

# EFFECTS OF PERFORMANCE APPRAISAL ON REMUNERATION PRACTICES AND ITS IMPACT ON MOTIVATION OF EMPLOYEES IN PUBLIC AND PRIVATE SECTOR COMPANIES IN KOSOVO

DRITON SYLQA

Department of Business Administration, Faculty of Business  
University Haxhi Zeka

str. UÇK nn. 30000, Pejë, Kosovo

E-mail address: [driton.sylqa@unhz.eu](mailto:driton.sylqa@unhz.eu)

ORCID: <https://orcid.org/0000-0002-5905-1473>

EMIN NEZIRAJ

Department of Business Administration, Faculty of Business  
University Haxhi Zeka

str. UÇK nn. 30000, Pejë, Kosovo

E-mail address: [emin.nezuraj@unhz.eu](mailto:emin.nezuraj@unhz.eu)

ORCID: <https://orcid.org/0000-0001-8139-0765>

## ABSTRACT

**Aim.** The aim of this paper is to investigate the effects of reward policies that are based on performance evaluation of employees. The study links employee performance appraisal with remuneration and other used features for capacity building of employees.

**Methods.** The research consists of primary and secondary data, according to the quantitative method with deductive approach by using the comparison of correlation in analysis. Apart from literature review, the research involves surveys with different entities that would bring an insight into the present situation pertaining to reward practices.

**Results.** The study confirms the significance of the problem between performance evaluation and reward, since there is a weak connection between reward systems and employee' needs. The majority of respondents approve that reward is bound to the systematic performance appraisal. Results indicate that work experience, acquired knowledge and skills are more often being used, based on high correlation coefficient .435-.784. The ANOVA model shows the accuracy of the regression model with the significance  $p < .001$ , whereas the value of independent variables, 66.766 may be used for further research.

**Conclusions.** There is a slight difference between public and private companies concerning the research phenomenon, which makes it a good topic for further research in this field. Based on the study outcomes, we recommend that managers can use promotion as a tool to motivate employees to perform at a higher level and attain their work objectives, especially those that operate in private sector.

**Key words:** performance appraisal, reward policy, motivation, knowledge management, human resources

## INTRODUCTION

Evaluation of performance has an important role in the human resource management, which has become widespread among practitioners, researchers, and academicians in contemporary management of the public and private sectors. According to Stephen P. Robbins and David DeCenzo (2011), it is regarded as one of the most powerful human resource practices related with reward policies. Usually, remuneration comprises up to three components: base pay is the wage or salary income that every official receives regularly (usually monthly) to reflect their position; additional allowances may be allocated on a regular basis in addition to base pay to reflect specific competences or requirements; performance related pay is a variable bonus that is typically awarded annually following a performance appraisal (Staronova, 2017). Concerning rewards, many leaders anticipate that their workers are mainly attracted by money. Nevertheless, financial incentives can be a significant tool for letting employees know they are an added value for an organisation. Yet, for many individuals it tends to be a complementary motivational factor only. Hence, financial incentives and other types of cash rewards and bonuses are pleasant, but employees often tend to look for additional reasons in order to give their best performance. Financial incentives have one more problem, which is related to turnover. Staff turnover can seriously affect the productivity, quality and profit of enterprises, regardless of their size (Iqbal, 2010). Organisations are very keen to be efficient at achieving the objectives and gain high profitability, which requires confirmation of employees to be in the same frequencies with given objectives of the company. In various literature it is recorded that in many private and/or public entities, a problem has been raised of whether performance-based reward shown in the workplace is fair and acceptable for both employees and employers. Based on these objectives, the management of an organisation would direct its efforts to get the employees on board. It has been observed that traditional control theory, oriented towards the performance measurement system in the industrial age, is losing its relevance due to rapid changes in environments (Bolman & Deal 2003).

According to the report of the Society for Human Resource Management (SHRM), employees in the United States of America reported to be satisfied (88% of respondents) with their jobs in general (SHRM, 2016). This percen-

tage marks the highest level of satisfaction over the last two decades globally. The most important indicator contributing to the overall job satisfaction was placed on respectful treatment of employees, followed by financial incentives. Nonetheless, nowadays organisations are trying to re-establish bonuses and rewards which had been reduced or eliminated from practice as a consequence of the economic recession. Equally, employees are experiencing more freedom to search for employment opportunities that better fit their wishes and needs rather than remain in a position for its workplace security (SHRM, 2016).

