for 89% of total financial industry assets and operating in over 225 organizational units throughout Kosovo.

Based on the report from 2007 “Elaborat o ekonomskoj opravdanosti pripajanja NLB-brk d.d. Prishtina NLB-Kasabank d.d. Prishtina”, the total balance sheet amounts of commercial banks in Kosovo amount to EURO 1.2 billion, on the same date the balance sheet amount of NLB-Kasabanka amounts to EURO 127 million while the balance sheet amount of NLB-brk amounts to EURO 65 million.

The Kosovo market was as follows:

ProCredit Bank, Prishtina	40.0%
Raiffeisen Bank, Prishtina	35.5 %
NLB Kasabank, Prishtina	10.5 %
NLB BRK , Prishtina	6.0%
Economic Bank, Prishtina	5.0%
Bank for Private Business, Prishtina	3.0%

The banking sector in Kosovo during those years has continued with positive changes, further stabilization, strengthening, growth and development, and measured by the most important quantitative and qualitative indicators, the trend of improvement in all business segments has been maintained.

Banks have been continuously increasing their assets, so that the balance sheet total at the system level reached the amount of EUR 1.2 billion, while the balance of net loans in the same period reached the level of EUR 722 million or 62% of total assets. This growth was financed by the increase in deposits as the most important balance aggregate, deposits at the end of the first half of 2007 amounted to EUR 975 million. This confirms the assessment of the return and strengthening of citizens' confidence in the security of investment in the banking sector of Kosovo, which was temporarily shaken due to the bankruptcy of a bank with local capital during 2006.

The position of NLB-Kasabank and NLB-brk on the banking market remained the same compared to the end of 2006, considering that the transaction of purchase and sale of equity of both banks ended at the beginning of July 2007.

The share of these two banks in the total balance sheet total of the banking sector of Kosovo was 16.5%.

The Nova Ljubljanska banka Group, which was the majority owner of two banks in Kosovo, NLB-Kasabank and NLB-brk, has become one of the most important actors in the provision of financial services with its significant participation in the Kosovo banking market. Given that the NLB Group as a regional leader in the field of banking and one of the most important European banks enjoys a very good reputation in Kosovo, it is rightly expected that its presence will affect the dynamism and increase healthy competition in the banking market of Kosovo. These expectations were based on: NLB Group's ambitious plans in this area, active presence in Southeast Europe and proven values in terms of know-how in the banking sector, confirmed very high credit rating assessed by international credit rating agencies. Nova Ljubljanska banka was rated by the agencies as the largest Slovenian bank, with a

dominant market share of over 40%, which through the NLB Group in 15 countries and over 61 members offers a complete selection of banking and financial products - services. In the last few years, the NLB Group has been continuously increasing its balance sheet total and net profit.

Numerous factors were in favor of the merger of NLB-brk to NLB-Kasabank, which indicate the acquisition of a new quality in the banking market of Kosovo. With the creation of one bank, a strong financial institution is obtained, whose initial market share measured by the balance sheet total will amount to about 16.5%.

Table 2: Number and Structure of Employees (31.12.2007)

NLB brk		Level of education	NLB Kasabank	
Number	Percentage %		Number	Percentage %
2	0.77	Master	2	0.40
75	28.74	University	149	29.70
12	4.60	College	26	5.15
166	63.60	High School	314	62.18
6	2.30	Elementary	13	2.57
261	100	Total	505	100.00

Source: Own work

By merging NLB - brk NLB - Kasabank, the following goals were achieved:

- increase of assets and share capital which has positively affected the rating and ability of the successor bank in the Kosovo market,
- providing greater security in business,
- achieving higher profitability,
- cost rationalization,
- greater market coverage and rationalization of the business network,
- increasing competitiveness,
- creating conditions for servicing larger clients in credit and guarantee needs,

- fuller use of available resources.

The basic criterion of the CBAK for issuing approvals for bank mergers was the assessment of competition in the banking market. Given the size of the market and the number of banks operating in this market, as well as the announcement of the arrival of new banks and other financial institutions, it was clear that the merger of NLB-brk and NLB-Kasabank did not reduce competition in the Kosovo banking market.

As of June 2007, the process of acquisition of two local banks (brk and Kasabank) in Kosovo was accomplished while the merging process was completed by the end of December 2007.

Table 3: Number and Structure of Employees (01.01.2008)

NLB Banka Prishtina		
Category	Number	Percentage %
Master	4	0.52
University	225	29.37
College	38	4.96
High School	480	62.66
Elementary	19	2.48
Total	766	100.00

Source: Own work

After the merger of two previously acquired local banks, total number of employees was 766 (table 2) while as of 31.12.2019 the total number of employees was 474 (table 3).

The significant downsizing of employees occurred after the merger of banks due to the transfer of security employees to a specialized security company - outsourcing (01.10.2009, 183 employees) and the transfer of maintenance employees (cleaning services) to a specialized outsourcing maintenance company (01.07.2015, 15 employees).

Also, the downsizing of the number of employees in the bank has been impacted by the bank's strategy due to the retirement of employees who have reached the retirement age. This strategy, implemented over the years, has consisted in those certain units that do not work directly with clients, for every three retirees the bank has hired two new employees.

Table 4: Number and Structure of Employees (31.12.2019)

Category	Number	Percentage %
Master	43	9.07
University	254	53.59
College	21	4.43
High School	155	32.70
Elementary	1	0.21
Total	474	100

Source: Own work

NLB Banka Prishtina is a joint stock company (j.s.c.) registered with the Kosovo Registry and operates under the rules and regulations of Central Bank of Kosovo.

The Bank is owned by Nova Ljubljanska Banka d.d. Ljubljana incorporated in Slovenia (Parent Bank), which owns 81.21% of the ordinary shares as of 31 December 2019.

The Bank operates as a commercial bank to all categories of customers, through its network of 10 branches.

4.1.2 NLB Banka and banking sector today

Financial results for the fiscal year 2019, indicates the commitment of the management and employees of the bank for striving of another successful year. At the end of the year 2019, the Bank has exceeded its targets in all main indicators compared to budget while continuing an excellent financial performance, growth and self-funding, quality of portfolio, managing of liquidity and maintaining an optimal capital structure which allows the fulfillment of return on investments looking from shareholder's perspective.

Total assets continued with the increasing trend reaching its peak in amount of EUR 801.1 million as at 31.12.2019, which is the highest sum of balance sheet amount since the establishment of the bank. Compared to 31.12.2018 there was an increase of total assets by EUR 133 million or 19.9%. The plan for total assets was outperformed by 18.2%. The main driver of the increase of assets remains to be investments towards the non-banking sector segment which increased by EUR 73.2 million.

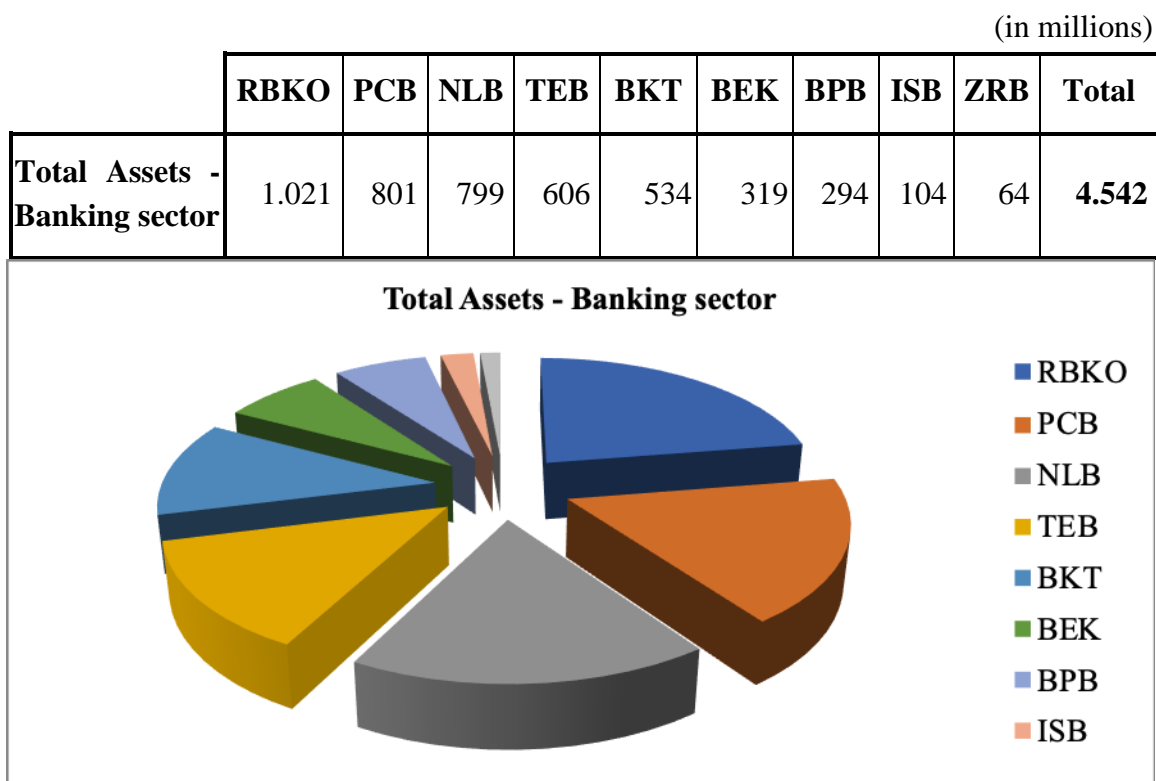
Despite intense competitive environment in the banking market, during the year 2019 NLB Bank has achieved to further increase its presence in the market reaching the total market

share of 17.6% compared to total assets – ranked as third bank in market, while 18.5% compared with loans ranked as the second biggest bank in market, while deposits market share of 17.9% ranked as second bank in market. In terms of profitability the bank concluded the year as the leading bank in the banking system owning above 23% of total profit of banking sector, thus, most profitable bank in the market for the year of 2019.

Further, during 2019 as one of the most relevant banks in the market, NLB Banka has for the first time outreached its clients jointly with NLB d.d. through participating on joint credit facility products which represents important strategic milestone for Kosovo market but also utilizing achievement of the objective of being regional banking group. Meanwhile, in line with the market developments within banking technology and market trends the Bank has introduced new products (NLB Pay, MasterCard products, etc.), innovative and attractive customer offers, providing a simpler and convenient solutions which fulfills client’s needs and requirements, further impacting the client relationship strategy.

Year 2019 was another excelling milestone for NLB Banka, through continues commitment that have produced record growth of assets and profitability since the establishment of the Bank. Despite delicate economic environment due to Bank’s agile response Bank remained focused on long term value creation as key success factor.

Figure 11: Banking Sector – Total Assets



Source: CBK (2020)

Being part of a large, stable, and profitable group such as NLB group, underpins high recognition and trust by customers. Despite of economic cycles within a developing market,

with delicate economic environment, the competition within the financial market developed strongly during 2019. Banks strategy enabled the bank to remain one of the three largest and most important financial institutions in the Kosovo banking market.

The advantage of understanding the fast-changing environment and client divergences enables bank to grow through acknowledging and managing the associated risks. The core strategy of the Bank remains being a simpler bank but responding to fast changing environment and customer needs through operational excellence.

4.2 HRM in NLB Prishtina

HRM drives improvements and innovative practices to enable the best possible employee engagement and strong business results. NLB Banka Prishtina sees investments in its employees as a key change enabler. Acting as a strategic partner to the business, HRM has been focusing on the need for organizational and cultural development.

In the past few years, NLB Banka made substantial progress in improving its HR management function by implementing performance management, promotional schemes, remuneration schemes, organizational culture, and target development for key groups of employees.

HR Management in NLB Banka is managed based on the following documents: “Development Strategy of Human Resources and Organization for the NLB Banka Prishtina”, “Standards of HR”, “Code of Conduct”, “Personnel Policy”, “Talent Management in NLB Banka” and “Procedures for monitoring, assessment, and evaluation of job performance”.

The functioning and performance of the NLB Banka is based on a modern approach to the development of Human Resources and organization and processes, which are among the fundamental sources of competitive advantage and successful performance, of the reputation of the NLB Banka and sustainable development. (“Development Strategy of Human Resources and Organization for the NLB Banka Prishtina 2018 - 2021”)

Since development is based on present-day and especially on future needs, and since it originates from business strategy in conjunction with vision, mission, goals, culture, values and planned development, the Human Resources and Organizational function is a strategic function and thus an important partner supporting the implementation of the strategy and appreciating all stakeholders of HR, organizational, and other processes.

The Development Strategy of Human Resources and Organization 2018-2021 (hereinafter: the HR Strategy) defines the basic areas and activities of work in the NLB Banka, which contributes to the performance of individuals, teams as well as ensure sustainable

development and long-term business success, always in compliance with the legal provisions in force.

Main principles of HR Strategy:

- Support to implementing the strategy and achieving business goals.
- All stakeholders understand the mission and values of the NLB Banka and its role in the environment.
- Employees are treated equally, respectfully, and professionally.
- Employees are highly professional and committed to goals.
- Employees are highly ethical and have integrity, and daily strengthen mutual relations.
- Encouraging teamwork, open communication and transfer of knowledge and information among colleagues.
- Providing the basis for excellent work environment in the NLB Banka, making the NLB Banka a very attractive employer and enabling long-term development of individuals and the organization.
- Setting new standards and improving management on all levels with the aim of increasing employee performance.
- Ensuring optimal use of abilities and knowledge of employees with an emphasis on care for personal development.
- Ensuring the right people on the right positions in the right working groups.
- Providing in due time the appropriate personnel, the knowledge necessary or the competences for current and future needs based on preliminary development and target recruitment.
- The loyalty to the Bank, high level of motivation and willingness to change are increasing.
- The capability for organization development is focused on the development of organization and processes which will be able to meet the strategic objectives.
- The competences represent the know-how, abilities, and knowledge of employees, while the organization represents the manner of operation, reporting, relationships, authorizations, the communication process and the decision-making process.

- The Bank is a learning and thinking organization.
- The Bank is one of the best regional employers.

Development HR Strategy of Human Resources and Organization

The strategy encompasses two basic processes (HR Strategic planning of the development of human resources and the capability for organization development) and eight supporting processes as a whole it enables the meeting of the targets of the NLB Banka until 2021.

The basic processes of the strategy are:

- **Strategic planning of the development of human resources**

The processes of the strategy are aligned with the business strategy of the NLB Banka and the targets and enable the meeting of the NLB Banka targets until 2021. The strategic HR and organization planning is established in a close connection with individual strategies by area, and is reflected in the HR strategies of the OU and the personnel plan, and the changes of the organizational structure and process optimization. A balanced human resources structure by experience, knowledge and competencies reduces risks and ensures transfer and the application of knowledge and the achieving of excellence, the development of individuals and the NLB Banka, and enables the competitive advantage and fast adaptation to the challenges of the environment and the competition.

