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## Section: ESSAY

### Echo chambers and confirmation bias

Peter Kalina

*“The eye sees only what the mind is prepared to comprehend.”*  
Robertson Davies

In July 2017, Google fired a senior engineer based on an internal memo he wrote entitled, “Google’s Ideological Echo Chamber.” The manifesto criticized Google’s culture, describing it as an “ideological echo chamber where some ideas are too sacred to be honestly discussed” (Damore, 2017; Inside Google’s ideological echo chamber, 2017). The engineer says his good-faith effort to discuss Google’s diversity policies, gender diversity and the tech sector gender gap could not be tolerated. In part, the memo stated that while bias and discrimination exist, it is extreme to ascribe all disparities to oppression (Damore, 2017). CEO Sundar Pichai explained the firing, stating that the memo violated Google’s code of conduct and “crossed the line by advancing harmful gender stereotypes in our workplace” (Damore, 2017). He also acknowledged that as a result of the firing, employees now question whether they can safely express their views in the workplace, adding that they must feel free to express dissent and find ways to debate issues on which they disagree (Tobak, 2019).

An echo chamber is when we surround ourselves with like-minded people who share the same ideals and agree with our viewpoints. This may be conscious or unconscious. Important modern-day concerns regarding echo chambers include issues of prejudice, discrimination, and political partisanship. For example, rather than seeking diverse views to solve complex problems, political partisanship encourages people to seek information from within a group with the same views and beliefs.

Confirmation Bias is a common, often-unconscious, cognitive bias wherein people cling to and confirm preexisting beliefs and opinions with supporting evidence (Grohol, 2020). Confirmation bias creates a requirement for much stricter standards for evidence that compete with our existing beliefs. Even then, contradictory evidence that does not fit the narrative is often simply disregarded or rejected. Confirmation bias leads us to seek, interpret, favor, and remember information that confirms existing beliefs; while ignoring disconfirming evidence. People holding conflicting views may interpret the same information and arrive at opposite conclusions based on biased personal beliefs, allowing their prior conclusions to remain intact. Selective recall leads us to remember only information confirming and reinforcing existing beliefs and expectations. We are not good at evaluating situations and predicting outcomes based on facts alone, and do not always make decisions and formulate beliefs based on actual evidence (Tobak, 2019; Le Cunff, 2020).

Nobody wants to admit they are biased. We like to see ourselves as open-minded, objective thinkers. This common personality trait contributes to the difficulties that exist in avoiding confirmation bias. Beyond self-awareness, it requires us to regularly question ourselves when we read or hear something. Did I jump to a quick conclusion? Why did I believe this? Did I automatically agree? Automatically assume? Did it confirm my existing beliefs? How many of my friends share the same belief? Is this a trustworthy source? What percentage of my information comes from this source? What if the facts say I was wrong? (Le Cunff, 2020). Do not allow the voice in your head to agree with whatever you say, regardless of the facts. There is a crucial difference between the desire to be right, which is the thirst for truth, versus the desire to have been right, which is our pride standing in the way of seeing we were wrong (Van Orman Quine, 1978; Brown, 2018).

#### CONTACT INFORMATION:

Peter Kalina / Mayo Clinic / Rochester / USA / kalina.peter@mayo.edu

Our ubiquitous use of social media also makes it harder to combat echo chambers and confirmation bias. Social media allows us to tailor and filter what we see and who to “unfriend” when they do not echo us. Believing we already know every side of every argument narrows our curiosity, which blocks the progress of knowledge. Even when presented with contradictory facts, we cite, share and rehash like-minded talking points as evidence we are right, and everyone on the other side is wrong. Social media steers us to consume information already aligned with our personal convictions. This vicious cycle is reinforced by the silos created by social media (Le Cunff, 2020).

Often without realizing it, but sometimes by way of careful construction and design, we exist in ideological echo chambers, and are guilty of confirmation bias. We are much more likely to find arguments in favor of conclusions we want to believe than for arguments or conclusions we do not (Kunda, 1999). We look for evidence that supports our beliefs and opinions but exclude those that are contrary (Mohajer, 2015). The more strongly we feel about an issue, the more emotionally charged the topic, the more deeply ingrained the belief, the more we desire a specific outcome or believe in a specific principle; the more likely we are to search for confirming evidence (Grohol, 2020). This is the power of confirmation bias.

Echo chambers and confirmation bias can become significant human resources concerns for many organizations. For example, confirmation bias affects leaders involved in recruitment, manifesting when a candidate is being evaluated and the interviewer sees what they had expected to see. Performance reviews are another example. They are inherently subjective, and prone to the influences of unconscious biases, including confirmation bias. Different leaders often reach different conclusions and give different evaluations for the same individual. Feedback is fraught with subjectivity. Ulterior motives, personal vendettas, the evaluator's personal preferences, compatibility of styles, or some other affinity may overshadow objective performance metrics and benchmarks (Kalina, 2019). For leaders who do not like to be questioned, echo chambers and confirmation bias portend bad outcomes with regard to competitive business advantage, employee relationships and morale. All employees, and especially leaders must grow their ideology and adjust their thinking as new evidence becomes available.

To improve overall workplace diversity, we must be individually willing to diversify. Rather than simply attacking opposite-minded people, we should try to engage in debate with them. Reach out to those who have different perspectives from our own. Try to see it from their point of view. This is perspective taking (Birch, 2017). It is OK to ultimately disagree, but you may gain new insights along the way. Be open-minded, seeking out competing explanations and alternative viewpoints. Learn about people different from yourself. Celebrate the differences that make us unique. Openly engage in dialogue, ask the difficult questions, and actively listen to the responses. Stand together to foster a workplace where everyone can not only co-exist, but actually thrive.

Confronting echo chambers and confirmation bias is an incredibly challenging, but extremely worthwhile endeavor. If successfully mastered, one can avoid ideological stagnation, make better decisions, and better understand their colleagues. Striving to optimize workplace relationships will portend wide-reaching benefits and create a better environment for everyone.

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## Measuring the functional effectiveness of employee orientation program conducted in the private commercial banks of Bangladesh

Kazi Nazmul Huda

### ABSTRACT

**Purpose** – Employee Orientation is one of the most imperious functions of human resource management. Therefore, it is essential to determine the functional effectiveness, which is rarely addressed in the existing literature. Therefore, this paper had endeavored to replete the research gap by measuring the functional effectiveness of the Employee Orientation Program (EOP) of private banks of Bangladesh.

**Aim** – This study's key objective is to measure the effectiveness of different functional issues of EOP conducted for the new bankers of Bangladeshi private commercial banks.

**Methodology** – Hypothesis testing was used to measure the effectiveness of the functional issues of EOP. Thirty hypotheses developed from the functional issues of EOP were analyzed using one-sample "T-test." A questionnaire survey was conducted among 125 young bankers randomly selected from 20 local private commercial banks located in Chattogram Division.

**Findings** – Eighteen null hypotheses out of thirty were found rejected. The study discovered that sample banks were found efficient in ensuring most of the functional issues of the learning environment aspect of EOP. However, they were partially efficient in attaining the event management aspects.

**Limitation of the Study** – The discovery of the real facts of EOP may be hindered as the survey was conducted during the COVID-19 pandemic.

