

Measurement of Employees' Performance: A State Bank Application

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Abstract

The purpose of this research is to measure the performance of the employees who work in the service facilities. With a survey, 500 qualified observations from the universe of 20 000 was conducted. Statistical analyses techniques were used. Salary, employee relationship, job satisfaction, promotion and title haven't impact on employee performance. It has determined that institutional belonging and motivation have an impact on employee performance. According to this, one unit change in institutional belonging and motivation gives rise to 0.556 unit rise in employee performance. Budget hasn't impact a statistically on employee performance. Administration has a statistically impact on employee performance. On the one hand, one unit change in administrative view gives rise to 0.140 unit rise in employee performance. Physical working environment has an impact on employee performance. On the other hand, one unit change in physical working environment gives rise to 0.158 unit fall in employee performance. This study is limited to one state bank under investigation; therefore further research needs to be extended to other private and state banks. Executives could use the results of the research to resolve practical dilemmas by giving priority to the areas of measuring performance of the employees who work in the service facilities. While the paper shows salary, employee relationship, job satisfaction, promotion and title haven't impact on employee performance but institutional belonging and motivation have an impact on employee performance

Keywords: *Performance, Measurement of Performance, Service Management.*

Introduction and Literature Review

In general, performance is a degree of achievability to predetermined business objectives. Performance is a result as well as quantitative and qualitative measurement of efforts to achieve the aim (Chan, J. K. L., & Baum, T. (2007; Jennifer Kim Lian Chan and Wei Boon Quah. 2012). Another definition of the performance is that performance is "the quantitative and qualitative explanation of what things provided by a person, a group of people or an organization towards the intended target related to the work done" (Salem Al-Oun, 2012; Sinclair D and Zairi M. 1995)

Performance measurement is following up the firm's program and reporting it appropriately (Schermerhorn JR, Hunt G and Osborn RN, 1985; Calik T 2003). When it is done regularly by using suitable metrics, it is aimed to give the feedback needed by administrative level (Argon T, 2004). Performance assessment is highly important while achieving the goals of the organization and determining the individual contributions to the organization (Ludeman K, 2000; Nizamettin B and Gokhan D.2008).

Concept of performance is an important topic to put emphasis on, in order to raise awareness among the workers about their own potentials and to get better outcomes from them (Fuentes, M M, Montes FJ and Fernandez L.M., 2006).

While Findikci (2003) defines the performance assessment as "whatever role an employee has in an organization, it is the inspection of his works, activities, inadequacies, competences, excesses, and incompetence. Briefly, performance assessment is an inspection of the employee as a whole across all dimensions", (Kaplan, R. and Norton D. 2001) defines the performance assessment as "a planned tool which is integrating the success of individual at a given task, his attitude and behaviors at work, his moral conditions and characteristics, and assessing employee's contributions to the success of the organization".

In general, performance is a kind of process that consists of the phases like goal setting, measurement, assessment, feedback, rewarding for good results, improvement for bad results and applying sanction in case of necessity (Kaplan, R. 2001; Chang H H, 2006; Kasurinen, T, 2002). This mentioned process is an important guidance in respect to lead off in the topics, such as, what are the expectations from the employee, what are the goals of the organization in general and employee individually, what are the norms while reaching the indicated goals, whether or not there is need for a technical support or training (Kaplan, R. and Norton D, 2001, Lawrie, G. and Gobbold I, 2004). This guidance should be used in all firms which operate in production and service sectors and would like to keep up with competition conditions.

Although, we encounter performance measurements in the manufacturing plants, they should be carried out in the service plants, too (Senol G, 2003; Kaplan, R. and Norton D. (2001; Modell S. 2001; Modell S. 2004). From the point of quality of service, it is highly important to keep track of performance permanently in big economies of the world and especially in the service plants that supply the most of the employment. A service firm can determine whether or not it provides quality service only by making performance measurement regularly. Although, performance measurement in service firms is slightly harder and more complex than the one in manufacturing plants, it is a kind of operation that should be applied in them, too (Modell, S. 2001; Ludeman K. 2000; Luft, J. 2004).

In spite of the fact that performance measurement performed in particularly some departments of service organizations will not yield the desired results compared to the other departments of the same organization, a set of specific measurements should be carried out for those departments. For example, measurements that can be applied to a branch office of a service firm such as a bank, consisting of branch offices, several regions and head office, will not be able to apply to the employees working in other region headquarters.