Figure 12: Strategic Planning



Source: NLB Banka Prishtina (2017)

For the strategic planning of HR and organization development to be successful, the following must be ensured:

- the vision of HR and Organization focuses on the added value which can be contributed to the operation by the function,

- the strategic planning process is determined with clear targets defined,
- short-term and long-term planning is established,
- critical deviations in HR processes and organization are detected, and the development of these is included in the business strategy,
- data are being collected and processed systematically, the deviations from the desired state of organizational capability are determined by analysis, which results in regular discussions with the Bank's Management Board,
- the HR and organization development strategy and vision are present in the Bank and are the work guideline of the managers at all levels,
- the HR-and-organization function, and line managers are partners,
- the strategy is focused on targets and priorities enabling the realization and reaching of business results,
- all areas in the strategy have clearly defined KPIs, the plan of activities for achievement is defined every year,
- the internal and external benchmark is used regularly,
- the HR and organization development strategy of the NLB Banka is recognised as the reference benchmark in the banking system.
- **the capability for organization development**

For the strategic HR and organization planning to be successful, a clear connection with the organizational capability for development is required, focusing on the development of such an organizational structure which will be able to allow for achieving strategic business goals. By 2021, the organizational capability of development will be focusing on such a development of people, organization and processes that these will be able to fulfil the strategic objectives of the NLB Banka and NLB Group, and represents the capability of the Bank to improve processes and manage change through these areas:

- the capability is monitored through leadership, organization, measuring processes, culture and the development of competence,
- the KPIs are also part of other areas, such as: recruiting, selection, briefing and retaining employees and the reduction of the headcount, the development of employees, handling talent, management by objectives and management of work performance, rewarding and talent management, and the KPI model of process ownership (more information in the chapter Strategic HR and organization planning, and Employment);

- leadership means the capability of leaders to fulfil visions and missions, the development of values for long-term success through the implementation of activities and knowledge. The elements of the leadership of the future are identified,
- culture represents the identity, common values, and a generally uniform awareness in the Bank. The organizational culture is measured every two years, continuous activities of change are under way,
- the organizational climate and commitment are an important building block of the capability for HR and organization development, and are measured every two years, the improvement plans are adopted every two years, and supervision is introduced. In the year when is conducted the organizative climate, the same year is not conducted the assessment of the organizational culture.
- the competences represent the know-how, abilities, and knowledge of employees, while the Bank represents the manner of operation, reporting, relationships, authorizations, the communication process and the decision-making process. The competences are reviewed and revised, measured regularly and improved, the authorizations are simplified, the decision-making process reduces the operating risks and enables fast decisions of high quality,
- the organizational structure is clear, flexible, the job descriptions are clear and flexible and adapt to the needs of the Bank at least every two years,
- the plans of organizational capability for development are part of the strategic business plans, measured regularly at the Bank's Management Board.

The supporting processes are:

- ***Staffing*** is one of the supporting processes and encompasses four sub-processes: acquisition, selection and briefing, retaining employees and the reduction of the headcount. The capability of internal mobility of employees is developed, the systems to retain key personnel are established, the HR plan is checked annually, and the required optimizations and reductions or required recruitments planned.
- ***Employee development*** includes the area of training and knowledge and competence development planning. The development process connects the responsibility for personal development in the direction of strategic objectives of the bank group and applies the findings of the organizational capability for development and other HR processes. The development of employees is closely linked with the management of employee performance and requires ownership from leaders as well as employees.
- A comprehensive ***talent management*** ensures the system of continuity and quality of leadership in the NLB Banka. Through the career development of employees, the natural

fluctuation as well as continuous changes in the organizational structure and processes, job vacancies open in key positions. We wish to fill these primarily with internal staff. Employees with a high potential to assume complex positions should be identified, so they can be prepared for their new role in a guided and targeted manner and by means of the succession plan.

- **Performance management** (management by objectives) is a process of translating business objectives into an individual's objectives, and includes goal-cascading, by means of the calibration system it enables to differentiate the performance of the individual, enables the alignment of individual goals with business goals, assesses the existing competences and knowledge, and enables the identification of the areas needing improvement.
- **The rewarding system** contributes to the attracting, retaining, and motivating of employees. Rewarding is based on the contribution of each employee and the added value for the Bank. The rewarding system includes financial and non-financial rewards and contributes to the high ethics, motivation of the most successful employees, and aligns the individual's goals with the Bank's goals. Rewarding promotes mobility, strengthens the Bank's identity, and enables transparency and ensures the fairness of rewards.
- The Bank provides excellent work conditions, and cares for the **health and safety of employees**. The Bank follows the law and recommendations, and continuously introduces improvements. The Bank continuously introduces a series of preventive measures through the certificate of Family-Friendly Company, and the Healthy Bank project.
- **Internal and external relations** include the relations with both Trade Unions and external stakeholders, such as potential employees, schools and colleges and professional associations
- **The data handling** area allows the management to analyse, and the employees to obtain all data required for transparency. The data handling is on a level allowing quantitative and qualitative analyses with the aim to accept improvements and the appropriate supervision

By planning, monitoring, and implementing employee development, the Bank aims at achieving the optimal use of the HR potential.

The NLB Banka Prishtina **HR Standards** regulate the areas, methods and organization of work needed for implementation the HR function in the Bank ("Standards of Human Resources in NLB Banka Prishtina", 2016).

The Standards entail the following areas:

- **human resources management** - the Management Board adopts the HR plan (number of employees by organizational units) or provides additional employment in individual organizational units. Additional employment is performed initially through internal recruitment. In the case the internal recruiting is unsuccessful, or a specific profile is sought for, the appropriate expert can also be recruited with external job vacancy.
- **job performance management (employees' monitoring and remuneration)** - Comprehensive personal performance management is an obligatory and crucial system for HR management in the NLB Banka. It is based on two types of conversations:
 - performance assessment is the key element of planning, monitoring, and assessing job performance of employees, guiding their careers and awarding good performance, and
 - The development interview serves as a basis for establishing the gaps between the desired and the actual level of the work-specific competencies. The development interview enables targeted investments in the development of an individual and sets out a basis for promotion and career development of an employee.
- **human resources development** - NLB Banka pays attention to employees, their expert knowledge, competencies (potential, abilities, experience, skills and behaviour) as well as values which boost their efficiency and thus also the effectiveness and performance of the NLB Bank.
- **education, training and upskilling of employees** - The HR Department of the Bank performs the following tasks and activities aimed at monitoring and implementing the entire educational activity:
 - defines the knowledge required for organisation,
 - establishes the educational needs and plans, develops, and organises education activities in accordance with the gaps established in the development interviews,
 - takes care of the internal transfer of knowledge,
 - sends the employees to trainings in external education institutions,
 - keeps records, monitors, evaluates, and analyses education activities.
- The purpose of the **corporate climate survey** is to determine the employees' perception of the Bank's characteristics and specifics. This results in a range of 'levers' enabling the implementation of business strategies and HR management. In addition to corporate climate the survey is also used to measure **employee commitment**, which is most often

defined as the employees' promptness and motivation to contribute their share to common success without external constraint.

- **corporate culture** - reflects the employees' perception of attributes and specifics of an organization, it also specifies how employees are supposed to act considering what is most valued and appreciated in the organization.
- **EFQM - excellence model** - European Foundation for Quality Management is a framework that combines all different elements of a company's management system (i.e. leadership, HRM, sustainable development, partnership with buyers, etc.) and enables an overview of current strengths and growth opportunities,
- **relations with the employee representatives** - HR and Organization Section is responsible for the relationship building with trade unions and other employee representatives, and it should authorize at least two employees for interacting with the trade unions and employee representatives,

The **Personnel Policy** establishes the goals and principles of action which should be aimed by NLB Prishtina in the scope of human resource management.

NLB Prishtina success is not only a result of the strategy, technology, and processes. The success of trading and business depends primarily on the employees, who are the pillars of NLB Prishtina. The aim is that as a part of NLB Group to become among the most successful financial-banking groups in the Southeastern Europe, with successful and well pleased employees, where NLB Prishtina will be among the most desired employers.

The purpose of the Personnel Policy is the provision of adequate human resources to achieve strategic and business goals of NLB Prishtina and its harmonization with NLB Group.

Human resources are one of the main factors of success. Development of all employees, with special emphasis on focus groups is a key element in achieving and maintaining competitive advantage. Therefore, aim mission with personnel is to create such settings that employees are competent, efficient, satisfied, and responsive for their individual development.

Through Personnel Policy, NLB Prishtina pursues to create standards and rules for work with its employees. Work with personnel, its management and their mutual relations will be based on these main principles:

All employees understand the mission, values, and goals of NLB Prishtina and its role in the community;

Employees should be treated equally, respectfully, and professionally, where the employees should have the same correlation to people both inside and outside the Bank;

To ensure work and personality development for the employees, depending on current and future needs, while ensuring the aimed development for the key groups of human's resources;

To promote teamwork, open communication, and transfer of knowledge to the affiliates aswell;

To advance the development of employees by stimulating the variation within NLB Prishtina, respectively NLB Group-internal work scholarships

Direct leaders are responsible for their subordinates throughout the working career, to motivate and monitor them, keep track on the work behaviour and take action in accordance with the internal acts of the Bank on the occasion of achieving positive or negative results at work,

To enable safe and healthy work conditions for employees

On the basis of the NLB Group Policy, the NLB Banka Policy is mandatory for the Bank and is the basis for the implementation and harmonization with potential of employees in the Bank and the entire NLB Group.

Support of human resources strategy represents an information system of employees in the Bank and NLB Group, which is harmonized with applications of supporting human resources and informative in NLB Group, respectively it is planned in the future to implement the unique system of human resources in NLB Group.

The expression authority implies all skills of using other know-how and possibilities that are required; so that someone successfully, effectively and in accordance with the standards of success at work, shall perform the task assigned, perform work or role in business process. The authority also includes the knowledge, skills, personal characteristics and those of leadership, beliefs, values, belief in themselves and similar. Thus, all that together represents a guarantee for success at work.

In combination with the strategy, vision, mission, values and culture of the Bank, the authority presents the basis for the systems of selection, employment, motivation, compensation, promotion, movement (mobility) of employees in the Bank and all the NLB Group. Treatment of business success, development of employees, treatment of the talented ones, development of potential successors to key leaders and specialists, education, and establishment of management standards in the Bank.

The procedure for dealing with human resource issues is adapted to the specific needs of the certain job position. Selection of human resources is conducted in several stages based on the adaptation of competencies for candidates to fill the vacancy. In the procedure for dealing with human resources at various stages participate also the Unit manager and Head

of Section, which confirms at the end of procedure the selection of candidate. Besides the direct superior, Head of Section, in conversations/interviews can also participate the Officer for Recruitment and Training in the Section. In the procedure of selection of candidates on the occasion of announcement of the internal or external selection, participates the Committee for selection of employees. In relation to the tests and interviews with candidates, psychological testing and verification of relevant professional knowledge are also used, depending on individual work place.

Regarding the recruitment and selection of head of units and key persons, the Bank is planning within a five year period to establish an evaluation center (including their external experts from specific areas), which at the level required for those positions shall professionally test the external and internal candidates , with the aim of selecting the best candidates.

All new employees are included in the training program, which is conducted as per agreed plan/schedule, in order to achieve the greatest possible productivity.

The employment procedures are developed in accordance with the Labor Law in Kosovo, other laws from the scope of labor relations in Kosovo, the regulation on the employment relationship with the Bank and other normative acts of the Bank .

The implementation of the Personnel Policy is based on the most important competencies of employees in NLB Pristina as part of NLB Group, such as: orientation and commitment to those goals, professionalism, work responsibility and individual development, cooperation and teamwork, self-initiative and decision-making ability;

Personnel of Human Resource and Organization is a partner and advisor, which connects the participants in the process of personnel and education with the Board of Directors of the Bank, directors and heads of organizational and territorial units, of employees and external associates.

In addition to creation of standards and rules for work with its employees, most important duties in the scope of HR that are part of Personnel Policy are the assignments that derive from HR Standards. (NLB Banka Prishtina, 2012).

4.3 Performance management in NLB Prishtina

Work performance management is based on correlation of job descriptions (works and tasks), the required potentials (competencies) of employees, regular conversations in assessing the performance of work for employees, development of employees, education, advancement (horizontal and vertical) and remuneration.

Fundamental objective of conversations/discussions made while evaluating the performance of employees at the Bank, which according to the Job Performance evaluation

is conducted at least twice per year, is the establishment of individual success, which affects the achievement of desired and planned business goals.

Purpose of the conversation is to provide feedback information to employees performing tasks and achieving goals, which affects certain behaviors of employees and future achievements in their work. In conversation, the leader obtains useful information for the opinions, expectations and development needs of employees.

The conversation during job performance evaluation presents a dialogue for the six month period between the head of employee, starting with the provision of assessment by the employee and ends with the formalization of reciprocal agreements and includes these topics:

- What (responsibility, tasks, objectives, plans and roles until the next assessment);
- How much (implementation, standards and criteria of success at work, basis for remuneration);
- How (what actions, what competencies are needed and how to realize them);
- How to proceed further (development, elimination of the weak sides, career plan, the possibility of advancement);
- What to change (updating and improving the job description);
- What are the problems and obstacles (how and where to eliminate them).

The purpose of conversation is not the achievement of full consensus between the leader and employees, but this is the evaluation mark and (not) success of such employee what is also the compilation of improvement plan.

For the successful conduct of conversations is essential the ability of the person conducting the conversation and participants, as well as adequate support if required by the Division of Information Technology.

For the successful work performance management can also be used the 360 degree model of personal development. This model is about the method and optimization of objectivity of evaluation mark, respectively the neutralization of the effects of subjective assessment, which is also evaluated by the colleagues of the same hierarchical level and other associates.

Work performance evaluation is a continuous process that extends throughout the year including every employee of the Bank. Work performance evaluation should not be control function, but rather as an opportunity to improve the professional skills of employees. Also, work performance evaluation represents a very good case for a structured dialogue between the head of unit and employees, by facilitating effective organizational communication.

Work performance evaluation functions only with other elements of human resource management system. Its outcomes should meet the development plans of employees, to serve as a basis for payment, incentive programs, training, and development as well as disciplinary and other corrective measures. (Human resource management Policy 2012)

Since the merger of the banks up today, in NLB Banka can be noticed two periods regarding the work performance evaluation of employees:

- Period from 2008 until 2015 - evaluation based on effectiveness and efficiency, and
- Period from 2015 - currently in use: evaluation based on "SMART" metod (**S**pecific, **M**easurable, **A**chivable, **R**ealistic and **T**imely).

Work performance evaluation includes a range of activities aimed at ensuring that the objectives of the Bank are met *effectively and efficiently*. It contributes to the effectiveness of employees, professional development, and job satisfaction. At the same time, it enables managers of organizational units to obtain accurate information about the strengths and weaknesses of employees they have available.

New procedure of planning, amendment, assessment and remuneration of job performance and the personal development of employees has entered into the force in June 2015. The purpose of these Procedures is to plan and assess the attainment of set objectives, to assess key competences and to plan employees development (NLB Banka Prishtina, 2015).

Based on the bank HRM Policy the system of remuneration of employees of the Bank, except the payment for the performed work, includes also other forms of remuneration, i.e. non-material form or non-financial compensation.

The major part is related to financial remuneration, with the system of payment of salaries, while additional forms of compensation are linked to the terms of the candidates in the market and strengthening of the key values of the culture of the Bank, as identification with the Bank.

The payment includes fixed and variable part of salary, as well as payments for the business success of the Bank.

The system of fixed salaries, respectively the base salary is regulated with the Regulation on salaries and other benefits in the bank where salary is determined by work places.

The variable part of salary is incentive part that is dedicated when achieving above average results. The purpose and criteria for determining the success of employees must be clear and appropriate, but they are different depending on the individual work areas.

Variable part of salary depending on the scope of work (business part, non-business part) includes measurable goals (KPI - key performance indicators), which for certain areas,

respectively certain work positions are different, and the evaluation of manager, which gives his evaluation mark for the success of employee based on established competencies and standards of success.

Variable part of remuneration is intended to reward the success in the work of individuals, teams, project work, and extraordinary achievements.

Assessment of success in business also affects the salary for the business success of the Bank, because all of the contribution of employees affects the success of the Bank and consequently the amount of salary from the category of the Bank's business success.

Non-financial forms of remuneration are conducted in different methods for different groups of job positions, profiles, scope of work and similar.

With the purpose of keeping the best professional employees, the Bank may decide to establish individual remuneration schemes.

The system of remuneration of employees who perform special work (employed in IP, direct acquirers of risks, leaders of internal control functions, other employees with higher income) NLB Prishtina shall ensure that the remuneration policy shall respect the business strategy, goals and long-term interests of the bank.

4.4 Performance appraisal

A performance appraisal, also referred to as a performance review, performance evaluation, (career) development discussion, or employee appraisal is a method by which the job performance of an employee is documented and evaluated. Performance appraisals are a part of career development and consist of regular reviews of employees performance within organizations.

As it is mentioned in the previous chapter, there are two periods regarding the work performance appraisal of NLB Banka Prishtina employees:

4.4.1 Evaluation based on effectiveness and efficiency

Work performance appraisal consists of the following steps:

- At the beginning of six month work performance or at the beginning of probation period, the head of unit discusses with each employee to set and develop a work plan for main objectives to be met, to clarify expectations, discuss ways to monitor and identify development needs. Working plan should enclose at least 5 objectives that employee must achieve during next six-month period (Appendix No. 2). These objectives are determined in agreement between head of unit and employee.