**Practical implication** – The banks' top management was suggested to be more sincere in some issues like workstation arrangement, providing induction booklets, training on customs & etiquettes, and organizing a reception party for the inductees. Hence, the feeling of team-spirit should be generated among the new hires through teambuilding exercises during EOP.

**Originality/value** – This paper is first of a kind in the banking sector of Bangladesh. The outcome of this research may contribute to enrich the body of knowledge of human resource management.

### KEY WORDS

human resource management, employee orientation, onboarding program, bank, inductees

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## 1 INTRODUCTION

This research paper's main objective is to measure the functional effectiveness of the employee orientation program conducted in the private commercial banks of Bangladesh. Generally, employee orientation program (EOP) is critical human resource management (HRM) function that mainly facilitates a new employee to adapt to the task and culture of an organization (Wanous & Reichers, 2000; Arachchige, 2014). It mainly socializes the inductees with the virtues of an organization and fundamental principles of an organization (Valentine & Johnson, 2005; Stevens, 1999; Klein & Weaver, 2000). It mostly falls under the staffing process, which includes prior learning and mentoring sessions to set the new hires' minds towards their job and performance (Wallace, 2009). Through this program, a new employee is oriented with the tasks, responsibilities, and accountabilities of a job and makes them familiar with the workplace behavior. Still, in many cases, the initiatives and different events of an orientation program are overlooked by many organizations (Srimannarayana, 2016).

The effectiveness of an EOP can be measured, considering its different functional aspects (Table 1). However, most of the contemporary research by Lahti (2018); Baldwin (2016), and many more had considered the learning outcome aspect of EOP to measure its functional effectiveness, which was mainly focused on what the inductees learned, how well they learned and on the learning environment. Some research works had emphasized cultural

### CONTACT INFORMATION:

Kazi Nazmul Huda / Southern University Bangladesh / nazmul@southern.edu.bd

aspects of the induction program, mainly centered on transferring the organizational values, beliefs, norms, and customs (Acevedo & Yancey, 2011; Keisling & Laning, 2016). Communicating the human resource policy matters to the new hires were also innermost issues to measure the functional effectiveness of EOP (Tesone, 2008; Schmidt & Akdere, 2007; Graybill et al., 2013) and some authors like Pike (2014); Baldwin (2016); Trygg (2019) and Chen (2010) had focused on organizing and managing different events of the program. Hence, most of the studies were made in a scattered way, and no study is available in the existing literature that had combined all the aspects of EOP to measure its functional effectiveness. This study will endeavor to contribute to the existing body of knowledge of HRM by measuring the functional effectiveness of EOP conducted in private banks, including all its broader aspects in one paper.

Every banking organization takes EOP very seriously as it is a sensitive and critical operation. Therefore, this study has endeavored to measure the functional effectiveness of the EOP of Bangladeshi banks to disclose the insight of different functional issues, including tasks, responsibilities, and events of this program. However, modern EOP is not limited to traditional employee receiving and training programs. It has a far-reaching mission aligned with the vision of an organization (Akdere & Schmidt, 2008). It facilitates learning and flourishes new employees with an organization's spirit and keeps them engaged at work. Almost all Bangladesh banks conduct orientation programs formally following their own HRM policy and guidelines provided by the central bank. It is initially arranged at the branch level, mostly for the novices under the branch manager's supervision. Nevertheless, every banker receives basic training on banking operations, centrally organized by the corporate head office. Though EOP is a critical HRM function that ensures the employees' adaptation, it is still a new issue in measuring its competence in Bangladesh's banking sector. This study aims to measure the functional effectiveness of EOP of Private Commercial Banks in Bangladesh with special reference to successful conduct and completion of the relevant functions of the program (Table 1), which may be useful to develop a practical framework to socialize the new bankers.

A comprehensive growth is visible in Bangladesh's Banking industry, which has made an overwhelming contribution to the national economy (Tabassuma, Rahman & Jahanc, 2011). Currently, the country has 40 local private commercial banks, and this sector has employed approximately 114,080 employees. Due to the rise in numbers, the banks' competition is very intense and demands a higher degree of performance in all spheres of banking operations (Huda, Shah & Nasrullah, 2016). However, in this highly ambitious global market, organizations should gain a competitive advantage by enriching their human resource development interventions like employee training and orientation programs (Chen, 2010). EOP is a crucial stage of the staffing process, ensuring employee development at the initial stage (Tesone, 2008). Therefore, the development of this largest and very competitive sector of Bangladesh lies in the performance of the bankers to overthrow the extreme stress of competition (Afriz, 2018), which could be ensured through effective EOP (Rana & Hossain, 2014; Talukder, Hossain & Hossain, 2014).

Employee orientation is a vital function in banking, helping a new banker adjust to the job and job culture through an intensive and well-designed program. It allows a new employee to learn quickly, remediate initial anxieties, and cope with a new work environment (Wanous & Reichers, 2000). Effective EOP increases commitment towards organization and ensures job satisfaction (Kristof-Brown, Zimmerman & Johnson, 2005; Ballard & Blessing, 2006). Pre-eminently, it pays dividends to the organization by increasing the new employees' productivity and performance (Hacker, 2004). Despite its importance, many employers are very reluctant to organize EOP effectively (Wallace, 2009; Trygg, 2019), and the HRM department should conduct regular assessment of this program to make it function efficiently (Graybill et al., 2013; Klein & Weaver, 2000). Hence, HR professionals should diagnose the challenges of EOP to facilitate new employee development initiatives (Holton III, 1996).

Existing research works on EOP mostly encircle measuring the learning outcome where the evaluation of its functional effectiveness of the program is rarely visible (Kim, Chai, Kim & Park, 2015; Klein & Weaver, 2000). Hence, studies on employee orientation of private banks are nearly absent in contemporary literature. Therefore, research work on measuring the functional effectiveness of EOP is inevitable to ensure an evidence-based HRM practice, to uphold corporate governance, and to enrich the model of new employee orientation. This study will contribute immensely to minimize the gap of the existing literature by examining the effectiveness of the functional issues of EOP based on the opinion of the bankers of the private commercial banks of Bangladesh.

### Research Questions

The above discussion on EOP and its significance could draw the following research questions.

- 1.1 What is the state of functional effectiveness of EOP in attaining the event management issues?
- 1.2 What is the state of functional effectiveness of EOP in attaining the learning issues?
- 1.3 What is the state of functional effectiveness of EOP in maintaining the induction culture?
- 1.4 What is the state of functional effectiveness of EOP in communicating the Human Resource policy?

## 2 THEORETICAL REVIEW

A new employee orientation program, also known as onboarding, introduces new hires to their job and the job culture (Acevedo & Yancey, 2011). It is a strategic intervention of a company that intends to decrease employee turnover rate and increase employee retention rate (Messmer, 2000; Srimannarayana, 2016). EOP is a significant part of talent management and development processes, which should be conducted with due diligence (Akdere & Schmidt, 2008). An effective EOP directly impacts the organizational performance and profitability if the new hires are provided with the opportunities to learn their job and organizational culture effectively and adjust themselves quickly to be engaged at work actively (Nobel, 2013). A study made by deBussy & Suprawan (2012) had proven that successful EOP directly contributes to a company's financial performance.