Therefore, in such big organizations joint assessment applications such as personal records or references are carried out rather than measurement. Although, there are few banks that apply performance assessment methods using balanced scorecard, it could not be said that the most of the banks gave the full treatment about the performance measurement. The measurements performed by the banks are mostly the financial measurements. They are nothing else but measurements necessitated by a variety of legislations and regulations. Especially, measurement of employee performance in banks must be by all means performed.

In this way, the use of human resource should be made more productive. Major problem arising from the management of human resources is to employing less people in units in which more people are actually needed and employing many people in units in which just a few people are needed to perform the related tasks of the unit. Because of that, performance measurement will help this circumstance determine beforehand, and it must be applied surely.

In this research, while giving point to the concepts of performance and performance measurement, emphasis was put on what the performance is at first, general attributes of the system formed while performing the performance measurement and the metrics used.

Performance Measurement

Aim of Performance Measurement is to increase the motivation of employees, provide on time and quick feedback, provide fairness in the structure of the organization, provide equal opportunities, support the employees and help them improve themselves (Griffith J. (2003); Key E. (2003). Performance is a continuously examined theme in most branches of management, including strategic management by both academic scholars and practicing managers. (Luft J. 2004). Performance measurement can be defined as "a method of measurement of how tasks are performed within a program impartially during the implementation of products, services, or processes"(Busco C., Ribacconi A. and Scapens R, 2006). The reasons of the performance measurement can be sequenced (written) like (are followings below) below:(Parker C, (2000; Kueng P.(2000).

Describing the success determining whether or not customers' requirements are fulfilled, helping understand the processes. After defining the bottlenecks and incompleteness's, determining the points in which betterments need to be done. Taking decisions based on concrete facts, not based on instincts, emotions or beliefs. To show whether or not the planned betterment and advancement have been really performed (Kazan H, Pekkanli B and Çatal H V, 2012; Kazan H, Özer G and Çetin T.A, 2006).

Performance Metrics

Having defined how the duties and works will be performed by employees, in a sense it is evaluated as performance standards or performance objectives. Thus, the difference between measured performance and standard performance which should be required has been done. Performance standards/purposes/criteria can be quantitative or qualitative as well. Performance standards should possess SMART features. These SMART features are as follows: (Kazan H, Pekkanli B and Çatal H V, 2012).

S-specific: The aims should be related to the work done, agreed on, definite (concrete) and the workers should know what is expected from them.

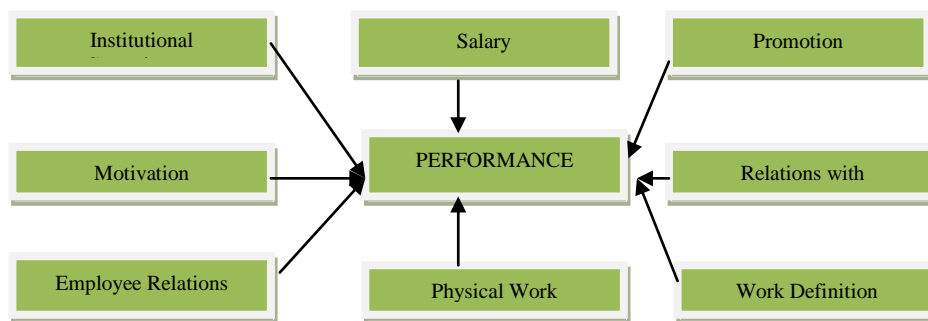
M-Measurable: The standards/aims should be objective and "measurable". It should determine how the success of the aim will be measured. If the standards are quantitative then the measurement is easier. However, if they are qualitative then it is necessary to be more careful.

A-Achievable: Standards should be not only challenging but also reachable. Aims should not be very difficult that employees will never succeed and they should not be very easy as well to be able to achieve them. Should be "realizable"

R-Reasonable: The aims (appropriate, reasonable).

T-Time-Bound: Fulfillment of the aims should be "time-limited" (semiannual or annual). (26, 27).