In addition to the 5 main objectives, during the discussion are also identified the training needs, that employee should take charge of for further development.

- At the end of each semester of performance, the head of unit and the employee shall have an official meeting to discuss the work performance quality for the past six months (Appendix No. 3), to clarify and identify the main objectives to be achieved in the next six months of work performance evaluation.

Evaluation form encloses the following parts:

- comments of head of unit related to attainment of working plan,
- *grade of job performance evaluation*,
- training and development,
- general comments of the head of unit, and
- general comments of the employee.
- *grade of job performance evaluation*

The six-month grade is a collection of individual grades according to the criteria and measures defined within the work plan and the work and tasks stipulated in the employment contract of the employee.

The scale of grades is presented as follows:

- 1 = Unacceptable,
- 2 = Poor,
- 3 = Average,
- 4 = Successfully,
- 5 = Very successfully, and

Table 5: Evaluation Criteria

Evaluation criteria	Description	Grade
Professionalism and work quality	Performs work in accordance with established standards. Performs tasks efficiently. Professional knowledge in the field of work. Quality, accuracy, and creativity.	
Responsibility	Determines priority and work plan. Uses energy and time to accomplish tasks and objectives efficiently. Performs tasks transparently. Undertakes and understands the consequences for someone's actions, to contribute effectively and beneficially to the Bank.	
Teamwork	Includes team members in team decisions and actions. Exchanges important and relevant information about the team. Respects the commitments and goals of the team. Offers help to overcome the obstacles that appear in the team's achievements during the work cycle.	
Loyalty	Is constantly open to accept the ideas and opinions of others. Accepts his mistakes and is always open towards improvements. Objectively evaluates the work and contribution of others.	
Communication	Clarity, accuracy, and efficiency.	
Self-initiative	Taking the initiative to perform tasks and duties.	
Cooperation	Cooperation with colleagues within the unit, with the direct supervisor and with other employees.	
Confidentiality	Failure to forward and non-use of any information to the parties presenting business secrets to the Bank.	
Working hours and timing	Respecting working hours. Observance of daily break during working hours Using the working time effectively for the realization of official duties.	
Dressing and work appearance	The dressing and appearance of the employee must be serious which corresponds to the preservation of personal authority and the Bank.	

Source: NLB Banka Prishtina (2015)

Table 6: Job Performance Based on Evaluation Criteria

Total of points as per criteria	The describing grade of job performance
56 – 60	OUTSTANDING
50 – 55	VERY SUCCESSFULY
40 – 49	SUCCESSFULY
30– 39	AVERAGE
20 - 29	POOR
10 – 19	UNACCEPTABLE

Source: NLB Banka Prishtina (2015)

4.4.2 Evaluation based on “SMART” methodology

On April 2015 new procedures for the planning, amendment, assessment and remuneration of job performance and the personal development of employees has been implemented in NLB Banka Prishtina (NLB Banka Prishtina, 2015).

The purpose of these new procedures was as follows:

- to plan and assess the attainment of set objectives, to assess key competences and to plan employee development,
- to distribute part of the salary based on the assessment of an employee’s job performance (variable remuneration),
- to monitor the job performance of employees who are not attaining expected results, i.e. within the scope of the procedure for the termination of an employment contract for reasons of incompetence.

The criteria for ascertaining job performance are divided into two sets:

- objectives (what, how many), and
- competencies (how, in what way).

Objectives are set according to the "SMART" (Specific, Measurable, Achivable, Realistic and Timely) method, meaning that they must be:

- clear (meaning that the objective is defined succinctly and clearly),
- measurable (the Manager states the result precisely),
- challenging (this objective relates to the scope and ability to accomplish the objective),
- worthwhile (the objective is meaningful and leads to a higher objective),
- defined in terms of a deadline (when does the objective need to be realised).

When setting objectives, the Manager defines:

- **THE NUMBER OF OBJECTIVES** – depending on the difficulty of the job, they set three to five key objectives that may be amended during specific periods (some may be added, they may be completed, etc.),
- **WEIGHT (WEIGHTING)** – a weight must be determined for each objective that reflects its importance,
- **DEADLINE** – the date set for the commencement and completion of an objective,
- **SUB-OBJECTIVES** or the principal activities for the attainment of an objective – the principal tasks or activities for the attainment of an objective are defined,
- **CRITERIA** – indicators to establish whether an objective is achieved,
- **TARGET VALUE** – the expected result is defined (numerically or descriptively).

Table 7: Key Competences

1. Reliability and responsibility	Keeps to agreements.
	Observes procedures and regulations.
	Performs the job precisely and with quality.
2. Ethics	Safeguards the confidentiality of information on clients and associates and does not disclose information to unauthorised persons.
	Jobs with a view to enhancing the long-term benefits and good reputation of the bank.
	Avoids conflicts of interest and other detrimental acts.

(table continues)

(continued)

Table 7: Key Competences

3. Client-orientation	Recognises the needs and interests of the clients.
	Responds to clients' demands in a timely manner.
	Searches for the right solution for a client.
4. Cooperation with others	Establishes intra- and inter-departmental contacts with the aim of improving cooperation.
	They are prepared to adapt to achieve synergies.
	Helps associates (even outside the scope of their area of job).
5. Self-initiative	Recognises the needs and opportunities for improvements.
	Proposes improvements and implements them.
	Cooperates in the implementation of improvements.

Source: NLB Banka Prishtina (2015)

Table 8: Key Managerial Competences (Own work)

1. Objective-orientation	Sets SMART objectives(specific, measurable, attainable, realistic, feasible)
	Takes measures in the event of deviations from the objectives.
	Assesses the attainment of objectives.
2. Motivation	Gives praise for a job well done.
	Reprimands in private and proposes improvements.
	Creates a good atmosphere in the team by personal example.
3. Delegation	Develops associates through delegation.
	Delegates tasks in a timely manner.
	Monitors the implementation of delegated tasks.
4. Decision-making	Stands by adopted decisions.
	Takes decisions in good time despite a lack of information.
	Admits to errors if a poor decision is made.
5. Conflict resolution	Searches for solutions and not for scapegoats.
	Resolves conflict situations calmly and prudently.
	Resolves conflicts in a timely manner.
6. Development of successors	Recognises the potentials and ambitions of associates.
	Appoints qualified associates to positions of employment.
	Ensures objective-oriented education and training for their employees.

Half-yearly or quarterly objectives are defined by no later than 31 January of the current year, while half-yearly or quarterly objectives are then monitored and supplemented by no later than the 15th day of the month in a half-year or an individual quarter.

Objectives are noted down in the “Working plan-objectives” form (Appendix No. 4).

The Manager prepares objectives for all employees, including those on a probationary period, immediately upon starting their job or by no later than 10 days thereafter; they also conduct an interview. Objectives and key competences serve as the basis for the assessment of job performance during the probationary period. The Traineeship Programme prepared by the mentor defines the monitoring of job performance for trainees.

The Competency Catalogue and the Rules on the Systematisation of Jobs define the key competences at NLB Banka Prishtina employees and all jobs. The behaviours for job performance monitoring and assessment purposes are defined separately for each competence and are assessed as set out in Table 7.

The minimum standard of behaviour expected for key job competences is represented by level 3 – in line with expectations.

The criteria laid down regarding quality of job, cooperation and attitude towards associates and clients, self-initiative, independence, and responsibility at job are defined within the scope of key competences (Appendix No. 5).

When assessing the job performance of employees in *management profile positions*, 6 key managerial competences are considered in addition to the 5 key competences. For job performance monitoring and assessment purposes, behaviours are also defined for each competence (NLB Banka Prishtina, 2015).

Table 9: Scale Assessment

ASSESSMENT OF COMPETENCES	Description
5	Exhibits behaviours that highly exceed expectations.
4	Exhibits behaviours that exceed expectations.
3	Exhibits behaviours in line with expectations.
2	Exhibits behaviours below expectations.
1	Exhibits behaviours that fall well below expectations.

Source: NLB Banka Prishtina (2015).

The minimum standard of behaviour expected for key managerial job competences is represented by level 3 – in line with expectations while the assessment of job performance is carried out by no later than the 15 days after the end of the evaluation period. The Assessor assesses the attainment of the agreed objectives as a percentage share of the planned value and at the same time The Assessor assesses the attainment of expected key competences (behaviours) on a five-point scale (Table No 9).

The overall assessment of employee competences in a *managerial profile* position is made up of key managerial competences that account for 75% of the overall assessment, and key competences that account for 25% of the overall assessment (Appendix No. 6).

The overall assessment of job performance comprises an assessment of the attainment of objectives and key competences:

Table 10: Overall Assessment

Organisational unit	OBJECTIVES %	COMPETENCES %
COMMERCIAL SHARE*	80	20
NON-COMMERCIAL SHARE*	70	30

*The division of an OU into a commercial and non-commercial share was prepared in accordance with the Organisation Rules.

Source:NLB Banka Prishtina (2015)

During the half-yearly or quarterly assessment interview, the direct manager informs the employee of the job performance assessment.

The annual job performance assessment score is the average assessment score from the half-yearly or quarterly assessments of the attainment of results and competences.

Quarterly, half-yearly or annual job performance assessments are as follows in Table 11).

For promotions, the annual job performance assessment as well as the assessment of the attainment of job-specific competences and the assessment of the attainment of required knowledge defined in the Catalogue of Knowledge are considered and the annual assessment is entered into an employee’s HR record.

If an employee disagrees with the job performance assessment, they may file a written request for a review of the assessment within a period of 8 days of being informed of the assessment, in which they are required to provide justification of the reasons for their disagreement. They file this request with the chief director of the organisational unit, who

then conducts an interview with the employee and Manager, as appropriate, and adopts a decision on the final assessment by no later than 8 days after receiving the complaint.

If an employee disagrees with the assessment but does not request a review of the assessment from the chief director, the assessment is deemed final.

Table 11: Overall Job Performance

Overall job performance assessment	Description of the assessment	Job performance
5 - Outstanding performance	All objectives and competences are exceeded.	Exceeding 111%.
4 - Very good performance	All objectives and competences are partially exceeded.	Between 101% and 110%.
3 - Good performance	Most objectives and competences have been attained.	Between 90% and 100%.
2 - Below performance	Objectives and competences are partially unattained.	Between 80% and 89%.
1 - Unsatisfactory performance	Objectives and competences are not attained.	Is below 79%.

Source: NLB Banka Prishtina (2011)

Complaints regarding the assessment issued shall not stay the pay out of variable remuneration.

Employees who exceed the expected results and are given a score of 4 or more are entitled to variable remuneration.

An employee who is assessed as “not exhibiting ethical behaviour” for the “ethics” competence, is subject to the following:

- they are issued with a written admonishment, another disciplinary measure, or a warning on a violation prior to the termination of the employment contract,

- irrespective of the assessment of the attainment of objectives and other competences, the overall assessment of job performance is 1 – Unsatisfactory performance,
- the employee is not entitled to variable remuneration for the assessment period in question.

The basis for the payment of variable remuneration is the quota assigned to the organisational unit by the senior employee. The quota is distributed among employees who are entitled to a bonus, i.e. they exceed the set objectives and competences (overall assessment score for job performance exceeds 101%).

Employees with less than two years of service at the Bank are generally not given the part of the salary that is based on job performance.

4.5 Research design and methodology for analyzing the link between the performance management and organizational performance

To assess the *link between human resource management, employee performance management and organizational performance in NLB Banka Prishtina* we have gathered all information related to performance appraisal of employees since 2011.

These data were divided by year (half-year and quarterly) and grouped by the categories.

In addition, the data's related to financial performance of the bank has been gathered and summarized in key indicators through 2011 – 2019 period.

Conducting this kind of research and collecting the necessary information was with the purpose of evaluating the potential link between employee performance management and organizational performance.

In addition to research, a questionnaire is used in order to assess the *The Link Between Human Resources Management, Employee Performance Management and Organizational Performance in NLB Banka Prishtina*.

The questionnaire was developed with the aim to gather information about the attitudes and opinions of the workforce, and the HR department practices which are related to the banks' competitive position on the market.

4.6 Analysis of data

4.6.1 Performance appraisal of employees 2011 – 2015

The performance appraisal of employees during the period 2011 to 2015 was performed twice per year for the sales staff as well as for the other staff. In the following part there are presented the evaluation of staff during the mentioned period.

4.6.1.1 Performance appraisal of employees' sale staff

Table no. 12 shows that during the year **2011**, the evaluation was provided for 345 sales employees. In the first half of this year, 19 employees (or 5.51% of total number of sales staff) were not assessed since they were out of the office due to different reasons (maternity leave, sick leave, etc.), while in the second half of 2011 the number is the same for this category . During the whole year, there were no employees qualified in a “poor” category. The number of sales staffs for the category “average” increased from 16 to 22 employees in the second half of the year. Sales staff employees categorized in “successfully” during the first period numbered 256 (or 74.2% of total number of sales staff), while in second period there were 254 employees (or 73.62%). The “very successfully” category consisted of 48 employees (or 13.91%) in the first period of the year and 45 employees (or 13.04%) in the second period. The number of top employees, or “extraordinary” category, in the first and second period was the same, 6 employees (or 1.74%).

Table 12: Sales Staff Evaluation During 2011 - 2015

	2011		2012		2013		2014		2015
	I	II	I	II	I	II	I	II	I
Not assessed	19	18	16	14	15	14	19	17	12
10 - 19 (UNACCEPTABLE)	0	0	0	0	0	0	0	0	0
20 - 29 (POOR)	0	0	1	1	0	0	2	2	2
30 - 39 (AVERAGE)	16	22	16	11	13	9	12	35	28
40 - 49 (SUCCESSFULLY)	256	254	262	274	240	235	223	236	217
50 - 55 (VERY SUCCESSFULLY)	48	45	51	65	93	90	87	46	70
56 - 60 (EXTRAORDINARY)	6	6	5	3	1	2	5	13	15
	345	345	351	368	362	350	348	349	344

Source: Own work

During the year **2012**, the evaluation was provided for 351 sales employees in the first period respectively for 368 in the second period. In the first half of this year, 16 employees (or 4.56% of total number of sales staff) were not assessed since they were out of the office due to different reasons (maternity leave, sick leave, etc.), while in the second half of 2012 there were 14 employees (or 3.80%) in the same category. No one from sales staff employees was qualified in the category of “unacceptable” during the whole year 2012.

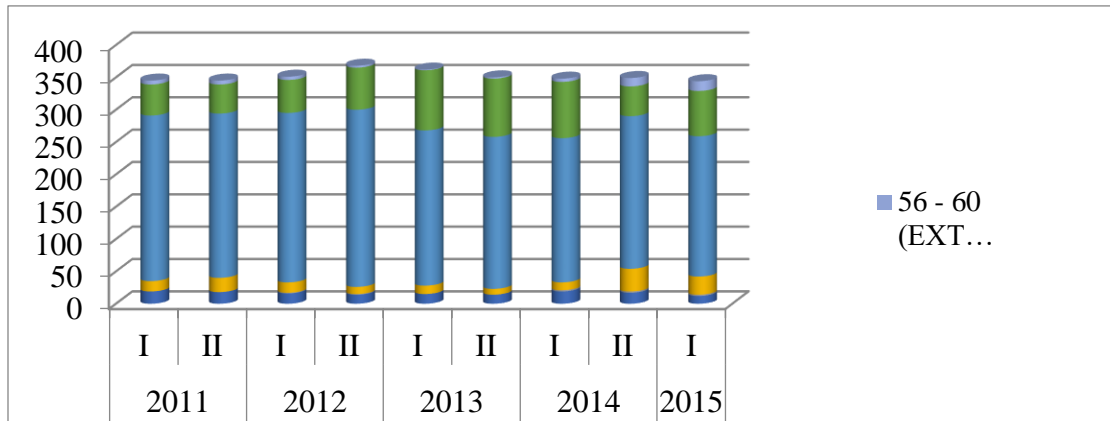
In a “poor” category during the first and second period of the year there was only 1 employee categorized. The number of sales staffs for the category “average” decreased from 16 to 11 employees in the second half of the year. Sales staff employees categorized in “successfully” during the first period numbered 262 (or 74.64% of total number of sales staff), while in second period there were 274 employees (or 74.46%). The “very successfully category” consisted of 51 employees (or 14.53%) in the first period of the year and 65 employees (or 17.66%) in the second period. The number of top employees, or “extraordinary” category, in the first period was 5 employees (or 1.42%) and in the second period was 3 employees

(or 0.82%). Obviously, third year of introduction of performance appraisal shows the increase of “very successfully” category compared to two previous years.