## BACKGROUND

Performance measurement is becoming more and more difficult with the increasing globalisation and complexity of organisations on business models, employee roles, and their responsibilities towards work. In recent times, the dilemma has been posed as to whether performance-based reward shown in the workplace is fair and acceptable for both employees and employers. Performance appraisal of an employee is one of the most complex and at the same time controversial functions in human resource management regarding the motivation efforts in the workplace. Performance appraisal is often bound to remuneration; this is the component of an award that is adjusted according to the performance of an employee (Robbins & DeCenzo, 2011). A large number of organisations today have various problems which make accurate performance measurement, versus reward aiming at job satisfaction of employees. This is especially the case in the public sector, in education and financial services as well as in the private sector in general. A payment system based on performance has its drawbacks, but it may still be effective if the results of each employee are measured properly and according to given standards (Krasniqi, 2015).

Remuneration policies based on performance appraisal in the wider literature may be presented with other phrases, e.g. pay for performance (P4P). Performance appraisal seems to be a problematic matter for management and human resources in both private and public sector. Valuation agendas include a broad scope of various activities. Etleva Leskaj et al. (2015) claim that many institutions appreciate employees' accomplishments in a material form while others have created a culture of thankfulness like "well done". The courtesy may seem modest, but a trace of employees may have tremendous impact on organisational behaviour in general and on ethics in particular. It is a common attitude among scientists that the performance appraisal of employees can reduce the turnover in an organisation (Akinyomi, 2016). The interest in performance evaluation may be credited to the commended intensification in motivation of employees in the public sector, while still there is an ongoing debate between researchers regarding correct motives of public officials that are

considered to be unlikely in ordinary private sector employees (Ketelaar et al., 2007, as cited in Staronova, 2017).

Vasilika Kume argues that remuneration is one of the main motivating factors that can encourage staff retention in the organisation (Kume, 2002). But in parallel with them, as can be seen from the many motivational theories, other means could equally well be used. Rewards as a major motivator can contribute to retention in the organisation, and broader working relationships and social exchanges are significant. The whole idea of motivation is to provide employees, guarantees of safety in the workplace, good working conditions, loyalty to the company, as well as a dedicated workforce (Dessler, 2008 as cited in Badubi, 2017).

According to Adnan Iqbal (2010), to motivate employees or at least to make them stay within an organisation, management needs to identify first and then reward employee attainments and successes toward general objectives of the organisation. Research emphasises and Bob Nelson and Peter Economy (2005) show that money is not a top priority when asking employees what kind of incentive is most significant to them. Accordingly, in numerous studies, money is ranked in the top ten indicators triggering performance.

Reward policies that correspond with wages and bonuses in cash happen only once a year, while the things that may motivate employees such as promotion in career, capacity building, being thanked for doing a good job, involvement in decision making, and training for staff are typically activities that have happened recently within the immediate work group (Nelson & Economy, 2005). Robbins and DeCenzo (2011) argue that what is imperative to employees are internal motivators such as being appreciated for the provided work, having exciting duties and work, being informed about things related to them, as well as having a compassionate leader who listens to them carefully. These kinds of motivators are known as intrinsic rewards. There is no cost to implement them at all, but they rather need attention, care, healthy relationship, and the time of an educated manager.

Performance appraisals are often tied to important rewards such as financial incentives, career development, promotions, etc. Subsequently, there is a clear relationship between performance appraisal and reward: managers who aim to be successful need to know well that high achievers among employees in an organisation must be distinguished from their average co-workers and thus, must be rewarded based on the fairly evaluated performance (Shanks, 2007).

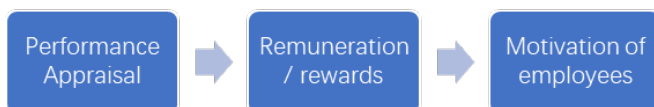
However, a common problem faced by many managers is rewarding one person's behaviour while hoping to trigger others to follow the same example. Performance appraisal and reward systems need to be at same frequencies in order to address this problem correctly. To achieve the desired behaviour associated with boundary-spanning positions, at least two activities must be followed, which are: a) correct performance appraisal fol-

lowed by feedback; b) promotion of reward practices that make work activities enhance the self-interest of each employee. (Bradley & Deanne, 2004).

The authors of this article assume that there is a gap between what employees really want and what companies provide to them in return. Moreover, it can be stated that there is a positive link between performance appraisal and remuneration policies in use, the result of which would be a motivated workforce. In the following figure (Figure 1), the relationship of this study phenomenon is presented:

**Figure 1**

*Study phenomenon*



Source: Own research.

Hence, the research question for this study is: do rewards based on performance appraisal have impact on employees' work? If yes, which instrument is used mostly to reward and hence motivate them? The hypotheses of the research are:

- H1: Companies in the private and public sectors do apply reward systems based on an employee' needs!
- H2: The reward system is based on performance appraisal in private and public sector companies!