Research Model and Hypotheses



(Figure 1 Conceptual Model).

$$P = \beta_0 + \beta_1 * C + \beta_2 * Pr + \beta_3 * RA + \beta_4 * IC + \beta_5 * M + \beta_6 * ER + \beta_7 * +PWE + \beta_8 * WD + e_1$$

Where P= Performance, S=Salary, PR=Promotion, RA= Relations with Administration, IC= Institutional Commitment, M= Motivation, ER=Employee Relations, PWE=Physical Work Environment, WD=Work Definition, E=Error

Methodology

Factors which they are salary, promotion (title), relations with administration, institutional commitment, physical work environment and job satisfactions were used in order to examine performance of the employees in service sector. In order to obtain the application data, a questionnaire was prepared. A sample including 500 persons from the universe of 20 000 persons was chosen. Questionnaire forms were sent to the respondents via e-mail. Three months was given to the respondents to answer the questions. 185 questionnaires answered by the respondents were collected back via e-mail. After excluding the questionnaire forms that was not incomplete, 117 of 185 questionnaires were assessed in order to increase the quality of data. The operational measures of variables and the statistical analyses techniques were applied and explained.

Hypotheses of Research

Hypothesis 1: Institutional belonging feelings of employees working in service sector are influential on performance of employee.

Hypothesis 2: Opinions of employees working in service sector about administration are influential on performance of employee.

Hypothesis 3: Physical working environment of employees working in service sector is influential on performance of employee.

Hypothesis 4: Salary given to employees working in service sector is influential on their performance.

Hypothesis 5: Relations among employees working in service sector are influential on their performance.

Hypothesis 6: Job satisfaction levels of employees working in service sector are influential on their performance.

Hypothesis 7: Promotion and title system in service sector are influential on the performance of employees.

Hypothesis 8: Motivation given to the employees in service sector is influential on their performance.

Factor analysis to determine the factors affecting the employee performance. Factor analysis is a widely used multi-variable statistics analysis that brings interrelated factors into limited number, significant independent factors (Kazan H, Ergulen A and Tanriverdi H, 2006) The aim in factor analysis is to bring together the variables set having high correlation among each other (Malina, M. and Selto, F. (2001). The aim is to lower the variable number and to bring out the structural relationship among variables.

For this purpose, Bartlett's test of sphericity was applied in order to determine the data which is appropriate with the factor analysis. Bartlett's test of sphericity statistics=2451.364, $\alpha=0.01$ level was seen as significant. Furthermore, Kaiser-Meyer-Olkin test was applied in order to determine if the sample size is appropriate or not, and result (78.7%) was found as adequate.

Factor analysis was performed in order to determine the effects on employee performance after these tests. Equamax rotation method was used in factor analysis. Some of the items were subtracted from the scale in

order to enhance the total variance evaluation ratio. As it can be understood from the factor analysis table (Table 1), the gathered factors explained 63.4% of the total variance.

Table 1
Demographic Features.

DEMOGRAPHIC FEATURES	NUMBER	%
	(F)	
Gender		
Male	63	53,8
Female	54	46,2
AGE DISTRIBUTION		
20-25	2	1,7
26-30	62	53
31-35	22	18,8
36-40	17	14,5
41-above	14	12
LEVEL OF EDUCATION		
High school	3	2,6
Vocational school	4	3,4
Undergraduate	89	76,1
Graduate	21	17,9
SERVICE TIME (IN YEAR)		
0-5 year(s)	65	55,6
6-10 year(s)	8	6,8
11-15 year(s)	23	19,7
16-20 year(s)	14	12
21 year(s) and above	7	6
TITLE OF EMPLOYEE	3	
Assistant service clerk	10	8,5
Assistant specialist	26	22,2
Assistant service officer	11	9,4
Specialist	36	30,8
Floor manager	8	6,8
Manager	18	15,4
Director	8	6,8
Assistant service clerk	10	8,5
Assistant specialist	26	22,2
Assistant service officer	11	9,4
Specialist	36	30,8
Floor manager	8	6,8
Manager	18	15,4
Director	8	6,8
LENGTH OF SERVICE (IN YEAR)		
0-5 year(s)	97	82,9
6-10 year(s)	13	11,1
11-15 year(s)	4	3,4
16-20 year(s)	3	2,6
TOTAL	117	100

From Table 2, institutional belonging and motivation in the first place, performance in the second place and employee relations in the third place, respectively, explains the biggest change of performance among the employees in the bank.