A carefully designed and administered EOP fosters a systematic employee development that accurately facilitates learning and develops competency among the new hires to effectively perform their job responsibilities (Acevedo & Yancey, 2011). The program also ensures the active engagement of the new employees at work (Tesone, 2008) and facilitates reducing turnover rate, counterproductive attitudes, and destructive behaviors (Brown, 2020; Srimannarayana, 2016; Ballard & Blessing, 2006). Klein & Weaver (2000) conducted a comparative study on 116 newly hired university staffs and found that employees who attended EOP are more socialized than the non-attendees. On the other hand absence of an effective EOP will result in poor performance, increase attrition rate, and employee dissatisfaction (Arachchige, 2014).

There are different functional dimensions of EOP. Lahti (2018); Baldwin (2016) had talked about the learning outcome aspect. Acevedo & Yancey (2011); Keisling & Laning (2016) emphasized the cultural aspect. HR policy aspect was coined by Tesone (2008); Schmidt & Akdere (2007); Graybill et al. (2013), and authors like Pike (2014); Baldwin (2016); Trygg (2019), and Chen (2010) had focused on the events management aspect of the program. However, different functional aspects of the EOP are described below.

### 2.1 DIFFERENT EVENTS OF EOP

The employee orientation is given the new names like socialization or onboarding program (Dessler & Varrkey, 2005). It facilitates a new employee to learn about the organization, helps to clarify their roles and responsibilities, organizational culture and to understand the career path, (Tesone, 2008). According to Chen (2010), a new employee orientation program could be conducted in three-phase. (1) general orientation to educate the new hires about the organization. (2) the departmental orientation for gaining knowledge on products and functions. (3) job orientation to help them learn the work processes and performance standards. However, the functional effectiveness of every EOP could be achieved through careful planning of the events (Srimannarayana, 2016; Messmer, 2000; Chen, 2010), and the schedule of the program must be maintained meticulously to complete it successfully on time (Trygg, 2019; Fahje, McMyler & Mateo, 2001). The program has to be conducted in a pleasant environment to make the newcomers free from fear and create a positive impression on the organization (Brown, 2020; Hacker, 2004). Hence, a vibrant welcome party could be an integral part of the program, which is rigorously practised by many multinational companies across the globe (Nelson, 2012; Bradt & Vonnegut, 2009).

Right from the start of the induction program, a good first impression about the company may be created, ensuring a well-organized workstation for the new employees (Bauer, 2013; Nobel, 2013). New hires should be provided with an opportunity to take a tour of the facilities during the program (Ballard & Blessing, 2006; Baldwin, 2016) and formally meet their workgroup (Pike, 2014). Hence, it is recommended by Mishra & Strait (1993) to introduce the novices with the colleagues of allied departments. Zhang (2010) researched some foreign companies located in China and found that an introduction with the clients' helps the newcomers build favorable customer relations and encourages new product innovation. However, essential documents related to formal joining (Bauer, 2013; Srimannarayana, 2016; Klein & Weaver, 2000) and induction booklets should be made available on time (Devon, 2006; Berkeley, 2006).

### 2.2 LEARNING ENVIRONMENT MANAGEMENT ISSUES OF EOP

Every induction program should create a platform to learn the organization (Klein & Weaver, 2000). Casting the organizational success stories and its noble values may inspire the newcomers to be socialized more proficiently and learn quickly (Davis, 2005). It is the program organizers' prime responsibility to facilitate a flexible learning environment (Srimannarayana, 2016; Akdere & Schmidt, 2008), where information can be shared with the new-hires generously (Keisling & Laning, 2016; Baldwin, 2016). The presence of a qualified, skilled, and empathetic preceptor or mentor is essential to expedite learning (Lahti, 2018; Brasler, 1993; Baxter, 2010), and a congenial environment of fear-free questioning is indispensable in this regard (Pike, 2014; Wallace, 2009). However, an opportunity should be created for new employees to consult with their colleagues before starting a new assignment (Messmer, 2000; Mishra & Strait, 1993), and feedback on learning progress should be provided by the mentors or supervising staff regularly (Chen, 2010; Wallace, 2009; Srimannarayana, 2016).

According to Klein & Weaver (2000); Davis (2005) and Ballard & Blessing (2006), mentors should provide specific guidelines and instructions before assigning a new task. Such behaviour will facilitate a better learning environment. As most of the banking operations are computer-aided, a very new banker must be made well versed with the management information system (Bauer, 2013; Baldwin, 2016), and the novice bankers should be provided with firsthand experience on MIS to adapt with digital banking systems (Bauer, 2013). Moreover, Chen (2010) has suggested that regular feedback on the new hires' ongoing performance should be provided during the program, which could be conducted in the form of an assessment test.

### **2.3 CONCEPT OF INDUCTION CULTURE**

A good organizational culture eminently influences the learning and adaptation process of new hires. Therefore, a positive impression about the organization could be created through a gracious and welcoming behavior by the existing employees (Keisling & Laning, 2016). New inductees should be treated with respect and honor to build intense psychological contact with the organization (Caldwell & Peters, 2018). Hence, an employer must weave a congenial and lighthearted environment during EOP to make the new entrants feel honored and to own the company physically and mentally (Wallace, 2009). Senior employees have to pay full attention to the new hires during EOP (Mishra & Strait, 1993; Tesone, 2008) and make them feel comfortable from the very first day (Bauer, 2013; Wallace, 2009). Such an attitude by the organization's senior members exhibits their commitment towards the EOP, which also reflects a superior corporate culture (Mishra & Strait, 1993).

According to Pike (2014), the senior management team's earnestness towards EOP and their lively presence at different events of the orientation program demonstrate their sincerity to make the program a success. Hence, the company's superiors should flourish an amicable interpersonal relationship throughout the EOP to stimulate the feeling of team spirit among the inductees (Acevedo & Yancey, 2011).

### **2.4 HR POLICY ISSUES OF EOP**

Necessary information on HR policy matters like job description or charter of duties should be reviewed by the HR team or incumbent line manager to reinforce integration among tasks, responsibilities, and accountabilities (Graybill et al., 2013; Holton III, 1996). However, the expectation of the employers must be made clear to the newcomers to avoid misapprehensions (Wallace 2009; Pike, 2014; Srimannarayana, 2016). Payroll policies and benefit schemes should be explained clearly on the first day to minimize confusion and maximize motivation (Messmer, 2000). It is better to explain the leave policies early and provide a detailed view of different leaves and fringe benefits (Tesone, 2008). However, the new hires must be cultured with the organizational customs & etiquette, including dress code, intrapersonal communication, group behaviors, and most importantly, client interactions (Ballard & Blessing, 2006; Schmidt & Akdere, 2007).

The discussion in the literature review has revealed the functional aspects of EOP in four broad categories. Every cluster contains some specific elements that determine the program's functional effectiveness. It is also discovered from the literature review that most of the existing studies had illustrated the importance of EOP and measured the performance of the program based on the learning outcome of the inductees. However, the functional effectiveness issues of organizing a successful EOP are missing in the existing literature, and no study is available in the context of the private banks of Bangladesh. This study will bridge the gap in the existing literature by measuring the success of an EOP in the light of functional effectiveness with special reference to private commercial banks of Chattogram, Bangladesh.