## METHODOLOGY

The research comprises different ownership types of entities that operate in various sectors of the economy in both private and public sector. The survey was sent and filled electronically by each respondent. A quantitative approach and theory-based application were considered for this study. Several scientific methods were used in the preparation of this research, such as: historical method, inductive and deductive method, method of analysis and synthesis, method of abstraction and concretisation, method of generalisation and specialisation, method of proving and refuting, method of classification, method of survey, statistical method and tabular and graphical presentation of statistical data (Gounaris, 2016). The empirical part of the research requires the collection of primary data (which was performed by the method of testing using a customised questionnaire, existing scales and questionnaires).

Related to the research, the technique of direct structured communication was used – questionnaire surveys. The methodology used for this

research includes application of the survey method for research in two aspects: companies and individuals with the help of two questionnaires. One questionnaire aimed to gather information from the companies on the importance of rewards based on performance appraisal, the approaches, the means, and the policies that are related to its regulation. The questionnaire aimed to identify the main reasons that motivate people to leave or stay working in a company, and further to determine the relation between rewards, performance appraisal, and motivation. The paper also presents the findings from a conducted survey among companies, which confirm the significance of the problem between performance evaluation and reward, the result of which assumes to be motivation of employees. Data was processed into figures and findings are analysed in the following chapter. The data analyses were made by using SPSS version 24 software, the online application of sample size determination.

### SAMPLE OF POPULATION

Out of 415 companies around Kosovo, the number of research population is 8415 employees. Whilst, 367 persons were considered as samples with a level of confidence of 95% that the real value is within  $\pm 5\%$  of the measured / surveyed value. The level of trust in this research is 95% with the margin error 5, as shown below (Figure 2):

**Figure 2**

*Sample of population*

**Determine Sample Size**

Confidence Level:  95%  99%

Confidence Interval:

Population:

Sample size needed:

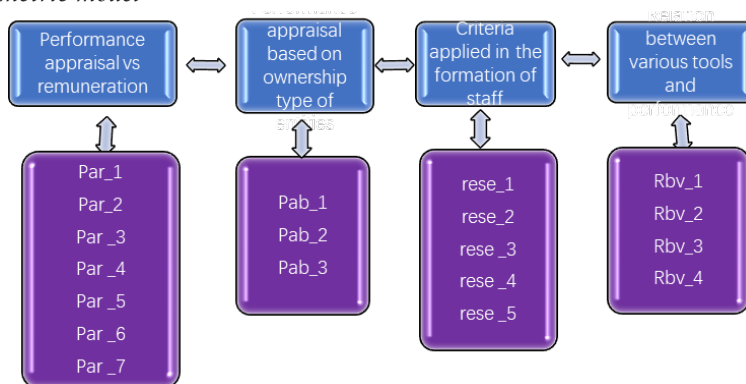
Source: own research.

## ECONOMETRIC MODEL

The econometric model results from 3 independent research variables and one dependent variable. The dependent variable is performance appraisal vs remuneration. Moreover, analyses of cause effect relationship show the influence of performance appraisals on each of the variables as illustrated in Figure 3 below:

**Figure 3**

*Econometric model*



*Note:* Par\_1 - Which of the following do you use as a part of your staff motivation system?; Par\_2 What is the range of annual staff turnover?; Par\_3 How your company rewards high performance?; Par\_4 Is there a system in place to collect and analyse information on the reasons for leaving?; Par\_5 Are there any special programmes for human resource retainment?; Par\_6 Is there a complaint management system in place?; Par\_7 Is performance appraisal linked to promotion?; Pab\_1 Does the firm have a Human Resources Department?; Pab\_2 Who is responsible for evaluating staff?; Pab\_3 The level of competition that the enterprise meets in the sector of operation; rese\_1 What criteria are used for determining wages?; rese\_2 Managers and employees should have a positive bond with each other?; rese\_3 Are you satisfied with the remuneration you receive?; rese\_4 Staff appraisal affects; rese\_5 Do you have an introductory training program?; Rbv\_1 Relation between staff turnover and leader's knowledge!; Rbv\_2 Relation between satisfaction and turnover!; Rbv\_3 Relation between any special programmes for human resource retainment and performance!; Rbv\_4 Relation between reward system and employee' needs!

Source: own research.

## EMPIRICAL FINDINGS

The respective research reveals the link between performance appraisals and reward policies and their influence on employee motivation. Further in this research, collected data based on certain variables affecting the reward system is presented.