Table 2.
Factors, their averages, standard deviations, total factor loadings and ratios of interpreted variance.

Factors	Mean	Std Dev	Total	Interpreted variance %	Cumulative interpreted variance %
Institutional commitment and motivation(ICM)	3.166	0.826	4.302	11.322	11.322
Performance(P)	3.150	0.964	3.327	8.756	20.078
Employee relations(ER)	3.075	0.692	3.091	8.134	28.212
Salary(S)	3.564	0.858	2.905	7.645	35.857
Administration(A)	3.416	0.751	2.882	7.585	43.442
Physical work environment(PWE)	3.511	0.750	2.714	7.141	50.584
Promotion and title(PAT)	2.348	0.530	2.529	6.655	57.239
Job satisfaction(JS)	4.251	0.769	2.345	6.172	63.411

Institutional concern and motivation was gathered under the same factors in the analysis and these two factors were combined and named as one factor (Table 3).

Table 3.
Items forming the factors and component loadings of factors.

Factor	Loadings
<i>Institutional commitment and motivation</i>	
I am proud of working at the bank.	0.714
I am overjoyed because of working at the bank.	0.713
I can work in every department of the bank gladly.	0.670
It would be rather a lot hard for me, if I had to leave the work here in the bank.	0.596
I can work except the regular work hours in order to that the bank can reach the aims determined previously.	0.581
I do my work fondly.	0.575
Developments taking place in the bank make me become hopeful for the future.	0.522
I come to work pleurably every day.	0.511
If I begin to work again, I will prefer working in bank.	0.490
I am aware of that the work that I do is important for the bank.	0.473
The work that I do is worth doing.	0.525
<i>Performance</i>	
I am aware of that the work that I do is important for the bank.	0.468
I can learn new things while doing my work at bank.	0.807
The work that I do requires qualified employees and everybody cannot do it.	0.749
I can use my potential fully in my work.	0.604
The work that I do is worth doing.	0.529
I am aware of losses that the bank will incur if I don't do my work as it should be done.	0.508
<i>Employee relations</i>	
We are like a family altogether with my colleagues	0.700
Teamwork is one placed emphasis on rather than personal work	0.638
Work environment is quite peaceful	0.548
Discrimination among the employees is never made	0.547
There is always someone substituting me when I get medical report or take a leave	0.440

Salary	
I cannot live off the salary given, but for that bonus given four times a year by the bank	-0.835
I am hard up for money at the end of the months because of that my salary is inadequate.	-0.810
I have not been able to make savings adequately since I started working.	0.786
Administration	
My supervisors ask my opinion about the topics (issues, matters) related to the department in which I work.	0.733
Administrators share their experiences with the employees and allocate some time to them.	0.718
My relations with the top administration (management) are usually fine.	0.651
Physical Work Environment	
The building (departments, corridors, elevators, toilets etc.) in which I work is sufficiently clean in general.	0.719
Physical facilities (lighting, air conditioning, ventilation, heating, noise etc.) of the building in which I work is appropriate for working.	0.706
Number of equipment's(PC, printer, stationery, table etc.) that are necessary to do my work is adequate	0.610
Necessary security measures (entry – exit controls etc) have been taken in the building in which I work.	0.604
Promotion and Title	
“Promotional Exams” applied by Human Resources D.B. could be considered as a criteria performance measurement.	0.749
I believe that “Promotional Exams” applied by Human Resources D.B. provide fairness topic the topic of promotion.	0.746
I approve the title rewarding policy of the bank.	0.733
Job Satisfaction	
If I am not motivated in a work, it should be expected from me to show a good performance.	0.756
I approve the increase in salary via additional wages like performance premiums, insurance premium, and language compensation	0.715
I believe that motivation is an important fact for the improvement of performance of employee.	0.550
I believe that improvements should be made in the part related to the promotion of Human Resources Regulation.	0.424
Not working with a title that I deserve will rather decrease my performance.	0.416
*The question “I am aware of that the work that I do is important for the bank.” and “The work that I do is worth doing”’s appeared in the first as well as in the second factor. Factor loadings	

Reliability Analysis of Determined Factors

After applying reliability analysis to the scale used in the research, the following alpha values were obtained:

Cronbach's Alfa value of the institutional commitment and motivation factor is 0.922.