### **2.5 HYPOTHESIS DEVELOPMENT**

The broad aspects of EOP pointed below represent the broader dimensions EOP discussed in the literature review section. However, all hypotheses are drawn basing on the specific functional variables of EOP, which falls under the broad aspect of EOP. All the aspects, specific functions EOP, and hypotheses are presented in Table 1.

Table 1: Broad Aspects and Specific Functions of EOP with Hypotheses

Broad Aspects of EOP	Null Hypothesis based on Specific Functional Issues of EOP	Variable (Code)	Reference
1. Event Management Aspect	<i>H<sub>1</sub></i> The induction program is not well planned.	Planned	Brown (2020); Messmer (2000); Chen (2010)
	<i>H<sub>2</sub></i> Schedule of the program is not well maintained.	Schedule	Fahje et al. (2001); Trygg (2019)
	<i>H<sub>3</sub></i> The environment of the orientation program is not pleasant and welcoming.	Pleasant	Hacker (2004)
	<i>H<sub>4</sub></i> Workstation is not well organized in advance.	Workstation	Bauer (2013); Nobel (2013)
	<i>H<sub>5</sub></i> Tour of office premises/facilities is not conducted.	Tour	Ballard & Blessing (2006); Baldwin (2016)
	<i>H<sub>6</sub></i> No introduction to the workgroup	Workgroup	Pike (2014)
	<i>H<sub>7</sub></i> No introduction to the colleagues of other departments	Colleagues	Mishra & Strait (1993)
	<i>H<sub>8</sub></i> No introduction to the clients	Clients	Zhang (2010)
	<i>H<sub>9</sub></i> Joining documents are not available during EOP	Documents	Srimannarayana (2016); Klein & Weaver (2000)
	<i>H<sub>10</sub></i> Do not receive any induction booklets	Booklets	Devon (2006); Berkeley (2006)
	<i>H<sub>11</sub></i> No reception party is organized	Party	Nelson (2012); Bradt & Vonnegut (2009)
2. Learning Environment Aspect	<i>H<sub>12</sub></i> Mentors are not qualified	Qualified	Brasler (1993); Baxter (2010); Lahti (2018)
	<i>H<sub>13</sub></i> No instructions on banking operations are provided	Banking	Klein & Weaver (2000); Davis (2005)
	<i>H<sub>14</sub></i> Inflexible learning environment	Flexible	Akdere & Schmidt (2008)
	<i>H<sub>15</sub></i> No provision to consult with the colleagues before starting a new task.	Consult	Messmer (2000); Mishra & Strait (1993)
	<i>H<sub>16</sub></i> New tasks are not assigned with specific guidelines	Guideline	Ballard & Blessing (2006)
	<i>H<sub>17</sub></i> Not familiarized with the management information system	Information	Bauer (2013)
	<i>H<sub>18</sub></i> Information is not shared generously	Generosity	Keisling & Laning (2016); Baldwin (2016)
	<i>H<sub>19</sub></i> No opportunity to ask questions freely	Question	Pike (2014); Wallace (2009)
	<i>H<sub>20</sub></i> Feedback on learning progress is not provided regularly	Feedback	Srimannarayana (2016); Chen (2010)
3. Induction Culture Aspect	<i>H<sub>21</sub></i> Superiors do not pay full attention to the new hires	Attention	Mishra & Strait (1993)
	<i>H<sub>22</sub></i> They are not committed to the program	Commitment	Mishra & Strait (1993)
	<i>H<sub>23</sub></i> Superiors are not sincere in ensuring a comfortable environment of the orientation program	Sincere	Keisling & Laning (2016); Wallace (2009)
	<i>H<sub>24</sub></i> The sentiment of team spirit is not created among the new hires during EOP	Team spirit	Acevedo & Yancey (2011); Wallace (2009)
4. HR Policy Aspect	<i>H<sub>25</sub></i> HR team do not review the job Description	Job Description	Graybill et al. (2013); Holton III (1996)
	<i>H<sub>26</sub></i> Expectation of the employer is not cleared to the new hires	Expectation	Wallace (2009); Pike (2014)
	<i>H<sub>27</sub></i> New hires are not acquainted with the organizational customs & etiquette	Customs	Ballard & Blessing (2006); Schmidt & Akdere (2007)
	<i>H<sub>28</sub></i> Benefit issues are not explained clearly	Benefit	Tesone (2008)
	<i>H<sub>29</sub></i> Payroll policies are not covered in detail	Payroll	Messmer (2000)
	<i>H<sub>30</sub></i> Leave policies are not explained elaborately	Leave	Tesone (2008)

Source: Compiled by the author through literature review



### 3 METHODOLOGY

In this study, the empirical research method had been used to attain research objectives. However, an extensive literature review had helped to reveal the critical variables necessary to attain the functional effectiveness of an EOP. The scoping review technique was used to categorize the broad aspects and specific functional variables of EOP, presented in Table 1. Before developing the questionnaire, the variables were reviewed by an expert panel to decide on the applicability of the variables and to formulate relevant questions for the research instrument. The panel members were human resource managers of corporate houses and academicians of different business schools. They had finalized thirty variables of EOP to use for research work, and 30 questions were set for the questionnaire using those variables. 5-point Likert rating scale (5 strongly agree with the statement ...1 strongly disagree with the statement) was used to capture the respondents' opinion regarding the functional effectiveness of the EOP conducted in their respective banks. Respondents were chosen from twenty local private banks located in Chattogram, the Commercial Capital of Bangladesh. For the questionnaire survey, 125 respondents were selected randomly, and they were all positioned in junior ranks only. The details of the respondents are shown in Table 2.

Table 2: Demographic Profile of the Respondents

Gender	Frequency	Percentage
1 Female	37	30%
2 Male	88	70%
<b>Education</b>		
1 Bachelor Degree (General)	20	16%
2 Bachelor Degree (Business Studies)	26	20%
3 Masters Degree (Business Studies)	79	64%
<b>Experience</b>		
1 2-3 years	109	87%
2 4-6 years	16	13%

Source: Questionnaire Survey (Compiled by author)

The sample profile was controlled considering the facts of participation in the orientation program in recent times since it is assumed that the young bankers had recent experience as an inductee. The bankers were asked questions related to the effectiveness of EOP considering the specific functional issues related to event management, learning environment management, induction culture maintenance, and HR policy awareness aspects of EOP (Table 1). For statistical analysis, the study had considered the Bankers of the private commercial banks (who had attended EOP) as a single sample. Hence, to attempt for conclusive research based on primary data, 30 hypotheses were developed. The research hypotheses were tested using a one-sample t-test (along with significance value) following the suggestion given by Malhotra & Das (2016). It is assumed that if the p-value is less than 0.05, the null hypothesis is rejected. To justify the applicability of one-sample t-test, the normality of data was checked using Skewness and Kurtosis test. Our skewness value of 0.09 suggests that the data are normally and slightly positively distributed. Also, the kurtosis value of 2.92 signifies the stated finding. Moreover, mean values were examined to measure the degree of effectiveness of specific functional variables of EOP (Table 1). It is assumed that higher the mean score projects the higher degree of effectiveness of the variables of EOP. The values of standard deviation were also reported to verify the range of opinion among the respondents. The survey was carried out from April to May 2020.