### Performance appraisal

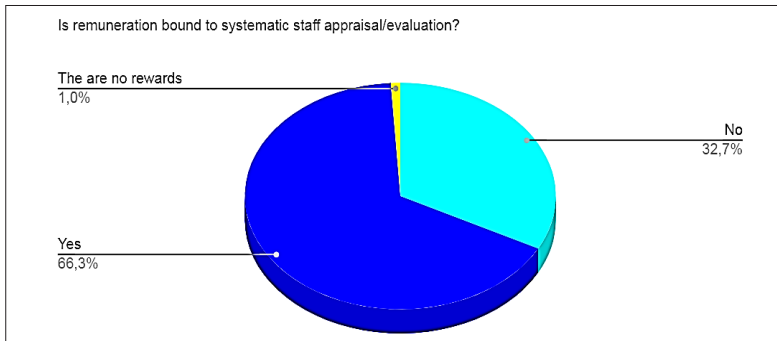
Based on undermentioned presented results (Figure 4), in most cases (66% of respondents) performance appraisal is used as a tool for reward



policy. As the authors emphasised earlier in this study, performance-based reward and/or payment may also be known in respective literature as P4P. Hence, it is considered as a motivation process within the frame of the human resources field, in which process employees acquire compensation satisfactory for their work inputs in the organisation.

**Figure 4**

*Performance appraisal vs remuneration*



Source: own research

However, managers of those enterprises who think the reward must be bound to worker's appraisal are on a good track regarding this issue. Whereas, broadly speaking 33% of enterprises answered negatively concerning the relationship between reward and appraisal, the respective enterprises should be encouraged to put more effort into this matter including other parts of reward policy. But most importantly, staff appraisals generate information and evidence for both employees and the organisations on how they are doing, where they stand and what can be done in the future in order to satisfy both parties. The biggest argument of the promoters is that anyone is observing and assessing everyone else's performance, formally or informally (Staronova, 2017). Nevertheless, the interest in systematic staff appraisal can be attributed to the acclaimed increase in motivation of the employees. In addition to this topic, how public and private sector consider separately the link between reward and staff appraisal is shown in the chart presented below (Figure 5):

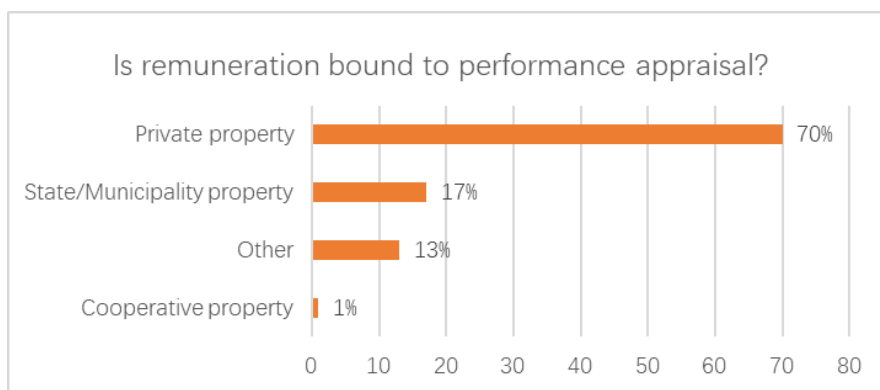
The sample is given by the number of investigated entities respectively by the number of respondents. Only those who answered positively to this question are considered in the above chart. Therefore, the difference between public and private sector is in favour of private sector, since 70% of companies confirm that a reward system is bound to systematic performance appraisal. Whereas, 17% of public companies claim their staff appraisal system is bound to reward policies of the organisation. It has to be mentioned that almost every respondent from the public sector stated having a human resources department in its structure that would faci-



tate the organisation to easily conduct systematic performance evaluation in this respect. Nonetheless, one may ask what is the influence of awards based on appraisal on employee' behaviour? According to Wayne F. Cascio (2011, as cited in Khauoe et al., 2015), motivation on an individual basis is most probably the highest when payment is based on a truthful individual performance evaluation. In order to maintain high performance standards, it is essential to reward best performers. When the highly assessed achievers obtain prizes, which are under the average, motivation of employees will then produce a counter effect (Cascio, 2011 as cited in Khauoe et al., 2015). However, this study does not include the matter of reward impact on workers behaviour.