Respectively, during the year **2013**, the evaluation was provided for 362 sales employees in the first period respectively for 350 in the second period. In the first half of this year, 15 employees (or 4.14 % of total number of sales staff) were not assessed since they were out of the office due to different reasons (maternity leave, sick leave, etc.), while in the second half of 2013 there were 14 employees (or 4.00%) in the same category. No one from sales staff employees were qualified in the categories of “unacceptable” neither “poor” during the whole year 2013. The number of sales staffs for the category “average” decreased from 13 to 9 employees in the second half of the year. Sales staff employees categorized in “successfully” during the first period numbered 240 (or 66.3 % of total number of sales staff), while in second period there were 235 employees (or 67.14 %). The category “very successfully” consisted of 93 employees (or 25.69 %) in the first period of the year and 90 employees (or 25.71 %) in the second period. The number of top employees, or “extraordinary” category, in the first period was 1 employee (or 0.28 %) and in the second period was 2 employees (or 0.57%).

During the year **2014**, the evaluation was provided for 348 sales employees in the first period respectively for 349 in the second period. In the first half of this year, 19 employees (or 5.46% of total number of sales staff) were not assessed since they were out of the office due to different reasons (maternity leave, sick leave, etc.), while in the second half of 2014 there were 17 employees (or 4.87%) in the same category. No one from sales staff employees was qualified in the category of “unacceptable” during the whole year 2014. In a “poor” category during both periods of the year were only 2 employee categorized. The number of sales staffs for the category “average” increased from 12 to 35 employees in the second half of the year. Sales staff employees categorized in “successfully” during the first period numbered 223 (or 64.08 % of total number of sales staff), while in second period there were 236 employees (or 67.62 %). The “very successfully” category consisted of 87 employees (or 25.0 %) in the first period of the year and 46 employees (or 13.18 %) in the second period. The number of top employees, or “extraordinary” category, in the first period was 5 employees (or 1.44%) and in the second period was 13 employees (or 3.72%).

Figure 13: Sales Staff Evaluation During 2011 - 2015



Source: Own work

4.6.1.2 Performance appraisal of employees on Bank level

First half of the year **2015** is the last period that the evaluation method based on points was used for performance appraisal of employees. During this period, 12 sales employees were “not assessed” due to the same reasons as mentioned in previous years. No staff was in the “unacceptable” category, while only 2 employees were in the “poor” category. In the “average” category, 28 employees (or 8.14 %) were ranked. The “successfully” category consisted of 217 employees (63.08 % of total number of sales staff). The “very successfully” category during this period numbered 70 employees (20.35%) while “extraordinary” were 15 employees (4.36 %).

Table 13: Total Staff Evaluation During 2011 - 2015

	2011		2012		2013		2014		2015
	I	II	I	II	I	II	I	II	I
Not assessed	17	29	25	23	22	21	26	23	16
10 - 19 (UNACCEPTABLE)	0	0	0	0	0	0	0	0	0
20 - 29 (POOR)	1	0	1	1	0	0	2	2	2
30 - 39 (AVERAGE)	13	32	18	12	13	15	16	43	33
40 - 49 (SUCCESSFULLY)	312	315	329	337	288	291	277	328	305
50 - 55 (VERY SUCCESSFULLY)	165	124	129	130	179	174	180	111	147
56 - 60 (EXTRAORDINARY)	16	26	25	25	25	23	21	17	16
	524	526	527	528	527	524	522	524	519

Source: Own work

The table no. 8 shows that during the year **2011**, the evaluation was provided for 526 employees. In the first half of this year, 17 employees (or 3.24% of total number of employees) were not assessed since they were out of the office due to different reasons (maternity leave, sick leave, etc.), while in the second half of **2011** the number was 29 or 5.51%. No one of employees was qualified in the “unacceptable” category during the assessment of both periods. The first half of the year shows only 1 employee in a “poor” category while in the second part there was no one in this category. The number of staff for

the “average” category increased from 13 to 32 employees in the second half of the year. Employees categorized in “successfully” during the first period numbered 312 (or 59.54 % of total number of sales staff), while in second period there were 315 employees (or 59.89 %). The “very successfully” category consisted of 165 employees (or 31.49 %) in the first period of the year and 124 employees (or 23.57 %) in the second period. The number of top employees, or “extraordinary” category, in the first period was 16 employees (or 3.05 %) while on the second part of the year it was 26 (4.94 %).

During the year **2012**, the evaluation was provided for 527 employees in the first period respectively for 528 in the second period. In the first half, 25 employees (or 4.74% of total number of staff) were not assessed since they were out of the office due to different reasons (maternity leave, sick leave, etc.), while in the second half of 2012 there were 23 employees (or 4.36%) in the same category. No one from total number of staff was qualified in the “unacceptable” category during the whole year 2012. In a “poor” category during the first and second period of the year there was only 1 employee categorized. The number of staff of the “average” category decreased from 18 to 12 employees in the second half of the year. Employees categorized in “successfully” category during the first period numbered 329 (or 62.43 % of total number), while in second period there were 337 employees (or 63.83 %). The “very successfully” category consisted of 129 employees (or 24.48%) in the first period of the year and 130 employees (or 24.62 %) in the second period. The number of top employees, or “extraordinary” category, in both periods was 25 (or 4.74 %). As previously noticed, during the third year of introduction of performance appraisal there was a significant movement of number of employees from the ‘successfully’ into the “very successfully” category.

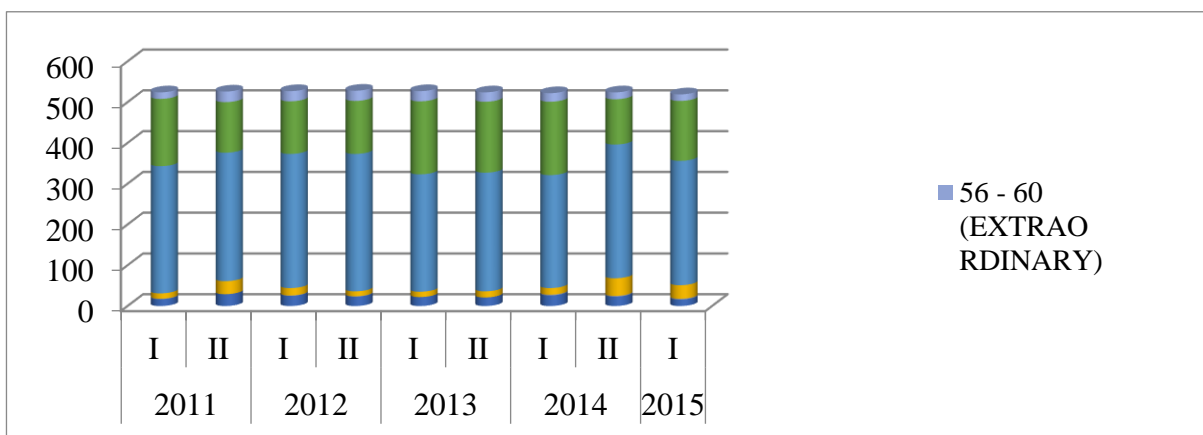
Respectively, during the year **2013**, the evaluation was provided for 527 employees in the first period and for 524 in the second period. In the first half of this year, 22 employees (or 4.17 % of total number of staff) were not assessed since they were out of the office due to different reasons (maternity leave, sick leave, etc.), while in the second half of 2013 there were 21 employees (or 4.01%) in the same category. No one of employees was qualified in the categories of “unacceptable” neither “poor” during the whole year 2013. The number of staff for the category “average” increased from 13 to 15 employees in the second half of the year. Employees categorized in “successfully” category during the first period numbered 288 (or 54.65 % of total number of sales staff), while in second period there were 291 employees (or 55.53 %). The “very successfully” category consisted of 179 employees (or 33.97 %) in the first period of the year and 174 employees (or 33.21 %) in the second period. The number of top employees, or “extraordinary” category, in the first period was 25 employee (or 4.74 %) and in the second period was 23 employees (or 4.39 %).

During the year **2014**, on the bank level the process of evaluation covered 522 employees in the first period respectively 524 in the second period. In the first half of this year, 26 employees (or 4.98 % of total number of sales staff) were not assessed since they were out

of the office due to different reasons (maternity leave, sick leave, etc.), while in the second half of 2014 there were 23 employees (or 4.39 %) in the same category. No one from sales staff employees was qualified in the “unacceptable” category during the whole year 2014. In “poor” category during both periods of the year were only 2 employee categorized. The number of staff for the category “average” increased from 16 to 43 employees in the second half of the year. Employees categorized in “successfully” category during the first period numbered 277 (or 53.07 % of total number of staff), while in second period there were 328 employees (or 62.60 %). The “very successfully” category consisted of 180 employees (or 34.48 %) in the first period of the year and 111 employees (or 21.18 %) in the second period. The number of top employees, or “extraordinary” category, in the first period was 21 employees (or 4.02 %) and in the second period was 17 employees (or 3.24 %).

First half of the year **2015** is the last period that the evaluation method based on points was used for appraisal performance of employees. During this period, 16 employees were “not assessed” due to the same reasons as mentioned in previous years. No staff was in the “unacceptable” category while only 2 employees were in the “poor” category. In the “average” category, 33 employees (or 6.36 %) were ranked. The “successfully” category consisted of 305 employees (58.77 % of total number of staff). The “very successfully” category during this period numbered 147 employees (28.32 %) while “extraordinary” were 16 employees (3.08 %).

Figure 14: Total Staff Evaluation During 2011 - 2015



Source: Own work

4.6.2 Performance appraisal of employees 2015 - 2019 (SMART methodology)

The performance appraisal of employees starting from 2015 has been changed at all with the implementation of SMART methodology. However, it was performed twice per year for the sales staff as well as for the other staff. In the following part there are presented the evaluation of staff during the mentioned period, where the result performance under the 79% was considered as “unsatisfactory, the result 80% - 89% was “below performance”, 90% - 100% was “good performance, 101% - 110% was “very good performance and above 111% was “Outstanding performance.

4.6.2.1 Performance appraisal of employee’s sale staff

Table 14: Sales Staff Evaluation During 2015 - 2019

	2015	2016				2017				2018				2019			
	II	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV
Not assessed	18	8	12	15	14	12	26	21	14	4	15	19	22	17	24	28	18
< 79	4	2	2	2	2	3	0	1	1	0	4	4	2	0	1	2	0
80% - 89%	6	9	7	6	4	1	3	8	1	2	10	11	7	4	7	4	3
90% - 100%	39	46	51	62	45	19	18	32	21	20	29	31	25	32	23	35	31
101- 110%	79	82	83	81	79	74	54	68	74	72	53	65	64	79	67	79	92
> 111	109	108	100	88	109	143	154	125	134	145	141	123	129	110	120	94	98
	255	255	255	254	253	252	255	255	245	243	252	253	249	242	242	242	242

Source: Own work

Second part of the year **2015** envisages start of the new methodology for performance appraisal of employees in NLB Banka, also known as “SMART” methodology. This is the time when transformations are taking place in the Bank. New evaluation forms have been introduced. In addition a lot of trainings have been taking place for all employees. All those changes have reflected in employee performance as well as bank performance in general. As it is noticed in the table above, number of sales staff has rapidly decreased from 344 at the end of the first half of the year 2015 to 255 at the end of the second half of the year 2015. This decrease came as a result of implementation of new procedure of sales employees categorization. Based on this procedure Branch Managers, Sub-Branch managers, back office officials and risk staff located in different regional units were exempted from the sales category.

The table shows that during the second half of the year **2015**, the evaluation was provided for 255 sales employees. “Not assessed” employees in the second part of 2015 were 18 employees (or 7.06 % of total number of sales staff). They were not assessed since they were out of the office due to different reasons (maternity leave, sick leave, etc.). Four employees were classified in the “unsatisfactory” category while six employees were rated “below performance”. “Good performance” shows 39 employees (or 15.29 %), “very good performance” has 79 employees (or 30.98 %) while the most significant number of employees appears in “outstanding performance” – 109 employees (or 42.75 %).

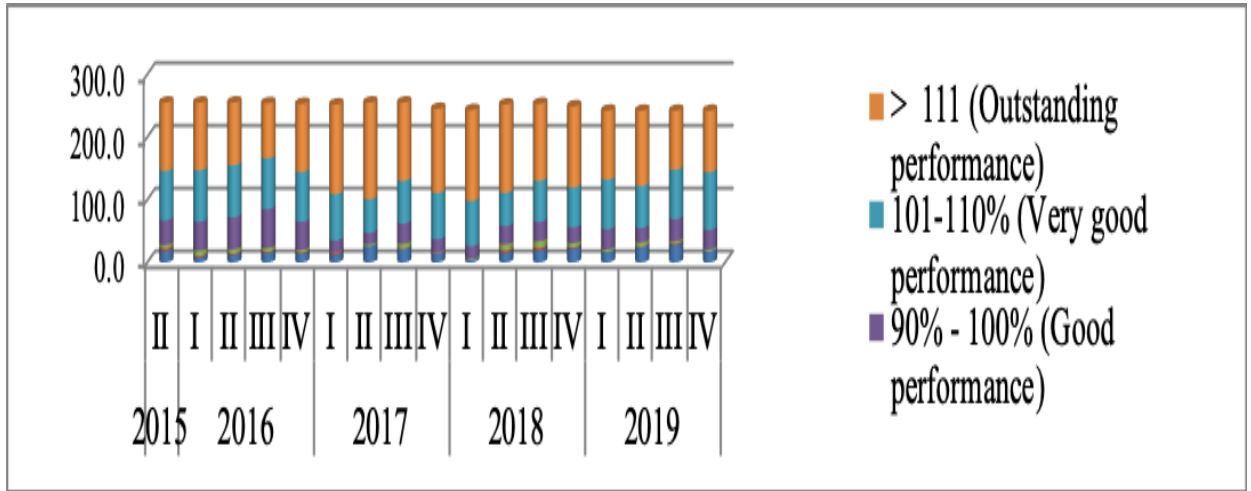
By the end of the year **2016**, the evaluation was provided for 253 sales employees. Number of “Not assessed” employees was 14 due to aforementioned reasons. “Unsatisfactory” were 2 employees while 4 employees were belonging to “Below performance” category. “Good performance” includes 45 sales employees (or 17.79 %), “very good performance” has 79 employees (or 31.23 %) while the most significant number of employees appears again in “outstanding performance” – 109 employees (or 43.08 %).

The end of year **2017** compared to the end of year 2016 shows the increase of number of employees who performed above 111% (outstanding performance) for 22.94%. Number of “Not assessed” employees was the same 14, “Unsatisfactory” was only 1 employee as well as employee in “Below performance” category. “Good performance” includes 21 sales employees (or 8.57 %), “very good performance” has 74 employees (or 30.20 %) while the most significant number of employees appears again in “outstanding performance” – 134 employees (or 54.69 %).

End of year **2018** characterize with the highest employee number of “Not assessed” employees with 22 persons (8.84% of total sales staff). “Unsatisfactory” were 2 employees while 7 employees were belonging to “Below performance” category. “Good performance” includes 25 sales employees (or 10.04 %), “very good performance” has 64 employees (or 25.70 %) while the most significant number of employees appears again in “outstanding performance” – 129 employees (or 51.81 %).

End of the year **2019**, shows that on average of 88.84% of sales staff employees were on “good performance” and above. “Not assessed” employees take part with 18 employees (7.44% of total sales staff). There were no employee on “Unsatisfactory” level while 3 employees were belonging to “Below performance” category. “Good performance” includes 31 sales employees (or 12.81 %), “very good performance” has 92 employees (or 38.02 %) while the most significant number of employees appears again in “outstanding performance” – 98 employees (or 40.50 %).