## 4 RESEARCH RESULTS

Table 3: Mean Values and the Results of Hypotheses Testing

SL	Variables	H <sub>0</sub>	Mean	Std. Deviation	t-value	Sig.	H <sub>0</sub> Decision
<b>EOP Broad Aspect 1: Event Management</b>							
1	Planned	H <sub>1</sub>	4.1597	.76335	18.231	0.00	Rejected
2	Schedule	H <sub>2</sub>	3.6111	1.20669	6.077	0.00	Rejected
3	Pleasant	H <sub>3</sub>	3.8264	.85550	11.592	0.00	Rejected
4	Workstation	H <sub>4</sub>	2.3681	.87503	-8.666	0.08	Accepted
5	Tour	H <sub>5</sub>	2.8750	1.00957	-1.486	0.14	Accepted
6	Workgroup	H <sub>6</sub>	3.4931	1.20603	4.906	0.00	Rejected
7	Colleagues	H <sub>7</sub>	2.8611	.77198	-2.159	0.33	Accepted
8	Clients	H <sub>8</sub>	2.5347	.85209	-6.553	0.18	Accepted
9	Documents	H <sub>9</sub>	3.6250	1.02333	7.329	0.00	Rejected
10	Booklets	H <sub>10</sub>	2.5208	.84430	6.810	0.10	Accepted
11	Party	H <sub>11</sub>	2.4097	.96377	-7.350	0.08	Accepted
<b>EOP Broad Aspect 2: Learning Environment</b>							
12	Qualified	H <sub>12</sub>	4.0764	.89349	14.456	0.00	Rejected
13	Banking	H <sub>13</sub>	4.0903	.80134	16.327	0.00	Rejected
14	Flexible	H <sub>14</sub>	3.9514	.84729	13.474	0.00	Rejected
15	Consult	H <sub>15</sub>	3.3472	1.24215	3.354	0.01	Rejected
16	Guideline	H <sub>16</sub>	2.3611	1.28254	3.379	0.07	Accepted
17	Information	H <sub>17</sub>	3.0903	1.08333	1.000	0.03	Rejected
18	Generosity	H <sub>18</sub>	3.4722	.95306	5.946	0.00	Rejected
19	Question	H <sub>19</sub>	3.7986	1.35140	7.091	0.00	Rejected
20	Feedback	H <sub>20</sub>	3.7153	1.21565	7.061	0.06	Accepted
<b>EOP Broad Aspect 3: Induction Culture</b>							
21	Attention	H <sub>21</sub>	3.4097	1.08656	4.525	0.09	Accepted
22	Committed	H <sub>22</sub>	3.6667	.92366	8.661	0.00	Rejected
23	Sincere	H <sub>23</sub>	2.6389	.85780	5.052	0.02	Rejected
24	Team spirit	H <sub>24</sub>	2.7986	.92047	-2.625	0.10	Accepted
<b>EOP Broad Aspect 4: HR Policy</b>							
25	Job Description	H <sub>25</sub>	3.3264	1.06324	3.684	0.00	Rejected
26	Expectation	H <sub>26</sub>	3.4444	.80016	6.665	0.06	Accepted
27	Customs	H <sub>27</sub>	2.3750	1.00262	-7.480	0.11	Accepted
28	Benefits	H <sub>28</sub>	3.7014	1.11619	7.541	0.00	Rejected
29	Payroll	H <sub>29</sub>	3.2708	1.39539	2.329	0.02	Rejected
30	Leave	H <sub>30</sub>	3.3750	1.15192	3.907	0.00	Rejected

Source: Questionnaire Survey (Compiled by author)

The results of the study have tested 30 null hypotheses segmented within four broad aspects of EOP stated in Table 3. Among those, eighteen null hypotheses have been rejected (sig. < 0.05 with tvalue  $t > 1.65$  at 2 tail test). On the other hand, twelve null hypotheses have been accepted with the sign (sig. > 0.05 with t-value  $t < 1.65$  at 2 tail tests). According to the data presented in Table 3 projects that five null hypotheses of EOP aspect 1 coded as Planned (sig. = 0.00 with  $t = 18.231$ ), Schedule (sig. = 0.00 with  $t = 6.077$ ), Pleasant (sig. = 0.00 with  $t = 11.592$ ), Workgroup (sig. = 0.00 with  $t = 4.906$ ), and Documents (sig. = 0.00 with  $t = 7.329$ ) were rejected and remaining six null hypotheses coded Colleagues (sig. = 0.33 with  $t = -2.159$ ), Clients (sig. = 0.18 with  $t = -6.553$ ), Workstation (sig. = 0.08 with  $t = -8.666$ ), Tour (sig. = 0.14 with  $t = -1.486$ ), Booklets (sig. = 0.10 with  $t = 6.810$ ) and Party (sig. = 0.08 with  $t = -7.350$ ) were found to be accepted.

The higher mean value of these variables proves that the sample banks are somewhat successful in attaining some of the event management issues of EOP. According to the respondents, the orientation programs are effectively planned (4.1597), have maintained schedule (3.6111), the programs are arranged in a pleasant environment (3.8264), and the necessary joining documents (3.4931) are provided appropriately. The new hires are also introduced to their workgroup members duly (3.6250). In contrast, most of the private banks of

Bangladesh do not have the practice of introducing new hires with the colleagues of another department (2.8611) as the number of staff is very few. The mean value of the client's orientation (2.5347) variable was found very low as most of the banks do not conduct such event during EOP. Most of the new hires are self-introduced with valued clients. Hence, some banks claim that they do such practice on a limited scale during EOP, and only high-profile clients are being introduced with the inductees.

Generally, the office facility tour (2.8750) is not practiced during EOP as most of the branches have limited space and no formal or separate event is necessary. However, the workstation (2.3681) of the new hires should be prepared well in advance, which is poorly managed in the sample banks. In most private banks, the reception party (2.4097) is not organized for the junior officer/assistant officer entry. Hence, especial banquet parties in star-rated hotels or convention centers are organized mainly for the management trainee officer entries. According to the experts, some newly raised banks cannot afford to arrange a reception party for the new hires due to the shortage of the budget. Most of the private banks do not provide induction booklets (2.5208) to the inductees, and the lower mean value of this variable puts the evidence in favor of that. However, the mentors and trainers share their presentation slides and some causal printed handouts as reading materials. According to the above findings, it could be summarized that the sample banks are somewhat successful in the event management part of EOP if the unessential issues like facility tour and client induction are overlooked.

Seven null hypotheses under EOP broad aspect 2 coded as Qualified (sig. = 0.00 with  $t = 14.456$ ), Banking (sig. = 0.00 with  $t = 16.327$ ), Flexible (sig. = 0.00 with  $t = 13.474$ ), Consult (sig. = 0.01 with  $t = 3.354$ ), Information (sig. = 0.03 with  $t = 1.000$ ), Generosity (sig. = 0.00 with  $t = 5.946$ ), and Question (sig. = 0.00 with  $t = 7.091$ ) have been rejected. These results also denote that the sample private banks are effective in ensuring the learning environment management issues of EOP. The higher mean value of these variables gives a testimony that the mentors of the orientation programs are highly qualified to facilitate learning (4.0764), enough flexibility is ensured to create a better learning environment (3.9514), the new hires could consult with the colleagues to start a new task (3.3472), and they could ask questions freely (3.7986) to the mentors or superiors if needed.