**Figure 5**

*Performance appraisal based on ownership type of entities*



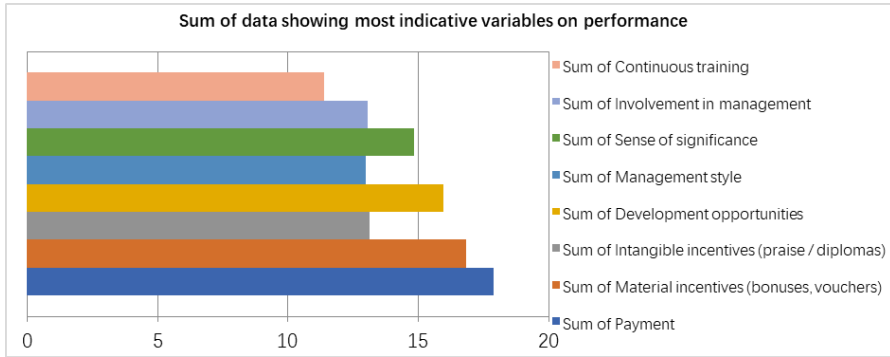
Source: own research.

### **Material Incentives**

Results indicate that material incentives such as bonuses, vouchers as well as additional payments dominate among many other variables concerning the used tools in practice aiming at good performance reward. The data shown in the below chart (Figure 6) presents the sum of both private and public sector respondents, who confirm the use of material incentives as a main instrument of reward system.

Moreover, the survey sample shows that reward scheme includes bonuses in cash in 77% of cases of investigated enterprises. Such an indicator implies that the general practice of enterprises characterises the material incentives being at primary peek. On the other hand, other reward techniques appear to be rarely taken into consideration by management of enterprises in both the public and private sectors. In general, there is a substantial lack of application of a suitable reward system.

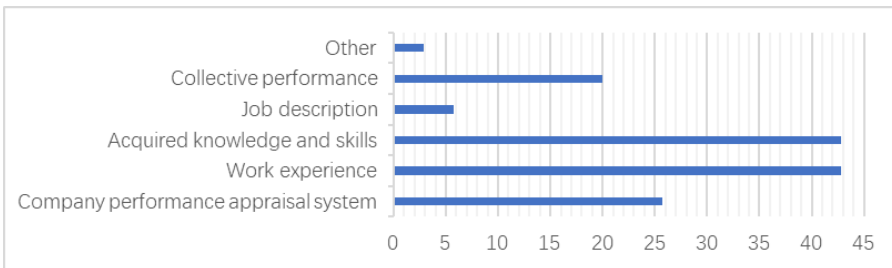
**Figure 6**  
*Relation between various tools and performance*



Source: own research.

It also resulted in the fact that workers' requirements and necessities are not being considered in most cases although, the actual mirror of practices leaves plenty of space for progress in the future. However, the study displays that nearly 40% of entities do not have human resources divisions at all, whereas less than 10% of entities stated that they have only one position dealing with human resources activities. According to Michael Armstrong (2014), one of the advantages of bonuses in cash is that they provide financial motivation for workers to meet given tasks, and then management can ensure that particular goals are achieved. On the other hand, management may not have a clear line of sight between effort and reward, which, as such, may be complex to administer, which may be considered as a disadvantage (Armstrong, 2014). Remuneration for work is believed to be one of the most important instruments for retaining staff. Hence, the rewards system in practice varies from one company to another concerning the criteria they apply in practice.

**Figure 7**  
*Criteria applied in the formation of staff remuneration in Kosovo*



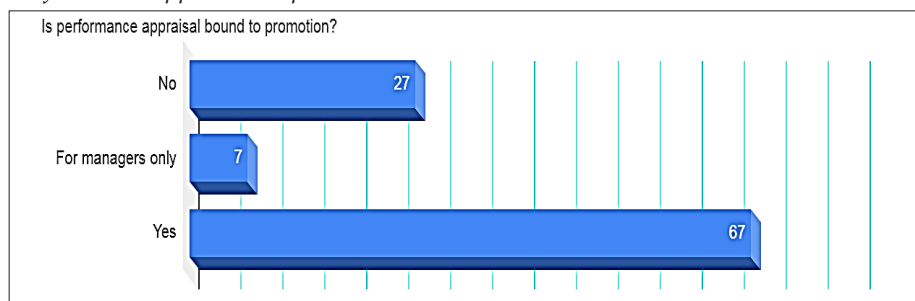
Source: own research.

As may be noticed from Figure 7, managers most often use work experience and acquired knowledge and skills in the formation of remuneration (43%) While, less often are used the company performance appraisal systems (26%), collective performance (20%), job description (6%) and others (3%). As for those who work only in domestic markets, the most used criteria are the work experience (44% of firms), the company performance appraisal system (39%), collective performance (26%), acquired knowledge and skills (24%), and job description (6%). Consequently, there is an approximate homogeneity in companies in terms of criteria for work experience and job description, and differences in the rest. Comparing the practices of companies on both sides in terms of salary formation, we can say that they are different.

### *Promotion*

Another investigated variable is promotion with regards to performance evaluation, as shown in the Figure 8 below:

Figure 8  
*Performance appraisal vs promotion*



Source: own research.