Cronbach's Alfa value of the performance factor is 0.793.

Cronbach's Alfa value of the employee relations is 0.733.

Cronbach's Alfa value of the salary factor is 0.830.

Cronbach's Alfa value of the administration factor is 0.693.

Cronbach's Alfa value of the physical working environment factor is 0.710.

Cronbach's Alfa value of the promotion and title factor is 0.700.

Cronbach's Alfa value of the job satisfaction factor is 0.600.

In social researches, an alpha value which is around 0.70 is accepted as adequate for reliability (Malina, M. and Selto, F. 2001); (Malmi, T. (2001). Because of that, the reliability of measurement used in researches is at acceptable level, correlation and regression analyses have been applied in order to test the research hypotheses.

Correlation analysis

Correlation analysis was applied to the 8 factors which were obtained as a result of the factor analysis. It is investigated that whether or not there is a relation between correlation analysis and answers given by the respondents to the items forming the factors. Pearson correlation was used to determine the direction of the relation.

Table 4.
Correlation analysis

		ICM	S	P	Pr	RA	PWE	JS	A
ICM	r	1	-	.688(**)	.199(*)	.554(**)	.342(**)	-0.124	.457(**)
	Sig.		335(**) 0.000	0.000	0.032	0.000	0.000	0.183	0.000
S	r		1	-0.171	.225(*)	.245(**)	.386(**)	0.083	.244(**)
	Sig.			0.065	0.015	0.008	0.000	0.374	0.008
P	r			1	0.047	.277(**)	0.106	0.035	.413(**)
	Sig.				0.612	0.003	0.253	0.705	0.000
Pr	r				1	.318(**)	.204(*)	-	.293(**)
	Sig.					0.000	0.027	.186(*) 0.044	0.001
RA	r					1	.378(**)	-0.142	.429(**)
	Sig.						0.000	0.126	0.000
PWE	r						1	-0.038	.297(**)
	Sig.							0.682	0.001
JS	r							1	-0.049
	Sig.								0.603
A	r								1
	Sig.								

From Table 4 the highest and the most significant correlation between institutional belonging and motivation, and performance have been obtained according to the table of correlation numbers among factors ($r=0.688$). This value must be between 0.71-0.80, in order to be able to say that there is a strong relation. According to our obtained value ($r=0.688$), it can be concluded that there is a strong positive relation.

Regression Analysis

Regression analysis is a kind of analysis method used to investigate the relation between the dependent variable and one or more independent variable(s). Two types of regression analysis can be performed, that is, Univariate (one variable) and multivariate (multi variable).

In order to test the significance of changes among the independent variables, F-test has been done. Result of the F-test was significant and the regression model which was set has been valid. In order to investigate the effect of the factors which are institutional belonging and motivation, salary, promotion and title, employee relations, physical working environment, job satisfaction, and administration on the performance of employee, multivariate regression analysis was performed.

Stepwise method was used in regression analysis to determine the model which possessed the best explanation ratio (R^2). Variables used in stepwise method were included, with different variations step-by-step and different regression equations were created. In this way, the models possessing high R^2 values were analyzed.

In regression analysis, performance as dependent variable and other factors as independent variable of which effects have been tried to measure were included to the model.

As a result of performed analysis: According to Table 5 R_2 value of the model that is statistically significant (meaningful) and explaining the change in the employee performance best is 0.51. This model shows a 51% of the change in performance of employee.

Table 5.
Table of result of regression analysis to measure the factors affecting the performance.

Variable	R ²	R ² adjusted	F	Sig. F(p)	Beta	SB	t	Sig.t(p)
Model (Constant)	0.510	0.497	9.271	.000	0.794	0.268	696	0.000
ICM					0.566	0.064	8.852	0.000
PWE					0.158	.066	2.404	0.018
A					0.140	0.068	0.070	0.041

Validity of the model which was set to analyze the factors affecting the performance, that is, according to the result of F-test (ANOVA; variance analysis) (F=39,271) which is performed to investigate whether or not the change (variation) among the variables have arisen by chance. Hence, our model is statistically significant (meaningful) at the p=0.01 level.