However, instructions on banking operations are provided effectively (4.0903), and it bears the second highest mean value amongst thirty variables. According to the respondents, their senior colleagues have shown utmost generosity (3.4722) in sharing necessary information. The new hires are familiarized and trained in the bank's management information system (3.0903) during EOP. Therefore, it is evident from the study that the sample private banks are mostly successful in ensuring a good learning environment for the inductees. Nevertheless, only two null hypotheses under EOP broad aspect 2 coded as Guideline (sig. = 0.07 with  $t = 3.379$ ) and Feedback (sig. = 0.06 with  $t = 7.061$ ) were accepted. According to the respondents, the issues like providing instructions or guidelines (2.3611) to the new hires before assigning a new task is not attained successfully, and feedback on learning progress (3.7153) is not provided regularly. It means that the mentors of the EOP may have some lacking in facilitation skills, or they are little reluctant due to their preoccupations.

Null hypotheses coded as sincere (sig. = 0.02 with  $t = 5.052$ ) and commitment (sig. = 0.00 with  $t = 8.661$ ) of the EOP broad aspect 3 are found rejected in the test. It seems that the sample banks' superiors are sincere in ensuring a comfortable environment (2.6389) for the newcomers at a lower degree as the mean value of this variable is found very low. Hence, they were also found committed to making the program successful (3.6667). On the other hand, two null hypotheses coded as Attention (sig. = 0.09 with  $t = 4.525$ ) and Team spirit (sig. = 0.10 with  $t = -2.625$ ) were found accepted. The result signifies that the superiors of the sample banks were less attentive (3.4097) to the program, and the lower mean value of the variable "sincere" (2.6389) gives testimony to this finding as lack of sincerity may lead to lack of attention to the EOP. According to the experts, most of the superiors remain busy and preoccupied with their tasks, and as a consequence, they could not manage much time to pay attention to EOP. However, the sentiment of team spirit is somewhat absent in banking culture, which was also reflected during EOP.

According to the experts' opinion, the culture of teamwork or teambuilding is a new issue in Bangladeshi corporate culture. Our traditional management practice still cherishes the bequest of British colonialism. Therefore, the essence of hierarchy and the stance of individualism are alive in our organizational culture, which is gradually thinning teamwork (2.7986) among the bankers. Akhter (2012) had also given a similar statement in his research work, indicating the poor teamwork among the Bangladeshi bankers and how it affects the service quality of a bank. Though this issue has surfaced a harsher reality of our corporate culture in general, most of the multinational banks operating in Bangladesh have succeeded in promoting a higher degree of team spirit in the fabric of their banking culture through different organizational development interventions. The experts are very optimistic about the cultural transformation of the domestic banks in the near future.

Four out of six null hypotheses from EOP broad aspect 4 coded as Job Description (sig. = 0.00 with  $t = 3.684$ ), Benefits (sig. = 0.00 with  $t = 7.541$ ), Payroll (sig. = 0.02 with  $t = 2.329$ ), Leave (sig. = 0.00 with  $t = 3.907$ ) were rejected in the test. It also testifies the sample private banks' success in communicating human resource policies to the new hires'. The results show that the human resource team of the sample banks are effective in reviewing the job description rightly (3.3264) to the newcomers, the payroll policies are covered in detail (3.2708), the benefits are

explained clearly (3.7014), and the leave policies are also explained elaborately (3.3750). On the contrary, only two null hypotheses from EOP broad aspect number 4 coded as expectation (sig. = 0.06 with  $t= 6.665$ ) and custom (sig. = 0.11 with  $t= -7.480$ ) were found accepted in the test. Opinions of the respondents were negative concerning the clarity of the employer's expectation (3.4444), and they were not acquainted with the organizational customs & etiquettes (2.3750) during EOP. According to experts, employers' expectations changes over time, and it is also unpredictable. Therefore, it is very challenging for the HR team to predict, summarize, and convey those expectations in a single program. However, orientation with the organizational customs & etiquette is a widespread event of EOP, which were not ensured with due diligence in some of the sample banks.

## 5 DISCUSSION

The study project's overall success of EOP conducted in the private banks of Bangladesh. It has also exposed the future potentials of banking industry concerning the functional effectiveness of orientation programs. However, the sample banks should improve the functional effectiveness of the EOP by overcoming the weaknesses exposed by the study. Organizers of the EOP must show their diligence regarding the preparedness of the new hire's workstation well in advance. The workstation should be augmented with new furniture and should be arrayed with necessary stationeries and equipment. All the new hires should be welcomed with a colorful banquet at external venues like convention centers or luxury hotels. The sample banks were found successful in ensuring an effective learning environment for the inductees. Hence, the mentors are advised to assist the inductees by providing specific instruction or guidelines before assigning them new tasks or duties. Feedback on the learning progress should be provided regularly, and the mentors should be well versed in learning management. Apart from providing feedback to the new employees, they should solicit feedback from them regarding the program and their individual needs.

The branch managers of the private banks must give personal attention to the inductees during EOP and track the program's progress meticulously. They must audit the performance of the mentors and monitor the development of the inductees. The mentors should be sincerely active in engaging the inductees in learning and adapting. Hence, they should be made free from the regular official duties during EOP to be more effective. However, the sentiment of team spirit could be stimulated among the novice bankers by conducting teambuilding exercises with their senior colleagues during EOP. Such exercise may help the inductees to learn quickly and acclimatize with the new environment. Organizing team building events like outward bound training could be an effective intervention in this regard. Day-long "Meet the management" conclave could be organized during EOP to convey and clarify the employers' expectations to the inductees, and they should be allowed to converse freely with their employers during the program. However, the bank's top leadership must join the event to inspire young bankers to thrive for a successful career. It will be very beneficial for the inductees if a hands-on training session on organizational customs & etiquette is organized to groom them as professionals. The session may be organized away from the office environment to get the best outcome. IDLC Finance Limited of Bangladesh organizes special grooming sessions named "IDLC Pulse" to teach dress codes, table manners, and corporate etiquettes, which could be included in the EOP of sample banks.

## 6 CONCLUSION

This research paper tried to measure the functional effectiveness of the employee orientation program conducted in Bangladeshi private commercial banks. Here, the functional effectiveness of EOP was categorized into four broad aspects where thirty specific functions under those broad aspects were tested. According to the hypotheses testing results, eighteen null hypotheses had been rejected, and twelve were accepted, which denote the overall success of the EOP. The sample banks were found somewhat effective in event management aspects of EOP. Under this broad aspect, the specific issue, including planning, scheduling, and maintaining a pleasant environment, were found successful. Hence, the effectiveness of three critical issues, including well-arranged workstations, providing induction booklets, and an invitation to the reception party was found unsatisfactory. The private banks have achieved a commendable success in attaining the learning environment aspect of EOP. Here, most of the functional issues were found notable and had shown high statistical significance. The remaining two broad aspects of EOP were found in a reasonable state of functional effectiveness.