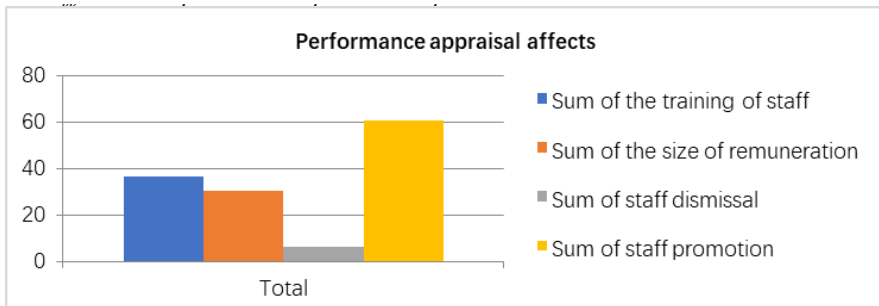
The chart illustrates that 67% of the respondents indicate that there is a clear link between performance appraisal and promotion, while 27% disagree. The rest of respondents (7%) indicate that promotion based on performance is valid for managers only. Besides, within these results, 82% of state companies among the public sector confirm that performance appraisal affects promotion, whereas 12% claim it for managers only, and the rest of 5% confirm that there is no link between promotion and staff appraisal. Therefore, the authors further suggest that managers can use promotion as a tool to motivate employees to perform at a higher level and attain their work objectives, especially those that operate in the private sector. This stands because employees and organisations need each other. Therefore, enterprises need new ideas, energy, and talent, and on the other hand, employees need careers, promotion chances and rewards.

**Staff Appraisal Affection**

Results presented in Figure 9 show that four out of ten variables were mostly chosen as an output of staff appraisal. Promotion is ranked in the first place, respectively 56% of respondents reported that staff appraisal mostly affects staff promotion within their organisation, which represents that career advancement opportunities are mainly based on workers’ performance evaluation and mostly used in practice. Since many of the investigated enterprises have chosen more than one variable, the most accompanied ones are staff promotion and size of reward jointly.

**Figure 9**

*Staff appraisal affection in private and public companies*



Source: own research.

Among the public sector, roughly 40% of entities declared the link between promotion and appraisal, while staff dismissal is not being applied amongst state companies. The respective ranking of variables is also valid for private companies. Concerning how employees perceive promotion opportunities within an organisation, research conducted by the Society for Human Resources Management shows a direct positive connection of promotion with job satisfaction (SHRM, 2016). Hence, based on results of the survey, the companies in both public and private sector are considered to be on the right path towards building a faithful workforce. Regardless of whether they are aware or not, the research indicates that the function of performance appraisal to use it as a tool for making promotion related decisions is of particular importance in contrast to staff dismissals. The following section follows a statistical analysis of the interconnectedness of the categories of independent variables as well as their consequences. The descriptive statistics analysis was used to calculate the standard deviation, mean and variance of the questionnaire. In order to create category of variables, correlation analysis is used. Regarding the P value of correlation coefficients, an explanatory factor analysis of research variables is made (See Appendix). The following Table 2 presents the coefficients between performance appraisal vs remuneration and relation between various tools and performance, which indicate an overall positive correlation.

**Table 2**

*Correlation coefficients between performance appraisal vs remuneration and relation between various tools and performance*

	Pab_1	Pab_2	Pab_3
Rbv_1	.103**	.135**	.456**
Rbv_2	.568**	.578**	.789**
Rbv_3	.586**	.495**	.055**

Note: \* p < .01; \*\* p < .001;

Pab\_1 Does the firm have a Human Resources Department?; Pab\_2 Who is responsible for evaluating staff?; Pab\_3 The level of competition that the enterprise meets in the sector of operation; Rbv\_1 Relation between staff turnover and leader's knowledge!; Rbv\_2 Relation between satisfaction and turnover!; Rbv\_3 Relation between any special programs for human resource retainment and performance!

Source: own research.

The correlation coefficients are measured using regression and ANOVA model, and the test of correlation analysis is also used. The coefficients between the assessment of performance based on the ownership type of entities and the relationship between different tools and performance are in a positive correlation of certain categories of variables as illustrated in table 3 below:

**Table 3**

*Correlation coefficients between performance appraisal vs remuneration and criteria applied in the formation of staff*

	Par_1	Par_2	Par_3	Par_4	Par_5	Par_6	Par_7
rese_1	.135**	.256**	.187**	.312**	.378**	.787**	.324**
rese_2	.230**	.234**	.214**	.234**	.467**	.189**	.521**
rese_3	.197**	.342**	.268**	.572**	.532**	.487**	.534**
rese_4	.089**	.310**	.412**	.734**	.532**	.597**	.534**
rese_5	.219**	.207**	.510**	.660**	.312**	.368**	.238**