Figure 15: Sales Staff Evaluation During 2015 – 2019



Source: Own work

4.6.2.2. Performance appraisal of employees on Bank level

Table 15: Total Staff Evaluation During 2015 - 2019

	2015	2016					2017				2018				2019			
	II	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	
Not assessed	48	8	0	15	30	12	31	21	20	4	29	19	38	17	32	28	23	
< 79	4	2	1	2	2		0	1	1	0	4	4	2	0	1	2	0	
80% - 89%	7	9	3	6	1		3	8	1	2	10	11	7	4	7	4	3	
90% - 100%	63	46	121	62	62	19	43	32	34	20	38	31	30	32	37	35	42	
101-110%	178	82	170	81	205	74	148	68	164	72	133	65	148	79	142	79	168	
> 111	192	108	180	88	186	143	250	125	251	145	245	123	231	110	233	94	217	
	492	255	475	254	486	252	475	255	471	243	459	253	456	242	452	242	453	

Source: Own work

The table number 10 represents the performance appraisal of total number of employees from the beginning of performance appraisal with the new methodology respectively starting with second half of the year 2015.

The table shows that during the second half of the year **2015**, the evaluation was provided for 492 employees. “Not assessed” employees in the second part of 2015 were 48 employees (or 9.76 % of total number of staff). Four employees were classified in the category of “unsatisfactory” while seven employees were rated “below performance”. “Good performance” shows 63 employees (or 12.80 %), “very good performance” has 178 employees (or 36.18 %) while the most significant number of employees appears in “outstanding performance” – 192 employees (or 39.02 %).

By the end of the year **2016**, the evaluation was provided for 486 employees. Number of “Not assessed” employees decreased compared to previous year and it was 30.

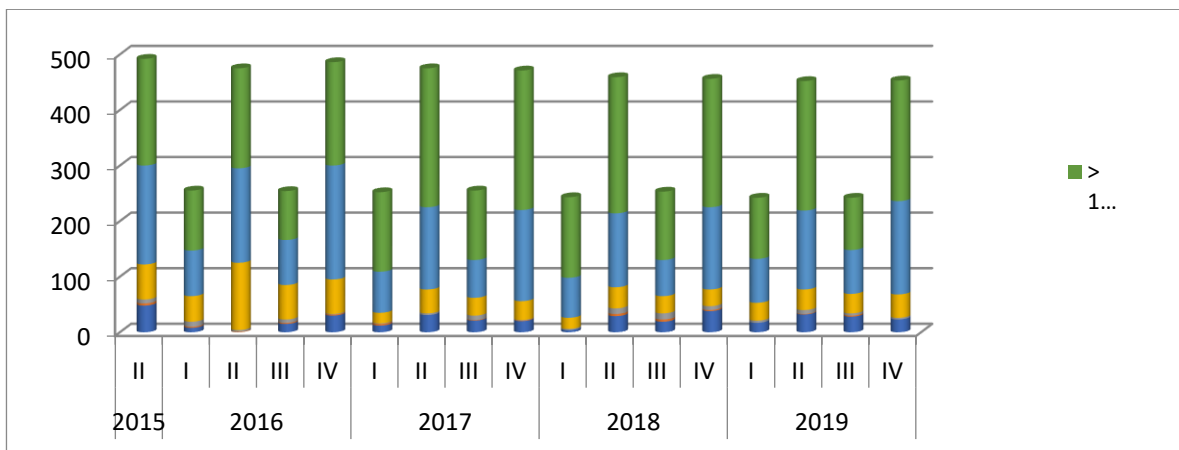
“Unsatisfactory” were 2 employees while only 1 employee was belonging to “Below performance” category. “Good performance” includes 62 employees (or 12.76 %), “very good performance” has 205 employees (or 42.18 %) while in the “outstanding performance” - 186 employees (or 38.27 %).

The end of year **2017** compared to the end of year 2016 shows the increase of number of employees who performed above 111% (outstanding performance). Number of “Not assessed” employees was the same 20, “Unsatisfactory” was only 1 employee as well as employee in “Below performance” category. “Good performance” includes 34 sales employees (or 7.22 %), “very good performance” has 164 employees (or 34.82 %) while the most significant number of employees appears again in “outstanding performance” – 251 employees (or 53.29 %).

By the end of year **2018** number of “Not assessed” employees was 38 employees (8.33% of total staff). “Unsatisfactory” were 2 employees while 7 employees were belonging to “Below performance” category. “Good performance” includes 30 employees (or 6.58 %), “very good performance” has 148 employees (or 32.46 %) while the most significant number of employees appears again in “outstanding performance” – 231 employees (or 50.66 %).

End of the year **2019**, shows that on average of 91.83% of total employees were on “good performance” and above. “Not assessed” employees with 23 employees (5.08 % of total staff). There were no employee on “Unsatisfactory” level while 3 employees were belonging to “Below performance” category. “Good performance” includes 42 employees (or 9.27 %), “very good performance” has 168 employees (or 37.09 %) while the most significant number of employees appears again in “outstanding performance” – 217 employees (or 47.9 %).

Figure 16: Total Staff Evaluation During 2015 – 2019



Source: Own work

4.6.3 Employee survey on performance appraisal

This section performs a questionnaire analysis, using the software google forms: (<https://forms.gle/iWwqKw6wooDbDz9PA>). The questionnaire included several sets of statements about how employees perceive and understand the organization. All the statements were simple closed ended type using the usual rating scale of 1 to 5; from “strongly disagree” to “strongly agree”.

Questionnaires has been distributed to 50 employees and 48 of the has completed the questionnaire. From employees has been requested that their replies should be spontaneous and sincere and that the answers should reflect a real situation as they witnessed and experienced, since the responses will be treated as strictly confidential and the application ensures the confidentiality of participants.

The answers were analyzed by using descriptive statistic. During this process frequency, percentages and standard deviations are used.

The analysis of the results were divided according to the research questions. Each of the research questions is examined separately and the results are shown graphically.

In the first part are indicated personal information of participants, such as: gender, years of experience in NLB, age, education and organizational level.

Figure 17: Gender Distribution of Respondents

1. Gender
48 responses

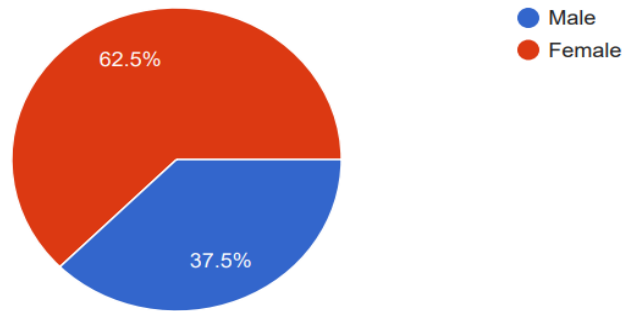


Figure 18: Years of Experience in NLB

2. Years of experience in NLB
48 responses

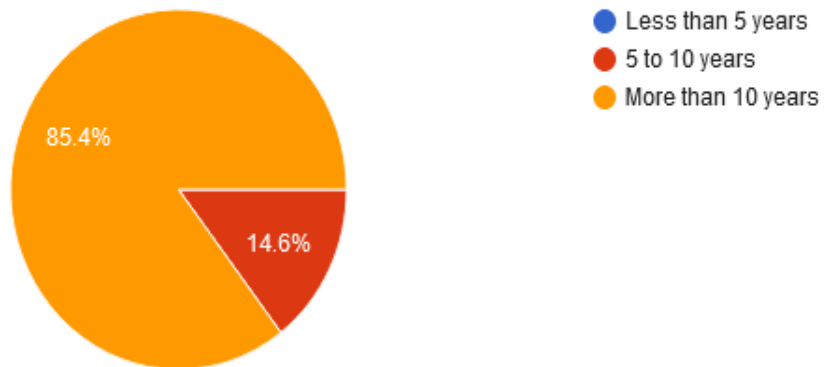


Figure 19: Age Distribution of Respondents

3. Age

48 responses

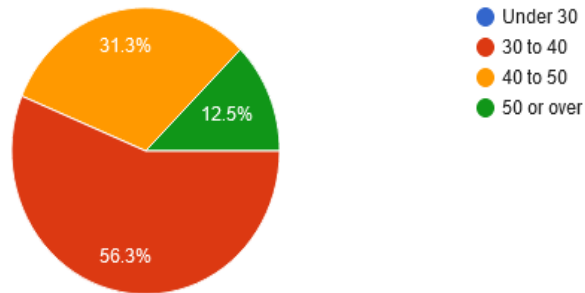


Figure 20: Education Structure of Respondents

4. Education (check highest level)

48 responses

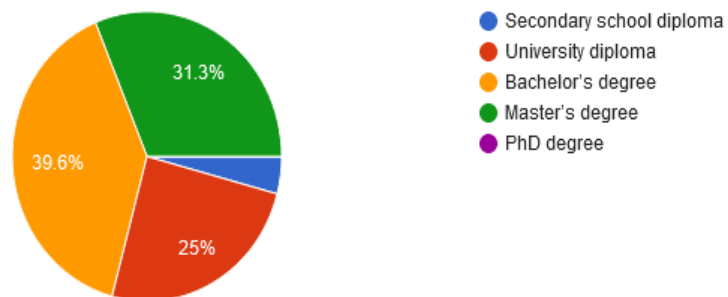
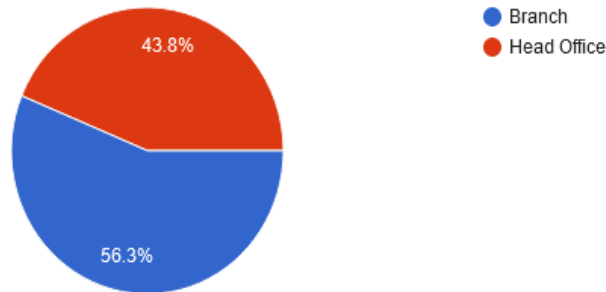


Figure 21: Distribution of Respondents by Organizational Level

5. Organizational level

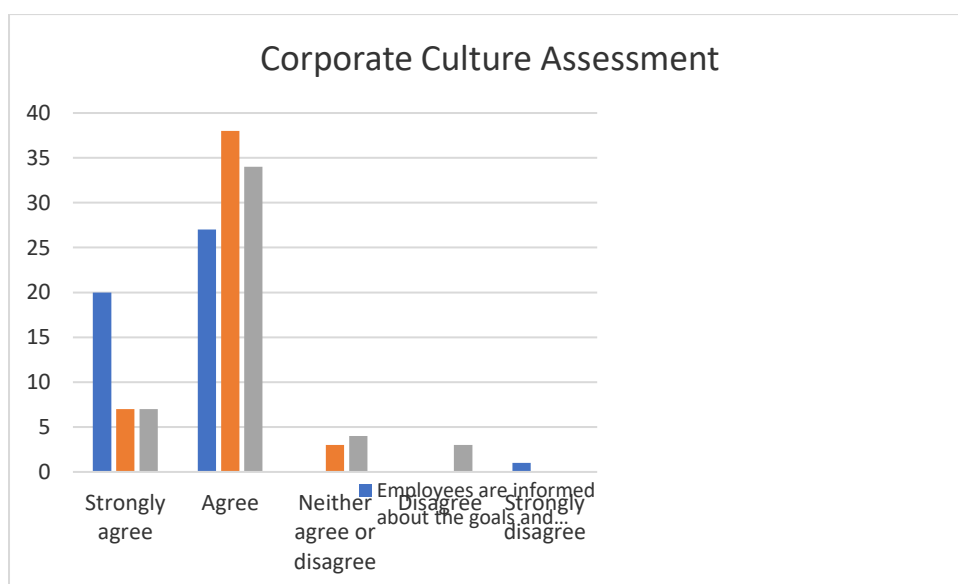
48 responses



The following parts of questionnaire includes several sets of statements from respondents about how employees perceive and understand the organization. All the statements are simple closed ended type using the usual rating scale of 1 to 5; from “strongly disagree” to “strongly agree”.

Second part of survey is about Corporate Culture Assessment. Most of the respondents (around 92%) are positive about Corporate Culture Assessment. 47 respondents (98%) are informed about the goals and targets of the organization. From 48 respondents 45 of them (94%) agree that in NLB supervisors and subordinates have common position on what constitutes good performance. 41 of respondents (85%) consider that employees who do their job well are recognized and rewarded for their achievements, while the other part of respondents (15%) think the opposite.

Figure 22: Corporate Culture Assessment

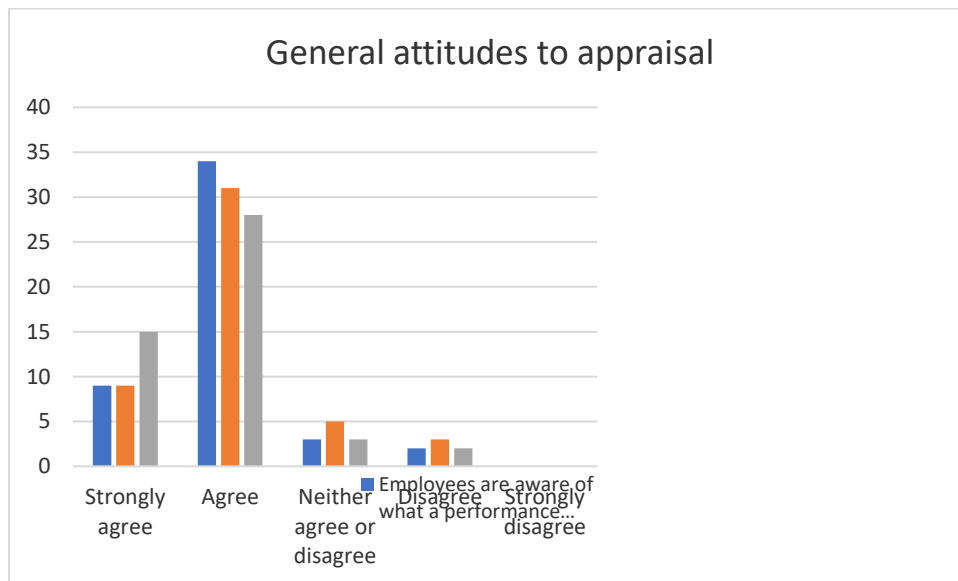


Source: Own work

The third part of survey includes the general attitudes to appraisal.

Most of respondents (87%) in general have shown strong attitudes towards the appraisal system. 43 respondents (90%) are aware of what performance appraisal system is. 40 respondents (83%) think that employees feel positive about performance appraisal. 43 respondents (90%) believe that performance appraisal system is useful and efficient for your organization.