A modern-day business cannot succeed if it is trapped in the constant cycle of hiring and losing talented employees. They must endeavor to retain talents to sustain the performance and growth of the organization. Employee orientation is a significant function of the staffing process that builds the first association between employer and employee. Such bonding may last long if EOP is functionalized appropriately. An effective EOP should trigger employee retention initiatives by creating a positive impression of the bank on a very first day. Top

management and all regulatory agencies of banking industries should acknowledge the result of this study and use it to facilitate the functional effectiveness of EOP. However, the researchers of applied behavioral science discipline may widen the research scope to other economically significant and human resource-intensive sectors, including readymade garments, hospitality & tourism, and steel manufacturing industries to reveal the reality of this vital function of HRM.

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## The role of HR capabilities during external change in Saudi Arabia

Abdulrahman Basahal, Chris Forde, Robert MacKenzie

### ABSTRACT

**Purpose** – State-led initiatives in Saudi Arabia have focused on ‘localisation’, a term, which here is taken to mean a state-led process to increase employment of workers from the local labour market, and displace workers from other countries. In Saudi Arabia, the ‘Nitaqat’ regulations in 2011 required private sector firms to recruit more Saudi nationals, limiting their access to the non-Saudi labour market, and penalising firms that did not comply. To cope with these staffing requirements, firms have been incentivised to upgrade their approaches to HRM. Drawing on the concept of Dynamic Capabilities, this study examines the development and use of human resource capabilities shortly after these regulations were implemented.

**Aim** – To understand the role of operational and dynamic HR capabilities in organisations’ abilities to manage external change.

**Design/methodology/approach** – The paper uses a case study design and drew on both primary and secondary data collected in 2013-2014. Data were 17 primary semi-structured interviews with key decision makers of three private firms, and secondary government documentation on Nitaqat were analysed by means of a content analysis approach.

**Findings** – The present research reveals that HRM capabilities do not automatically lead to innovation or successful adaptation to external change, but rather, outcomes depend on how HR strategies interact with, and are shaped by other contextual, environmental factors.

**Limitations of the study** – The study is limited by its relatively small number of cases, and focus on a single country context.

**Practical implications** – The results may bring awareness as to the role of socio-cultural context in operational and dynamic HR capabilities and this knowledge can benefit companies that face similar external pressures in the successful development of their capabilities.

**Originality/value** – The originality of the paper lies in its detailed consideration of how HR capabilities shape, enable and constrain strategic choices during external change. It also points to the vital importance of sociocultural context in understanding how firms navigate change, with the use of HR capabilities being shaped considerably by this context in Saudi Arabia.

### KEY WORDS

dynamic capabilities, human resource management, external change, regulation, Saudi Arabia, localisation, Nitaqat

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## 1 INTRODUCTION

This paper uses the concept of Dynamic Capabilities to offer valuable insight into how organisations use human resources to manage external change. The role of human resource activities in contributing to the competitive advantage of organisations has been increasingly recognised in research over the last 30 years. In particular, the resource-based view of the firm has highlighted that resources that are valuable, rare, inimitable and non-substitutable in nature can provide organisations with a sustained competitive advantage, and that many human resources do fit this description (Barney et al, 2001; Collins, 2020). However, the static nature of resource-based view theories and the lack of attention paid in these models to the external environment has been the subject of criticism.

Dynamic Capabilities approaches consider how organisations can develop capacity, including HR capabilities, to sustain competitive advantage as external environments change (Garavan et al., 2016; Hansen et al., 2019; Lopez-Cabrales et al., 2017). Operational HR capabilities can provide firms with greater control over HR processes during

### CONTACT INFORMATION:

Abdulrahman Basahal / King Abdulaziz University, Saudi Arabia / asbasahal@kau.edu.sa

Chris Forde / University of Leeds, UK / cjf@lubs.leeds.ac.uk

Robert MacKenzie / Karlstad University, Sweden / robert.mackenzie@kau.se

change, whilst dynamic capabilities can help firms to respond strategically and deliberately to the changing environment (Maatman et al., 2010). To date, research into how capabilities facilitate or constrain firms' management in specific contexts and circumstances remains very limited. The development of dynamic HR capabilities may depend upon the presence of a baseline level of operational HR capability within firms, and some capabilities may be particularly helpful in navigating change (Ambrosini et al, 2009; Teece, 2018; Hansen et al, 2019). Furthermore, the development of HR capabilities at the organisational level may be shaped by particular institutional and socio-cultural contexts, which will impact upon firms' abilities to manage change (Eisenhardt & Martin, 2000).

This central question addressed by this paper is: what is the role of operational and dynamic HR capabilities in organisations' abilities to manage external change? The focus of the paper is on Saudi Arabia during a period of state-led regulatory reform of the labour market. The last decade has seen significant changes to both the Saudi Arabian economy and labour market (Cherif, 2020). Oil revenues have declined radically and this has led to pressures to develop the rest of the economy and address low levels of productivity. State-led initiatives have focused on 'localisation', a term which means a process through which the state seeks to increase employment participation of Saudi workers and displace workers from other countries. The 'Nitaqat' regulations in 2011 required private sector firms to recruit more Saudi nationals, limiting their access to the non-Saudi labour market, and penalising firms that did not comply. To cope with the quantitative staffing requirements under Nitaqat, firms have been incentivised to upgrade their approaches to HRM through investment in staff retention, training and development (Forstenlechner, 2009).

As part of Nitaqat, but not subject to sanctions and penalties, the Saudi government also sought to 'feminise' parts of the labour market and encourage firms to employ more female labour (Ministry of Labor, 2013). However, participation of women in the labour market remains relatively low in Saudi Arabia, and is concentrated in the public sector, whilst religious laws mean that physical gender segregation is widespread, meaning that firms' labour strategies and use of women as a response to the Nitaqat regulations may be varied in practice. Socio-cultural context such as this is a neglected dynamic in research on strategic HRM and capabilities. The Nitaqat regulations in Saudi Arabia thus provide an interesting empirical lens through which to explore how HR capabilities are developed within different firms, and the challenges firms face in utilising capabilities to manage change within a very particular sociocultural context.

This paper draws on three detailed case studies of private sector organisations to explore the varied HRM responses of firms to Nitaqat. The paper draws on 17 semi-structured interviews with key decision makers within firms, allowing insight into the development and implementation of capabilities and responses to the localisation initiative within firms. There are two main contributions of the paper. First, that operational and dynamic HR capabilities can indeed enable firms to respond more effectively to external change, enabling innovative actions, and in some cases allowing the development of further dynamic capabilities. Similarly, a lack of operational and dynamic capabilities may significantly constrain some organisations' strategic choices. Secondly, the research shows how state-firm relations, and the socio-cultural environment do shape organisations' responses to change and their HR capabilities. Strong state-firm relations opened up and facilitated the development of capabilities within some firms, allowing them to respond more effectively to Nitaqat. Increasing participation of women in the labour market, and religious authority accommodation of mixed-gender workplaces facilitated the HR strategies being pursued by some firms, whilst for other firms, the use of female labour only in limited roles acted as a longer-term constraint on their abilities to navigate change. The paper argues that more attention needs to be paid in research to how such socio-economic contexts impact upon strategic HR choices and the management of change.