Note: \* p < .01; \*\* p < .001;

Par\_1 - Which of the following do you use as a part of your staff motivation system?; Par\_2 What is the range of annual staff turnover?; Par\_3 How your company reward high performance?; Par\_4 Is there a system in place to collect and analyse information on the reasons for leaving?; Par\_5 Are there any special programs for human resource retainment?; Par\_6 Is there a complaint management system in place?; Par\_7 Is performance appraisal linked to promotion?; Rese\_1 What criteria are used for determining wages?; Rese\_2 Managers and employees should have a positive bound with each other?; Rese\_3 Are you satisfied with the remuneration you receive?; Rese\_4 Staff appraisal affects; Rese\_5 Do you have an introductory training programme

Source: own research

The correlation coefficients between the assessment of performance appraisal vs remuneration and criteria applied in the formation of staff are in a positive correlation of certain categories of independent variables based on factorisation analysis PCA, which gives the authors the right to analyse

their consequences between independent variables and constant dependent variable. The following table shows the results of ANOVA model for the variable values in regression equation. The variance probability of model is 21.472 % with  $f$  66.766 and significance  $p < .001$ , which means that performance appraisal vs remuneration, relation between various tools and performance can influence the performance appraisal based on ownership type of entities. The table below (Table 4) shows the residual squares value of regression model.

**Table 4**

*ANOVA model of performance appraisal based on ownership type of entities and relation between various tools and performance appraisal vs remuneration and criteria applied in the formation of staff*

Model	Sum of squares	Df	Mean square	F	Sig.
Regression	21.472	4	5.368	66.766	000 <sup>b</sup>
Residual	20.180	251	.080		
Total	41.652	255			

Source: own research

Since the ANOVA model shows the accuracy of the regression model with the significance  $p < .001$ , the following values of independent variables can rightly be used for further research.

The model highlights the results associated with the phenomenon of various tools and performance appraisal versus remuneration, as well as the criteria applied in formation of staff. This model thus tests how the predictors impact the dependent variables, values of which are shown in the table below (Table 5):

**Table 5**

*Regression analyses of performance appraisal based on ownership type of entities and relation between various tools and performance appraisal vs remuneration and criteria applied in the formation of staff*

Model	Unstandardised coefficients		Standardised coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower bound	Upper bound
Constant: Performance appraisal vs remuneration	.511	.122		1.734	.084	.029	.450
Performance appraisal based on ownership type of entities	.784	.065	.736	13.718	.000	.769*	1.027
Relation between various tools and performance	.216	.014	.084	1.762	.079	.053	.003
Criteria applied in the formation of staff	.014	.016	.014	.270	.787	.036	.028

Note: Std. Error means standard deviation of its sampling distribution

Source: own research

## CONCLUSION

Findings from the study revealed that aligning reward to evaluation of performance has an impact on workers' performance. In general, the results show a slight difference between public and private companies concerning the research phenomenon. The study discovered that more than 70% of respondents confirm the use of material incentives as a main instrument of their reward system. Also, the survey revealed that 82% of state companies among the public sector confirm that performance appraisal affects promotion, which actually answers the research question of this article. Amongst many variables used in this research, bonuses in cash are used largely as means of reward. It may seem that supervisors do not care about employee' needs. The results of this research show that management in both private and public sectors do not apply reward system based on employee' needs, which does not support H1. The majority of participants of this survey confirmed that rewards are bound into the organisations' systematic performance appraisal. However, this is not the case in the private sector, which partially confirms H2.

The correlation coefficients between the assessment of performance based on the type of ownership of entities and the relationship between different tools and performance are in a positive correlation of certain categories of independent variables as they have factorisation load. Whilst, correlation coefficients between the assessment of performance appraisal vs remuneration and criteria applied in the formation of staff are in a positive correlation of certain categories of independent variables and also have factorization load. The ANOVA model shows the accuracy of the regression model with the significance  $P < .001$  while the following values of independent variables may be used for further research with  $f$  66.766.

The authors of this article recommend that both public and private sector organisations should be stimulated to pay more attention to motivation of employees, including other features of payment policy. Yet, most importantly, they should be aware that performance appraisals generate information and evidence for both employees and organisations on how they are doing, where they stand, and what may be done in the future in order to satisfy an employee's requirements and to fulfil organisational goals. Last but not least, the authors recommend that for all organisations regardless of the sector in which they operate, it is necessary to establish a system that could help with creating an environment in which career development related decisions are grounded on evaluation of performance and educational qualifications. In this way, the organisations may enhance the promotion strategy based on merit and competencies. Therefore, the reward policy must be based on the principle of rewarding merit for each of their employees on individual basis.