Figure 23: General Attitudes to Appraisal

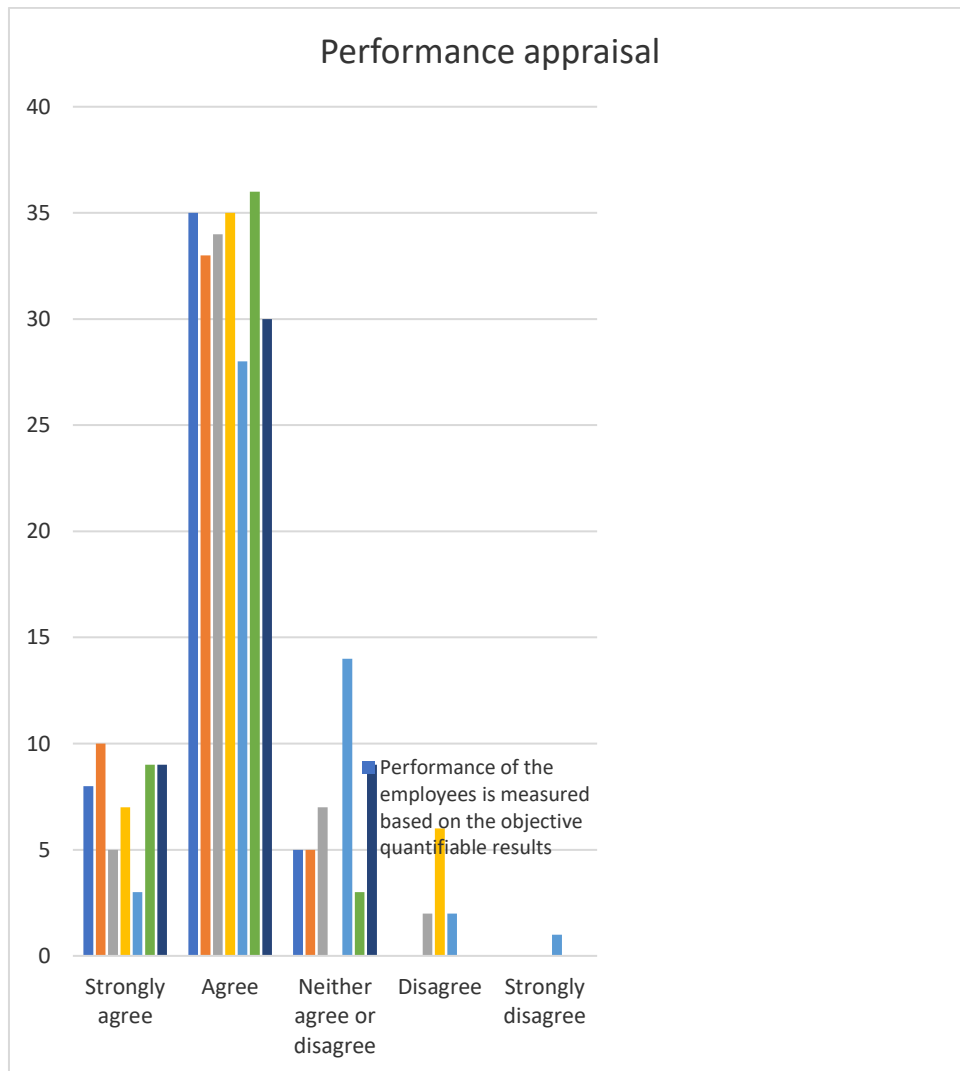


Source: Own work

The fourth part of survey is about the performance appraisal system.

In the first question: Performance of the employees is measured based on the objective quantifiable results, 43 respondents (90%) have responded with strongly agree and agree. Quite similar response we got from the respondents regarding the statement that appraisal system in our organization is growth and development oriented. 39 respondents (81%) consider that employees are provided performance-based feedback and counseling. 42 of respondents (88%) agrees that appraisal system has a strong influence on individual and team behavior. Only 31 from respondents (65%) think that the appraisal data is used for making decisions like job rotation, training, compensation, and promotion while 14 respondents (29%) have neutral opinion and 3 respondents (6%) has negative opinion. HR department must take measures for ensuring of using the appraisal data when such decisions are being made. The objectives of the appraisal system are clear to 45 respondents (94%) and only 9 respondents (6%) has neutral opinion. From 48 respondents, 39 of them (81.25%) consider that the appraisal performance system (SMART methodology) is more effective that previous one (before 2015) and while 9 of them (19%) does not have any opinion.

Figure 24: Performance Appraisal



Source: Own work

Fifth part of the survey is related to Non-monetary incentives

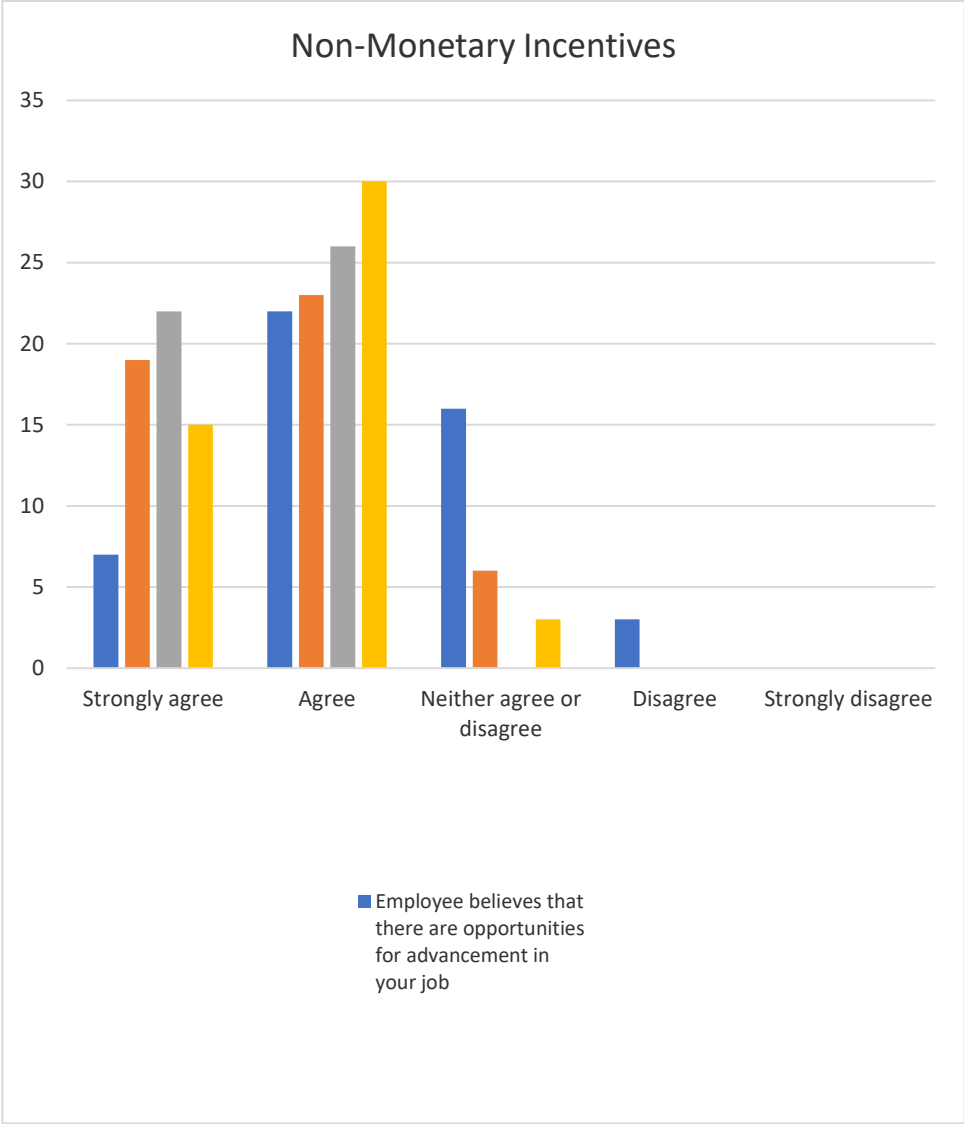
In the first question: If employees believe that there are opportunities for advancement in their job, 29 respondents (60%) have responded with strongly agree and agree. 42 respondents (87%) believe that career advancement would improve their performance. All of respondents (100%) agrees that training programs and seminars would improve their work performance. 45 out of 48 respondents (94%) feel secure about their employment in the organization.

The sixth part, the last one, presents quite sensitive topic related to monetary incentives.

32 respondents (67%) agree that the reward system recognizes those who contribute the maximum in the organization. Quite similar response (31 respondents or 65%) believe that the reward system is fair to those who achieve the targets set by the organization. 35 of

respondents (73%) believe that the bonuses are improving their performance at work. 27 of respondents (56%) consider more important financial reward (bonuses) for their performance at work than non-financial reward (promotion).

Figure 25: Non-Monetary Incentives



Source: Own work

5 DISCUSSION OF RESULTS

The purpose of the research was to highlight the link between human resource management, employee performance management and organizational performance in the bank. Combining of the functions of HR such as keeping the talents, transforming to learning organization, enhancing the appraisal system facilitates the organization to accomplish the overall goals. Many organizations have well fine-tuned products and services, but not all of them are successful. Therefore, the concept of workers management has become extremely important and challenging research. HR function is formed in line with strategy of the bank with substantial mission to provide and ensure long term sustainable success. In this aspect and with this mission, such function is established also in NLB Banka Prishtina. Its creation is motivated and fostered by the need for the changes that the bank is exposed to.

NLB Banka Prishtina, as explained also in the previous parts of the thesis, is ranked on the top of the banking sector in Kosovo. Of course, this is due to both high commitment of the management and employees, but also HRM with transformation approach has its merits too. The analysis in our case shows that bank was proactive on giving the importance to HRM for improving the processes to bring better performance of employees all the time. Mostly, NLB Banka Prishtina openly welcomed the proposals for system enhancements from the HRM. As it will be interpreted next, the results in most of the key fields displayed the enormous growth of the bank through the years.

In our study, the research has been conducted for two periods: 2011-2015 and 2015-2019. The aim was to compare, analyze and discuss the changes that occurred upon the implementation of the SMART methodology. Even though the criteria that were set on 2015 were quite aggressive and ambitious, yet the performance and results were in highly positive trends. For instance, in the first period (2011-2015) the highest ranked on the bank level employees in the category “Extraordinary” were only 26 in the year 2011, 25 in 2012, 23 in 2013, 17 in 2014 and 16 employees in the first half of 2015. Immediately upon the new system activation, the number of the best performers has tremendously started to grow. In the second half of the year 2015, “Outstanding performers” were numbering 192, and then in 2016 were 186 employees, in 2017 increased to 251, in 2018 were 231 and 217 employees at the end of 2019. This shows the changes effects that led employees to be much more productive. There were also good financial incentives incorporated for supporting new appraisal system.

Obviously, new system was evaluated as adequate that impacted a lot the overall performance. The employees started to get more committed to work, to be more productive, and to be paid more. The measurement of the results has begun to show more trust, and in principle much fairer.

Beside the research, we have also conducted survey in the organization (NLB Prishtina) through google forms. 48 employees responded to the questions that were prepared in the

questionnaire. Most of the respondents consider that implementation of the SMART methodology from 2015 and on, affected positively their work performance and overall success of the organization. During this range of time, based on the survey results, positive impacts have been derived also in the sense of upgrading the performance appraisal system in general. So we can freely conclude that the outcome of the survey confirms that changes in the performance appraisal system have led to better performance of the staff which resulted with outstanding success of the organization.

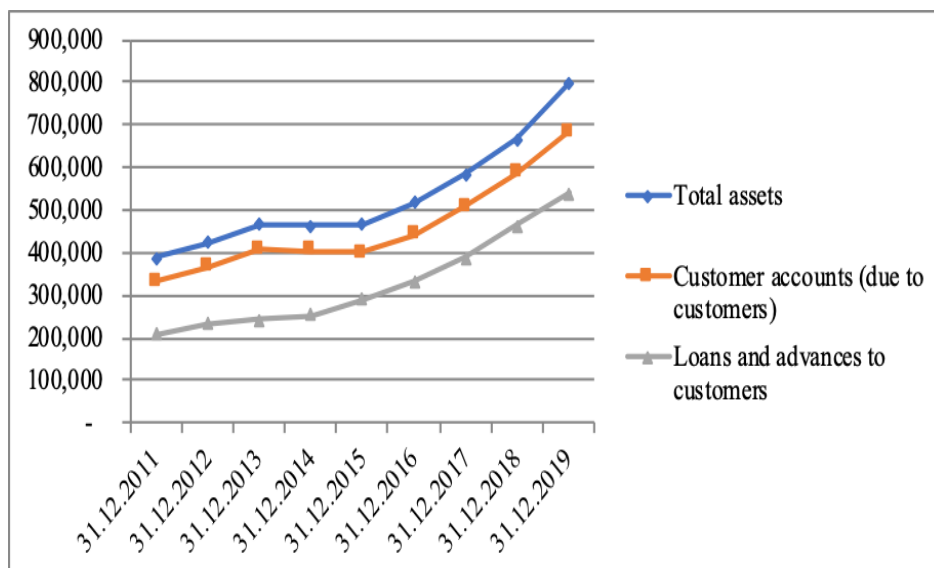
During the time, for example the total non-performing loans rate has been even improving. Internal market surveys that bank organized every year, presented also higher trust from the clients toward the bank's products and services. Apparently, most of the key indicators of the bank's performance showed positive trends.

It seems that full engagement of the bank employees impacted the client's deposits and loans to the clients to go up, and as a result of this the total assets of the bank increased significantly.

The figure below shows these 3 main categories from the balance sheet during the years 2011-2019 where is clearly noticed the enormous growth from the year 2015 and on:

Even though there were skeptic voices at the beginning that with this system the bank in long-term could face with lower quality of the products and services, it did not happen.

Figure 26: Main Balance Sheet Items 2011 - 2019



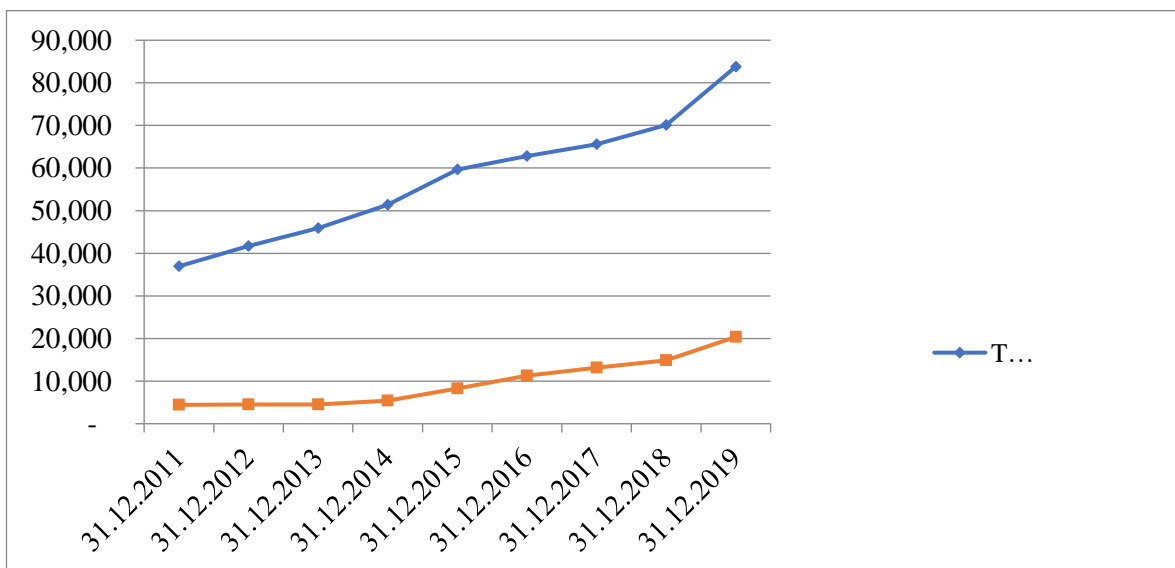
Source: Own work

As a result of the loan portfolio increase, the total interest income for the bank has been increased for 150% for the year 2019 compared to 2015.

As it is shown in the figure above, the shareholder's equity increased from 37M EUR in 2011, to 60M EUR in 2015 and 83.8M EUR at the end of 2019.

Net profit was 4.4M EUR in the year 2011 and increased to 8.2M EUR in 2015. After the implementing new SMART system on 2015, which could be considered as best reflector of the success in this case, net profit resulted with 20.4 M EUR at the end of 2019. Beside the aforementioned elements, of course there are also other factors that contributed in the organization's success which are not studied at this thesis.

Figure 27: Net Profit and Shareholder's Equity 2011 - 2019



Source: Own work

CONCLUSIONS

In order to succeed, companies must operate and act adequately in the dynamic environment. They should be able to react fast in the market. The goal of achieving sustained development of the organization is the role of the HRM as well. The link of HRM and strategy is vital to compete in the fraudulent markets. Therefore, it is necessary to coordinate HR planning with strategy, as a successful attitude to adjust targets and practices to the design, development and execution of strategic goals and activities.

Modern organizations are investing a lot in the advancements of the Human Resources. Sustainable positive results will be accomplished through strategic and coordinated attitude to enhance the performance and build up the capacities of the employees. Ensuring the sustainable good results of the company can lead to greater execution and performance, market share and profitability. Nowadays organizations do regular planning and evaluating of the compensation and performance appraisal systems. Herewith, they ensure the fulfillment of the objectives and achievement of high-performance levels while keeping the employees motivated.