According to the results of the t-tests that were performed in order to investigate whether or not the coefficients (betas) calculated in the model is different from zero, the coefficients in the model was different from zero. Therefore, coefficients can be included to the model. The Equation of the model obtained:

Employee performance = 1.794+0.566* institutional commitment and motivation – 0.158* physical work environment + 0.140* administration.

Research hypothesis and test results

Hypothesis 1: Accept,
Hypothesis 2: Accept,
Hypothesis 3: Accept,
Hypothesis 4: Reject,
Hypothesis 5: Reject,
Hypothesis 6: Reject,
Hypothesis 7: Reject.

Conclusion and Limitations

This study was prepared in order to analyze the factors that can affect the performance of the personnel working in a public bank. The main factors appropriate with the determined samples were selected among a variety of factors. These factors are budget, promotion (degree),relationship with administration, institutional concern, employee relationship, physical working environment and job satisfaction.

Firstly, reliability of the questionnaire was analyzed and it was found out that a = 0.870. This ratio showed that reliability of this questionnaire is in an adequate level.

Secondly, factor analysis was applied to determine the factors that affect the matter and performance. Some of the variables were subtracted from the scale in the factor analysis and thereafter, the factor reliability analysis. Concern and motivation, budget, performance, promotion and degree, employee relationship, physical working environment, job satisfaction and administration were determined in the factor analysis. Total variance ratio of the factors is 63.4%. Reliability analysis was applied for each factor and it was found out that, institutional concern and motivation factor for Cronbach's alpha value was 0.922, performance factor Cronbach's alpha value was 0.793, employee relationship factor Cronbach' alpha value was 0.733, budget factor Cronbach's alpha value was 0.830, administration factor Cronbach's alpha value

was 0.693, physical working environment factor Cronbach's alpha value was 0.710, promotion and degree factor Cronbach's alpha value was 0.700 and the job satisfaction factor Cronbach's alpha value was 0.60.

Factor analysis was applied to the eight factors that were determined in the factor analysis. Pearson correlation coefficient was used as the correlation coefficient. According to the correlation analysis among factors, significant correlation factor was determined as institutional concern and motivation ($r=0.688$). Multi variable regression analysis was applied in order to determine the affect of institutional concern and motivation, budget, promotion and degree, employee relationship, physical working environment, job satisfaction on employee performance. In regression analysis, stepwise method was applied in order to determine best explanatory ratio (R^2) model.

Cronbach's alpha value was 0.830, administration factor Cronbach's alpha value was 0.693, physical working environment factor Cronbach's alpha value was 0.710, promotion and degree factor Cronbach's alpha value was 0.700 and the job satisfaction factor Cronbach's alpha value was 0.60.

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Performance as dependent variable and other factors that are aimed to be measured as dependent variable were included to the model in the regression analysis. The model that was derived could explain the change in the employee performance as 51%. According to the regression analysis: Salary, employee relationship, job satisfaction, promotion and title did not have a statistically significant effect on employee performance. It was determined that institutional belonging and motivation had a statistically significant effect on employee performance. According to this, one unit change in institutional belonging and motivation gives rise to 0.556 unit rise in employee performance.

Budget did not have a statistically significant effect on employee performance. Administration had a statistically significant effect on employee performance. According to this, one unit change in administrative view gives rise to 0.140 unit rise in employee performance.

Physical working environment had a statistically significant effect on employee performance. According to this, one unit change in physical working environment gives rise to 0.158 unit fall in employee performance.

Although, the number of employees in the public bank is appropriate, selection of the employees from only one bank that has the same operating policy create a deficiency in the measurement comparisons. In the following study, incorporation of other public bank employees into the study can give more healthy results concerning performance analysis.

In general, performance is a kind of process that consists of the phases like goal setting, measurement, assessment, feedback, rewarding for good results, improvement for bad results and applying sanction in case of necessity (Kaplan, R., 2001; Chang H H, 2006; Kasurinen, T, 2002). This mentioned process is an important guidance in respect to lead off in the topics, such as, what are the expectations from the employee, what are the goals of the organization in general and employee individually, what are the norms while reaching the indicated goals, whether or not there is need for a technical support or training (Kaplan, R. and Norton D, 2001, Lawrie, G. and Gobbold I, 2004). This guidance should be used in all firms which operate in production and service sectors and would like to keep up with competition conditions.

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