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## APPENDIX

## Statistics

**Table 1A***Descriptive statistics*

	N	Mini- mum	Maxi- mum	M	SD	Variance	Skewness		Kurtosis	
							Sta- tistic	Std. Error	Statistic	Std. Error
F 1	367	1	1	1.00	.000	.000				
F 2	367	1	5	2.61	1.07	1.14	.18	.31	-.32	.60
F 3	367	1	4	2.20	1.17	1.36	.38	.31	-1.35	.60
F 4	367	1	7	2.95	1.51	2.28	.36	.31	-.38	.60
F 5	367	1	7	4.31	1.97	3.89	-.33	.31	-.95	.60
F 6	367	1	7	4.39	1.43	2.04	.33	.31	.24	.60
F 7	367	1	7	4.98	1.30	1.68	-.21	.31	.22	.60
F 8	367	1984	2021	2008.15	9.31	86.6	-.84	.31	.00	.60
F 9	367	1	5	2.52	1.34	1.79	.34	.31	-1.0	.60
F 10	367	1	4	2.02	.85	.72	.48	.31	-.36	.60
F 11	367	1	4	2.00	1.03	1.07	.75	.31	-.57	.60
F 12	367	1	4	2.11	1	1	.48	.31	-.83	.60
F 13	367	1	4	1.87	.87	.75	.74	.31	-.14	.60
F 14	356	1	5	4.57	.85	.72	-2.36	.32	5.9	.63
F 15	361	2	5	4.16	1.08	1.17	-1.07	.31	-.21	.60
F 16	361	0	47	4.28	10.16	103.3	2.78	.31	6.99	.60
F 17	361	0	30	3.41	7.7	59.25	2.32	.31	4.43	.60
Valid N (listwise)	356									

Note: F 1 - Which of the following do you use as a part of your staff motivation system; F 2 - What is the range of annual staff turnover; F 3 - How your company reward high performance; F 4 - Is there a system in place to collect and analyze information on the reasons for leaving; F 5 - Are there any special programs for human resource retainment; F 6 - Is there a complaint management system in place; F 7 - Is performance appraisal linked to promotion investments from the last year; F 8 - Does the firm have a Human Re-sources Department; F 9 - Who is responsible for evaluating staff; F 10 - How many innovations divided by the type have you realized during the last year? [Product innovation (products and services) ...]; F 11 - The level of competition that the enterprise meets in the sector of operation organization of work flow, etc.; F 12 - What criteria are used for determining wages; F 13 - Managers and employees should have a positive bound with each other; F 14 - Are you satisfied with the remuneration you receive; F 15 - How much important would you think are investments in human resources for the future of your company; F 16 - Relation between any special programs for human resource retainment and performance; F 17 - Relation between satisfaction and turnover

Std. Error - Standard error

Source: Own research

**Table 2A**

*Correlation coefficients between performance appraisal based on public and private type of entities and relation between various tools and performance*

	Q1	Q2	Q3
R1	.103**	.135**	.456**
R2	.568**	.578**	.789**
R3	.586**	.495**	.055**

Note: \*\* p < .001.

Q1: Does the firm have a Human Resources Department? Q2: Who is responsible for evaluating staff? Q3: The level of competition that the enterprise meets in the sector of operation; R1: Relation between staff turnover and leader's knowledge; R2: Relation between satisfaction and turnover; R3: Relation between any special programs for human resource retainment and performance;

Source: own research

**Table 3A**

*Correlation coefficients between performance appraisal vs remuneration and criteria applied in the formation of staff*

	F1	F2	F3	F4	F5	F6	F7
W	.135**	.256**	.187**	.312**	.378**	.787**	.324**
A	.230**	.234**	.214**	.234**	.467**	.189**	.521**
R	.197**	.342**	.268**	.572**	.532**	.487**	.534**
B	.089**	.310**	.412**	.734**	.532**	.597**	.534**
S	.219**	.207**	.510**	.660**	.312**	.368**	.238**

Note: \*\* p < .001.

F1: Which of the following do you use as a part of your staff motivation system? F2: What is the range of annual staff turnover? F3: Is there a system in place to collect and analyse information on the reasons for leaving? F4: Are there any special programs for human resource retainment? F5: Is there a complaint management system in place Is performance appraisal linked to promotion? F6: How your company reward high performance? F7: Is performance appraisal linked to promotion? W: Criteria are used for determining wages; A: Criteria used for determining staff appraisal; R: Criteria used for determining remuneration? B: Bound between managers and employees; S: Satisfaction with remuneration;

Source: own research