In our study, of analyzing the link between the HRM and performance management in organization success, the case of NLB Banka Prishtina was investigated. NLB Banka Prishtina is among the 3 best banks in Kosovo market. For the matter of impact assessment, research was done and survey was conducted too.

The research is based on two operation periods of the bank. The first investigated period was from 2011 until the first half of 2015 and the second period starting from the second half of the year 2015 until the end of year 2019. Time periods were intentionally divided since the new methodology of the appraisal system (SMART) started to be implemented on the second half of the year 2015 and our interest was to notice the effects after its implementation. The quantitative research was done based on the data from the bank internal sources for both periods. The aim was to identify the changes in the overall bank performance and the changes in the employee productivity. Transformations took place during the second period and HR led this process in effective manner. For the sake of the studies, all the evaluation forms were collected and gathered for each year from 2011 to 2019. The data were grouped and analyzed both for the sales staff and for all the bank employees.

The outcome of the study is that after the implementation of the new performance management system in 2015, the most important or key bank financial indicators started to reflect with significant growth and with positive trends. The overall incomes for the bank at the end of the second period (2019) were 150% higher compared with incomes at the end of the first period (2015). Enormous growth of 81% of the net profit has been realized during the second period while in the first period was around 22%. As in the first period, total assets increased for 20.6%, at the second period they increased of 66.6%.

The outcome of the survey with 48 employees confirms too that new methodologies and changes implemented from the human resources management in the performance appraisal system led to better performance of the staff which in turn probably contributed to the outstanding success of the organization.

Obviously, the financial outlook shows positive trends also in the market competition where almost in all financial indicators, NLB Banka Prishtina had the largest growth through recent years.

As the competition has highly increased last years, now comes the time for the bank to think about the new developments and advancements regarding HRM and performance management system. "SMART" methodology has already paid itself, but times are evolving very fast. Digitalization era is prevailing. Transformations are must. It would be strongly recommended for the new "SMARTER" methodology to be considered.

Recently, bank is striving to follow new trends of the digitalization because the vision of the banking is changing. Related to this, the management should pay more attention to adapt the overall performance management system and to enforce the HRM for taking key role on this process. It is predicted that during this process, there will be requirements for complementing growth needs of the employees with the organization objectives.

Furthermore, need for training is always continuous process and for the next period management must foster it much more. Training process needs to be strengthened and essentially improved if bank wants to remain competitive in the dynamic market. Bank is organizing trainings mostly internally held by seniors, but they are mostly of the basic nature. Digitalization process will be huge challenge; thus, it needs external high techno-professional profiles to provide proper trainings.

Employee involvement would be highly recommended during the whole process of designing of the new appraisal systems since they have deep knowledge about day to day business and specific features of the products and services. There is a need for feedback and counseling during the evaluation process, because that would lead to positive consequences in improving their performance and contribution for the organization.

Additionally, bank will need to be very close to employees and **transparent** about the compensation and reward system if the new performance management system will be adjusted in order to let them have clear perspective on new remuneration system. This would help the bank keep high retention rate and well-motivated staff.

Benchmarking new HRM and performance management best practices in the next years would help the bank to continue with outstanding performance as until now.

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APPENDICES

Appendix 1: Povzetek (Summary in Slovene language)

Management človeških virov (MČV) je pomemben dejavnik pri doseganju ciljev katere koli organizacije, zasebne ali javne. Cilj doseganja trajnostnega razvoja je prav tako naloga MČV. Povezanost in interakcija MČV s poslovno strategijo je v sedanjem poslovnem okolju ključnega pomena za doseganje konkurenčnosti na dinamičnih trgih. Sodobne organizacije vlagajo veliko v razvoj človeških virov. Pozitivne stabilne rezultate lahko dosežemo z izboljšanjem uspešnosti zaposlenih, prek povečevanja motivacije in sposobnosti zaposlenih. Zato organizacije redno načrtujejo, prilagajajo in uporabljajo sisteme zagotavljanja uspešnosti zaposlenih (*ang. employee performance management*) in nagrajevanja po uspešnosti. S tem prispevajo k izpolnjevanju poslovnih ciljev in doseganju visokih ravni uspešnosti prek usposobljenih, motiviranih in zavzetih zaposlenih.

Namen magistrskega dela je ugotoviti povezavo med MČV nasploh in ožje med sistemom zagotavljanja uspešnosti zaposlenih in poslovno uspešnostjo v banki NLB Priština, katera je ena izmed treh največjih bank na kosovskem trgu. Za analiziranje povezave smo uporabili kvalitativne in kvantitativne metode. Prvi del analize je zajel podatke o uspešnosti zaposlenih, ugotovljeni z ocenjevanjem njihove uspešnosti v okviru dveh različnih sistemov zagotavljanja uspešnosti, in sicer v obdobju od 2011 do 2015 in od 2015 do 2019. V letu 2015 je bila namreč spremenjena metodologija ocenjevanja zaposlenih, ki je temeljila na postavljanju ciljev in bolj objektivnemu ugotavljanju dosežene uspešnosti. Rezultati analize kažejo, da je bilo po letu 2015 zabeleženo stalno izboljšanje rezultatov poslovanja banke, kar lahko pripišemo tudi uvedeni spremembi v sistemu ocenjevanja v povezavi s ciljnim vodenjem, seveda ob upoštevanju tudi drugih vplivov različnih notranjih ali zunanjih dejavnikov. Kot neposredni udeleženci v procesu ocenjevanja uspešnosti in uvajanju sprememb, smo od blizu opazili pozitivne spremembe v vedenju zaposlenih po spremembi sistema, kar je prispevalo k njihovi večji uspešnosti. Zaznali smo dvig motivacije, saj je med zaposlenimi potekalo pravo tekmovanje za doseg zastavljenih ciljev. Vredno je omeniti, da je med obdobjem (2015-2019) na podlagi primerjave ključnih finančnih kazalnikov obravnavana banka rasla najhitreje v bančnem sektorju na Kosovu.

Pozitivne učinke novega sistema smo potrdili tudi z drugim delom raziskave, z rezultati ankete, izvedene med bančnimi uslužbenci. Strukturirani vprašalnik je bil sestavljen tako, da je omogočil vrednotenje zaznavanja praks MČV in izvedenih sprememb v sistemu zagotavljanja uspešnosti v letu 2015. Analiza rezultatov je potrdila dvig motivacije zaposlenih kot posledice spremembe ocenjevanja njihove uspešnosti. Večina anketirancev je menila, da je uvedba nove metodologije iz leta 2015 pozitivno vplivala na njihovo uspešnost ter posledično tudi na uspešnost banke. Tudi samo uvedbo sprememb v sistemu zagotavljanja uspešnosti so ocenili kot pozitivno. Tako lahko zaključimo, da postavljanje standardov in oblikovanje ustreznih ocenjevalnih sistemov lahko podpira uspešnost in razvoj človeških virov ter boljše poslovne rezultate organizacije. Pri tem velja opozoriti, da je sisteme ocenjevanja uspešnosti potrebno prilagajati, spreminjati in občasno posodobiti, da bi bili v skladu s sodobnimi dobrimi praksami.

V trenutnih razmerah dinamičnega okolja in visoke konkurenčnosti na trgu je poslovno okolje zahtevno za vse organizacije in tudi za obravnavano banko. Zato bi bilo potrebno razmišljati o nadaljnjih spremembah sistema zagotavljanja uspešnosti in celotnega apodročja MČV, predvsem v povezavi z digitalizacijo. Potrebno je stalno izobraževanje zaposlenih, kar bi banka morala podpreti z ustreznimi procesi in praksami MČV. Področje razvoja zaposlenih bi bilo potrebno še okrepiti in izboljšati, če banka želi ohraniti rast poslovanja in se razvijati tudi v prihodnje. Še večje vključevanje zaposlenih v različne procese odločanja in izboljšave pri nagrajevanju bi prav tako pozitivno vplivale na motivacijo zaposlenih in sposobnost banke, da jih zadrži v organizaciji,

Povezava med učinkovitim MČV in zagotavljanjem uspešnosti zaposlenih se je v obravnavanem primeru izkazala kot pozitivna in lahko sklepamo, da je kot takšna posledično prispevala k dobrim poslovnim rezultatom banke.

Appendix 2: Work plan - objectives (used until 2015).

Work plan – Objectives

Work plan for the period 01.07.2011 until 31.12.2011
Name and last name of the employee _____
Job position of the employee _____
Organizational unit _____
Name and last name of the head of unit _____

1. OBJECTIVES AND DUTIES

Please, list up to five (5) objectives based on the work tasks which are in the employment contract, which must be achieved during next six month, emphasizing the initiatives that need to be taken and how will the results be measured. Objectives are set out in mutual agreement between the unit head (appraiser) and the employee (the appraised). You also need to agree on the importance of the objective, setting the level of importance.

- _____
- _____
- _____
- _____
- _____

2. TRAINING AND DEVELOPMENT

3. AGREEMENT FOR THE WORK PLAN (If the agreement is not reached for the work plan the reasons should be mentioned. Attach additional pages if necessary).

Date of next meeting 05. - 15.01.2012

Signature of the employee Date Signature of the manager Date

Appendix 3: Job performance evaluation form (used until 2015).

JOB PERFORMANCE EVALUATION FORM

Name and last name of employee

Name and last name of chief

Job position of the employee

Job position of the chief

Organizational unit

01.07.2011 to 31.12.2011
Evaluation period

Date of evaluation

1. COMMENTS OF THE HEAD OF UNIT ON REALIZATION OF PLAN

2. GRADE OF JOB PERFORMANCE EVALUATION

The six-month grade is a collection of individual grades according to the criteria and measures defined within the work plan and the work and tasks stipulated in the employment contract of the employee.

The scale of grades is presented as follows: 1 = Unacceptable; 2 = Poor; 3 = Average, 4 = Successfully; 5 = Very successfully; and 6 = Performs work with extraordinary success. When filling out the form you will only mark the grade!

Evaluation criteria	Description	Grade (evaluation)
Professionalism and work quality	-Performs work in accordance with established standards, - Performs tasks efficiently, - Professional knowledge in the field of work, - Quality, accuracy, and creativity,	
Responsibility	- Determines priority and work plan, - Use energy and time to accomplish tasks and objectives efficiently, - Performs tasks transparently,	

	- Undertakes and understands the consequences for someone's actions, to contribute effectively and beneficially to the Bank	
Teamwork	- Includes team members in team decisions and actions, - Exchanges important and relevant information about the team, - Respects the commitments and goals of the team, - Offers help to overcome the obstacles that appear in the team's achievements during the work cycle,	
Loyalty	- It is constantly open to accept the ideas and opinions of others, - Accepts his mistakes and is always open towards improvements, - Objectively evaluates the work and contribution of others.	
Communication	Clarity, accuracy, and efficiency	
Self-initiative	Taking the initiative to perform tasks and duties.	
Cooperation	Cooperation with colleagues within the unit, with the direct supervisor and with other employees.	
Confidentiality	Failure to forward and non-use of any information to the parties presenting business secrets to the Bank.	
Working hours and timing	- Respecting working hours, Observance of daily break during working hours, - Using the working time effectively for the realization of official duties;	
Dressing and work appearance	- The dressing and appearance of the employee must be serious which corresponds to the preservation of personal authority and the Bank. - The dress and appearance of the employee must be in accordance with the Code of Conduct and the Admin. Instruction on the dress and appearance of the employees	

Total _____ points.

Total of points as per criteria	The describing grade of job performance
56 – 60	EXTRAORDINARY
50 – 55	VERY SUCCESSFULY
40 – 49	SUCCESSFULY
30– 39	AVERAGE
20 - 29	POOR
10 – 19	UNACCEPTABLE

3. TRAINING AND DEVELOPMENT

4. GENERAL COMMENTS OF THE HEAD OF UNIT (highlight strengths, special achievements, and areas where employee improvement is needed).

5. GENERAL COMMENTS OF THE EMPLOYEE (emphasize your view of the assessment process and the extent to which it has enabled you to learn and develop yourself, and note that you agree or disagree with all that is stated in this form. Attach additional pages if needed).

Name, last name of the employee

Name, last name of the chief

Appendix 4: Work plan - objectives (from 2015).

Work plan - Objectives

Work plan for the period 01.01.2016 until 30.06.2016

Name and last name of the employee _____

Job position of the employee _____

Organizational unit _____

Name and last name of the head of unit _____

1. OBJECTIVES AND MAIN TASKS

Please, list up to five (5) objectives based on the work tasks which are in the employment contract, which must be achieved by 30.06.2016, emphasizing the initiatives that need to be taken and how will the results be measured. Objectives are set out in mutual agreement between the unit head (appraiser) and the employee (the appraised). You also need to agree on the importance of the objective, setting the level of importance.

- _____ 25%
- _____ 15%
- _____ 20%
- _____ 30%
- _____ 10%

2. AGREEMENT FOR THE WORK PLAN (If the agreement is not reached for the work plan the reasons should be mentioned. Attach additional pages if necessary).

Date of next meeting 05. - 15.07.2016

Signature of the employee Date _____ Date
Signature of the manager

Appendix 5: Performance appraisal form for employees (from 2015).

Employee:	
Assessor	
Date of assessment	

OBJECTIVES

	OBJECTIVES	Objectives	Realized	
		In percentage (%)	In percentage (%)	
1		25%	%	%
2		15%	%	%
3		20%	%	%
4		30%	%	%
5		10%	%	%
		100%		%

COMPETENCIES

		1	2	3	4	5	
1. Reliability and responsibility	Keeps to agreements.						
	Observes procedures and regulations.						
	Performs the job precisely and with quality.						
2. Ethics	Safeguards the confidentiality of information on clients and associates and does not disclose information to unauthorised persons.						YES / NO
	Jobs with a view to enhancing the long-term benefits and good reputation of the bank.						
	Avoids conflicts of interest and other detrimental acts.						
3. Client-orientation	Recognises the needs and interests of the clients.						
	Responds to clients' demands in a timely manner.						
	Searches for the right solution for a client.						
4. Cooperation with others	Establishes intra- and inter-departmental contacts with the aim of improving cooperation.						
	They are prepared to adapt so as to achieve synergies.						
	Helps associates (even outside the scope of their area of job).						
5. Self-initiative	Recognises the needs and opportunities for improvements.						
	Proposes improvements and implements them.						
	Cooperates in the implementation of improvements.						

%

Objectives	%
Competencies	%
Overall Assessment	%

Job performance	Mark	Overall job performance assessment	Description of the assessment
Exceeding 111%.	5	Outstanding performance	All O & C are exceeded.
Between 101% and 110%.	4	Very good performance	All O & C are partially exceeded.
Between 90% and 100%.	3	Good performance	Most O & C have been attained.
Between 80% and 89%.	2	Below par performance	O & C are partially unattained.
Is below 79%.	1	Unsatisfactory performance	O & C are not attained.

Appendix 6: Performance appraisal form for managers (from 2015).

Employee:	
Assessor	
Date of assessment	

O B J E C T I V E S

	Objectives	Realized	
		In percentage (%)	
1	Reviewing and supplementing internal acts in the field of security.	%	%
2	Information risk assessment in two processes (according to the annual plan).	%	%
3	Monitoring the implementation of activities according to the plan in the field of BCP, emergency management.	%	%
4	Implementation of minimum safety standards and regulations in the field of security.	%	%
5	Positive evaluation of the functioning of internal controls by the I.A. and positive evaluation by the CBK.	%	%
		%	%

C O M P E T E N C I E S

		1	2	3	4	5	
1. Reliability and responsibility	Keeps to agreements.						
	Observes procedures and regulations.						
	Performs the job precisely and with quality.						
2. Ethics	Safeguards the confidentiality of information on clients and associates and does not disclose information to unauthorised persons.						YES / NO
	Jobs with a view to enhancing the long-term benefits and good reputation of the bank.						
	Avoids conflicts of interest and other detrimental acts.						
3. Client-orientation	Recognises the needs and interests of the clients.						
	Responds to clients' demands in a timely manner.						
	Searches for the right solution for a client.						
4. Cooperation with others	Establishes intra- and inter-departmental contacts with the aim of improving cooperation.						
	They are prepared to adapt so as to achieve synergies.						
	Helps associates (even outside the scope of their area of job).						
5. Self-initiative	Recognises the needs and opportunities for improvements.						
	Proposes improvements and implements them.						
	Cooperates in the implementation of improvements.						



		1	2	3	4	5	
1. Objective-orientation	Sets SMART objectives (specific, measurable, attainable, realistic, feasible in terms of time).						
	Takes measures in the event of deviations from the objectives.						
	Assesses the attainment of objectives.						
2. Motivation	Gives praise for a job well done.						
	Reprimands in private and proposes improvements.						
	Creates a good atmosphere in the team by personal example.						
3. Delegation	Develops associates through delegation.						
	Delegates tasks in a timely manner.						
	Monitors the implementation of delegated tasks.						
4. Decision-making	Stands by adopted decisions.						
	Takes decisions in good time despite a lack of information.						
	Admits to errors if a poor decision is made.						
5. Conflict resolution	Searches for solutions and not for scapegoats.						
	Resolves conflict situations calmly and prudently.						
	Resolves conflicts in a timely manner.						
6. Development of successors	Recognises the potentials and ambitions of associates.						
	Appoints qualified associates to positions of employment.						
	Ensures objective-oriented education and training for their employees.						



Objectives	%
Competencies	%
Overall Assessment	%

Job performance	Mark	Overall job performance assessment	Description of the assessment
Exceeding 111%.	5	Outstanding performance	All O & C are exceeded.
Between 101% and 110%.	4	Very good performance	All O & C are partially exceeded.
Between 90% and 100%.	3	Good performance	Most O & C have been attained.
Between 80% and 89%.	2	Below par performance	O & C are partially unattained.
Is below 79%.	1	Unsatisfactory performance	O & C are not attained.

Appendix 7: Questionnaire

I. Personal Information

1. Gender
 - Male
 - Female

2. Years of experience in NLB
 - Less than 5 years
 - 5 to 10 years
 - More than 10 years

3. Age
 - Under 30
 - 30 to 40
 - 40 to 50
 - 50 or over

4. Education (check highest level)
 - Secondary school diploma
 - University diploma
 - Bachelor's degree
 - Master's degree
 - PhD degree

5. Organizational level
 - Branch
 - Head Office

II. Corporate Culture Assessment

1. In general, you are informed about the goals and targets of your organization.
 - Strongly disagree
 - Disagree
 - Neither Agree nor disagree
 - Agree
 - Strongly agree

2. In your organization supervisors and subordinates agree on what constitutes good performance?
 - Strongly disagree
 - Disagree
 - Neither Agree nor disagree
 - Agree
 - Strongly agree

3. Employees who do their job well are recognized and rewarded for their achievements?
- Strongly disagree
 - Disagree
 - Neither Agree nor disagree
 - Agree
 - Strongly agree

III. General attitudes to appraisal

1. Employees are aware of what a performance appraisal system is.
- Strongly disagree
 - Disagree
 - Neither Agree nor disagree
 - Agree
 - Strongly agree
2. Employees feel positive about performance appraisal.
- Strongly disagree
 - Disagree
 - Neither Agree nor disagree
 - Agree
 - Strongly agree
3. Do you believe that performance appraisal system is useful and efficient for your organization?
- Strongly disagree
 - Disagree
 - Neither Agree nor disagree
 - Agree
 - Strongly agree

IV. Performance appraisal

1. Performance of the employees is measured based on the objective quantifiable results
- Strongly disagree
 - Disagree
 - Neither Agree nor disagree
 - Agree
 - Strongly agree
2. Appraisal system in our organization is growth and development oriented
- Strongly disagree
 - Disagree
 - Neither Agree nor disagree
 - Agree
 - Strongly agree

3. Employees are provided performance-based feedback and counseling
 - Strongly disagree
 - Disagree
 - Neither Agree nor disagree
 - Agree
 - Strongly agree

4. Appraisal system has a strong influence on individual and team behavior
 - Strongly disagree
 - Disagree
 - Neither Agree nor disagree
 - Agree
 - Strongly agree

5. The appraisal data is used for making decisions like job rotation, training, compensation, and promotion
 - Strongly disagree
 - Disagree
 - Neither Agree nor disagree
 - Agree
 - Strongly agree

6. The objectives of the appraisal system are clear to all employees?
 - Strongly disagree
 - Disagree
 - Neither Agree nor disagree
 - Agree
 - Strongly agree

7. The appraisal performance system (SMART¹ methodology) implemented since 2015 is more effective than previous one?
 - Strongly disagree
 - Disagree
 - Neither Agree nor disagree
 - Agree
 - Strongly agree

V. Non-Monetary Incentives

1. Do you believe there are opportunities for advancement in your job?
 - Strongly disagree
 - Disagree
 - Neither Agree nor disagree
 - Agree
 - Strongly agree

¹ The "SMART" acronym stands for "specific," "measurable," "attainable," "relevant," and "time-bound."

2. Do you believe that opportunities for career advancement (promotion) would improve your performance at work?
 - Strongly disagree
 - Disagree
 - Neither Agree nor disagree
 - Agree
 - Strongly agree

3. Do you believe that training programs or seminars in your field would improve your performance at work?
 - Strongly disagree
 - Disagree
 - Neither Agree nor disagree
 - Agree
 - Strongly agree

4. Employees feel secure about their employment in the organization.
 - Strongly disagree
 - Disagree
 - Neither Agree nor disagree
 - Agree
 - Strongly agree

VI. Monetary Incentives

1. The reward system recognizes those who contribute the maximum in your organization.
 - Strongly disagree
 - Disagree
 - Neither Agree nor disagree
 - Agree
 - Strongly agree

2. Do you believe the reward system is fair to those who achieve the target set by your organization?
 - Strongly disagree
 - Disagree
 - Neither Agree nor disagree
 - Agree
 - Strongly agree

3. Do you believe that bonuses are improving your performance at work?

- Strongly disagree
- Disagree
- Neither Agree nor disagree
- Agree
- Strongly agree

4. Employees consider more important financial reward (bonus) for their performance than non-financial reward (promotion).

- Strongly disagree
- Disagree
- Neither Agree nor disagree
- Agree
- Strongly agree

Appendix 8: Questionnaire results

Corporate Culture Assessment			
<i>Employees are informed about goals and targets of their organization</i>			
	Frequency	Percentage (%)	Std. deviation
Strongly agree	20	41.7%	11.5689239
Agree	27	56.3%	
Neither Agree nor disagree	0	0.0%	
Disagree	0	0.0%	
Strongly disagree	1	2.1%	

<i>Supervisors and subordinates agree on what constitutes good performance</i>			
	Frequency	Percentage (%)	Std. deviation
Strongly agree	7	14.6%	15.8673249
Agree	38	79.2%	
Neither Agree nor disagree	3	6.3%	
Disagree	0	0.0%	
Strongly disagree	0	0.0%	

<i>Employees who do their job well are sufficiently recognized and rewarded for their achievements</i>			
	Frequency	Percentage (%)	Std. deviation
Strongly agree	7	14.6%	12.4032254
Agree	34	70.8%	
Neither Agree nor disagree	4	8.3%	
Disagree	3	6.3%	
Strongly disagree	0	0.0%	

General attitudes to appraisal			
<i>Employees are aware of what is performance appraisal</i>			
	Frequency	Percentage (%)	Std. deviation
Strongly agree	9	18.8%	12.563439
Agree	34	70.8%	
Neither Agree nor disagree	3	6.3%	
Disagree	2	4.2%	
Strongly disagree	0	0.0%	

Employees impression about performance appraisal			
	Frequency	Percentage (%)	Std. deviation
Strongly agree	9	18.75	11.0923397
Agree	31	64.58	
Neither Agree nor disagree	5	10.42	
Disagree	3	6.25	
Strongly disagree	0	0	

Employees believe that performance appraisal system is useful and efficient for their organization			
	Frequency	Percentage (%)	Std. deviation
Strongly agree	15	31.3%	10.5943381
Agree	28	58.3%	
Neither Agree nor disagree	3	6.3%	
Disagree	2	4.2%	
Strongly disagree	0	0.0%	

Performance Appraisal			
Performance of the employees is measured based on the objective quantifiable results			
	Frequency	Percentage (%)	Std. deviation
Strongly agree	8	16.67	13.0629246
Agree	35	72.92	
Neither Agree nor disagree	5	10.42	
Disagree	0	0	
Strongly disagree	0	0	

Appraisal system in the organization is growth and development oriented			
	Frequency	Percentage (%)	Std. deviation
Strongly agree	10	20.7%	12.2735488
Agree	33	68.8%	
Neither Agree nor disagree	5	10.4%	
Disagree	0	0.0%	
Strongly disagree	0	0.0%	

<i>Employees are provided performance-based feedback and counseling</i>			
	Frequency	Percentage (%)	Std. deviation
Strongly agree	5	10.4%	12.4354332
Agree	34	70.8%	
Neither Agree nor disagree	7	14.6%	
Disagree	2	4.2%	
Strongly disagree	0	0.0%	

<i>Appraisal system has a strong influence on individual and team behavior</i>			
	Frequency	Percentage (%)	Std. deviation
Strongly agree	7	14.6%	13.0322676
Agree	35	72.9%	
Neither Agree nor disagree	0	0.0%	
Disagree	6	12.5%	
Strongly disagree	0	0.0%	

<i>The appraisal data is used for making decisions like job rotation, training, compensation and promotion</i>			
	Frequency	Percentage (%)	Std. deviation
Strongly agree	3	6.3%	10.3266645
Agree	28	58.3%	
Neither Agree nor disagree	14	29.2%	
Disagree	2	4.2%	
Strongly disagree	1	2.1%	

<i>The objectives of the appraisal system are clear to all employees</i>			
	Frequency	Percentage (%)	Std. deviation
Strongly agree	9	18.8%	13.6029409
Agree	36	75.0%	
Neither Agree nor disagree	3	6.3%	
Disagree	0	0.0%	
Strongly disagree	0	0.0%	

<i>The appraisal performance system (SMART methodology) implemented since 2015 is more effective than previous one</i>			
	Frequency	Percentage (%)	Std. deviation
Strongly agree	9	18.8%	10.9654001
Agree	30	62.5%	
Neither Agree nor disagree	9	18.8%	
Disagree	0	0.0%	
Strongly disagree	0	0.0%	

Non-Monetary Incentives			
<i>Employees believe in opportunities for advancement in their job</i>			
	Frequency	Percentage (%)	Std. deviation
Strongly agree	7	14.6%	8.21218607
Agree	22	45.8%	
Neither Agree nor disagree	16	33.3%	
Disagree	3	6.3%	
Strongly disagree	0	0.0%	

<i>Employees believe that opportunities for career advancement (promotion) improve their performance at work</i>			
	Frequency	Percentage (%)	Std. deviation
Strongly disagree	19	39.6%	9.64572444
Disagree	23	47.9%	
Neither Agree nor disagree	6	12.5%	
Agree	0	0.0%	
Strongly agree	0	0.0%	

<i>Employees believe that training programs or seminars in their field improve their performance at work</i>			
	Frequency	Percentage (%)	Std. deviation
Strongly agree	22	45.8%	11.8253964
Agree	26	54.2%	
Neither Agree nor disagree	0	0.0%	
Disagree	0	0.0%	
Strongly disagree	0	0.0%	

<i>Employees feel secure about their employment in their organization</i>			
	Frequency	Percentage (%)	Std. deviation
Strongly agree	15	31.3%	11.6034478
Agree	30	62.5%	
Neither Agree nor disagree	3	6.3%	
Disagree	0	0.0%	
Strongly disagree	0	0.0%	

Monetary Incentives			
<i>The reward system recognizes those who contribute the maximum for your organization</i>			
	Frequency	Percentage (%)	Std. deviation
Strongly agree	5	10.4%	9.37229961
Agree	27	56.3%	
Neither Agree nor disagree	11	22.9%	
Disagree	5	10.4%	
Strongly disagree	0	0.0%	

<i>Employees believe the reward system to those who achieve the target set by the organization is fair</i>			
	Frequency	Percentage (%)	Std. deviation
Strongly agree	4	8.3%	9.52050419
Agree	27	56.3%	
Neither Agree nor disagree	12	25.0%	
Disagree	5	10.4%	
Strongly disagree	0	0.0%	

<i>Employees believe the bonuses improve their performance at work</i>			
	Frequency	Percentage (%)	Std. deviation
Strongly agree	9	18.8%	8.95767827
Agree	26	54.2%	
Neither Agree nor disagree	10	20.8%	
Disagree	1	2.1%	
Strongly disagree	2	4.2%	

<i>Employees consider more important financial reward (bonus) for their performance than non-financial (promotion)</i>			
	Frequency	Percentage (%)	Std. deviation
Strongly agree	7	14.6%	7.33757453
Agree	20	41.7%	
Neither Agree nor disagree	16	33.3%	
Disagree	5	10.4%	
Strongly disagree	0	0.0%	

Appendix 9: Balance Sheet and Capital Structure (2011 – 2019)

	31.12.2011	31.12.2012	31.12.2013	31.12.2014	31.12.2015	31.12.2016	31.12.2017	31.12.2018	31.12.2019
ASSETS									
Cah on hand an balance with CBK	42,199	70,405	97,163	66,282	62,539	90,360	103,519	103,753	134,313
Loans and advances to banks	92,171	48,720	60,034	81,844	32,356	17,555	15,362	20,192	33,014
Loans and advances to customers	208,038	234,205	241,819	253,377	290,947	330,967	387,691	464,562	538,425
Investment securities - AFS	35,615	58,394	54,116	49,234	67,924	65,944	65,228	64,732	77,977
Other assets	916	815	681	797	283	361	502	787	687
Prepaid current income tax	-	191	230	256	18	43	163	-	
Property, plant and equipment	7,035	10,281	10,756	12,160	11,533	11,338	11,399	10,870	13,721
Intangible assets	566	596	562	482	494	577	728	659	1,032
Deferred tax asset	373	295	310	181	202	335	276	305	266
Total assets	386,913	423,902	465,671	464,613	466,296	517,480	584,868	665,860	799,435
		12.58%	3.25%	4.78%	14.83%	13.76%	17.14%	19.83%	15.90%
LIABILITIES									
Customer accounts (due to customers)	330,361	367,222	407,863	404,650	400,246	442,096	506,672	585,864	685,386
Due to banks	379	209	866	1,015	221	1,339	537	392	632
Accounts payable (other financial liabilities)	5,201	4,882	4,411	3,396	3,039	6,076	6,640	3,681	8,529
Other liabilities	1,385	1,106	1,177	1,516	3,041	4,903	5,347	5,733	6,071
Borrowings	12,632	8,774	5,454	2,630	83	262	77	58	15,010
Total liabilities	349,958	382,193	419,771	413,207	406,630	454,676	519,273	595,728	715,628
SHAREHOLDERS' EQUITY									
Share capital	20,498	20,498	20,498	20,498	51,287	51,287	51,287	51,287	51,287
Revaluation reserve on AFS securities	(6)	241	(106)	-	28	116	(67)	115	832
Retained earnings	16,463	20,970	25,508	30,908	8,351	11,401	14,375	18,730	31,687
Total shareholders' equity	36,955	41,709	45,900	51,406	59,666	62,804	65,595	70,132	83,806

Total liabilities and shareholders' equity	386,913	423,902	465,671	464,613	466,296	517,480	584,868	665,860	799,434
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Share Capital	2011	2012	2013	2014	2015	2016	2017	2018	2019
Balance as at January 01	20,498	20,498	20,498	20,498	51,287	51,287	51,287	51,287	51,287
Retained earnings	12,039	16,458	21,211	25,402	30,908	8,379	11,517	14,308	18,845
Net profit for the year	4,434	4,506	4,538	5,400	8,232	11,282	13,128	14,859	20,387
Dividend paid during the year	-	-	-	-	-	(8,232)	(10,154)	(10,504)	(7,430)
Capitalization of Retain Earnings					(30,789)				
Changes in fair value os AFS securities	(16)	247	(347)	106	28	88	(183)	182	717
Balance as at December 31	36,955	41,709	45,900	51,406	59,666	62,804	65,595	70,132	83,806