The remainder of the paper is structured as follows. Section 2 reviews debates on dynamic capabilities and HRM, before looking at the changing labour market in Saudi Arabia and the development of the Nitaqat programme. Section 3 sets out the case study methodology used in the paper. Section 4 presents the findings, with each case covered in turn, followed by an overall analysis of findings in Section 5. Conclusions and implications follow.

## 2 THEORETICAL REVIEW

### 2.1 DYNAMIC CAPABILITIES AND HUMAN RESOURCE MANAGEMENT

Dynamic Capabilities is one of a group of theories that seek to understand how organisations achieve and sustain competitive advantage, paying particular attention to responses to external environmental change (Barreto, 2010; Laaksonen & Peltoniemi, 2018). Unlike the more static resource-based views of the firm, which are focused on the identification of resources which contribute to competitive advantage, rather than processes of change, dynamic capability theories focus on how the evolving external environment shapes and constrains organisational choices (Ambrosini et al., 2009). Capabilities can be split between those that allow a firm to survive and function (operational capabilities) and those that enable the firm to prosper and adapt to change (dynamic capabilities)



(Teece, 2007). Organisations may vary in their abilities to purposefully, deliberately extend or modify their resources and adjust to change (Barreto, 2010), with those with the strongest dynamic capabilities able to collectively create the ability to sense external changes (and opportunities) take advantage of them to maintain competitiveness (Teece, 2007).

Critical to this approach, then, is the issue of how capabilities are created and used the extent to which they give organisations the capabilities to operate in certain environments (Ambrosini et al., 2009; Eisenhardt & Martin, 2000). This process of acquiring new resources or capabilities can come from the relatively slow process of internal investment or the quicker, but potentially more expensive, approach of external acquisition. Thus, if a given set of skills are widely available in a given economic system, they can be acquired relatively easily if additional capabilities are suddenly needed. If they are not readily available, firms either enter into competition to acquire these or have to spend time and resources on internal capability building. Some organisations may be better suited and prepared to undertake this internal capability building than others. (Lopez-Cabrales et al., 2017).

This suggests that the processes through which HRM capabilities are developed within firms are worth considering in more detail (Tsai and Shih, 2013). Dynamic capability approaches have increasingly recognised the important role of HRM capabilities in contributing to competitive advantage (Maatman et al., 2010; Hansen et al., 2019). These capabilities can be operational, developed through day-to-day transactional HR activities, or dynamic, developed through more strategic and deliberate approaches to recruitment and selection, training, work design, often configured through a high-performance work system (Maatman et al., 2010; Wei and Lau, 2010). The HR function can therefore play a number of roles in the development of capabilities. It can ensure a minimum level of 'operational, zero-level' HRM activities to ensure human resources can be deployed effectively (Maatman et al, 2010). HR departments can also scan the environment and develop dynamic responses to ensure ongoing fit between organisational activities and environmental change.

Existing HR capabilities may also enable the development of further capabilities (Garavan et al., 2016). A benefit of prior investment in HRM capabilities is that this may give organisations a wider set of choices and to be able to plan and deal more effectively with a new situation (Easterby-Smith et al., 2009; Tsai & Shih, 2013). Similarly, low levels of existing HR capabilities may mean that organisations are constrained in their abilities to adapt (Maatman et al, 2010; Teece 2007). In effect, the existence of HRM capabilities and an already-present strategic approach to HRM may create the space for further elements of capabilities to be developed during change.

## 2.2 THE CHANGING LABOUR MARKET IN SAUDI ARABIA

Over the last decade the Saudi Arabian economy has undergone major changes (Cherif, 2020). Rapidly declining oil revenues, rising domestic unemployment and low levels of productivity (Maisel, 2017) led the state to embark on a significant labour market change programme. There has been a renewed interest in Saudization, in which firms are required to recruit domestic nationals in preference to foreign workers; similar 'localisation' initiatives have become a common theme across the Gulf Cooperation Council states (Forstenlechner, 2009). In Saudi Arabia, the Nitaqat (meaning 'bands' or 'ranges') process was introduced in 2011 (Alshabri, Khalfan, & Maqsood, 2015; Sadi, 2013), following earlier, largely voluntary localisation initiatives in the 1990s and early 2000s. Nitaqat regulations placed quota requirements at the firm level on the recruitment of Saudi employees (Alshabri et al., 2015). These quotas varied across sectors and size. Targets were also established for salary levels of local workers, requiring firms to pay Saudi workers a minimum monthly salary of at least SR 3,000 (USD 800) to be included in quota counts (Ministry of Labour, 2013). As Peck (2014) notes, at the time of Nitaqat, the average wage in some private sector firms for a foreign worker could be around half of that of a Saudi worker, with Nitaqat effectively bringing in a minimum wage for Saudi workers and shaping organisational responses.

Nitaqat regulations also incentivised firms by awarding credits for their employment of Saudi women and came alongside policies to 'feminise' some parts of the private sectors by increasing participation of women (Ministry of Labour, 2013; Elamin Abdallah & Omair, 2010; Sidani, 2005). Increasing female participation in the labour market was not the primary aim of Nitaqat, and firms could comply with Nitaqat without engaging in any feminisation of their workforce, however, increasing participation levels of women did provide many private sector firms with a new source of local labour.

The socio-cultural context of Saudi Arabia is vitally important to consider when seeking to understand firms' use of HR capabilities and their response to change. Cultural norms, socially conservative traditions and religious law and interpretations were limiting some sectors and roles that women undertake in paid work, female employment remains heavily concentrated in the public sector, and participation rates are lower than in Western economies, at around 1 in 5 women (Syed et al., 2019) Alongside this there were extensive physical gender segregation, with women generally not permitted to work alongside men, either as co-workers or customers (Al Asfour, 2017).

Localisation, in various guises has become a common policy but in most of the smaller Gulf States it has been primarily focussed on ensuring own nationals take key roles in the public sector and the petrochemical industry, without specific quotas (Forstenlechner, 2009; van Gestel & Nyberg, 2009). The Saudi approach was different with targets being more strictly enforced, with incentives and penalties for different levels of performance (Alshabri et al., 2015; Sadi & Henderson, 2010). Organisations that did not meet Nitaqat requirements faced restrictions in securing and renewing visa permits to employ foreign workers in the future and received very small levels of training and recruitment subsidies for the Saudi workers they did employ. Firms that complied to a high level received more extensive subsidies, gained access to more visas to employ foreign workers, and secured assistance and guidance from the Saudi Labour Ministry around recruitment, training and development. Firms that exceed the Nitaqat requirements were also able to 'poach' workers from other firms (but the reverse was not permitted) and had greater freedom to amend job roles for their workers, something which provided them with considerable flexibility in a highly regulated regime of employment (Peck, 2014; Alshabri et al., 2015).

Traditionally HRM practice in the Gulf region has been underdeveloped, with many states relying on foreign workers who were tied to firms by their visa. Hiring and firing approaches towards foreign labour were used extensively, with relatively low investment in skills and development of Saudi workers (Budhwar et al., 2018). In this context, localisation has been seen as a means through which HRM can help upgrade the Saudi national economy with the setting of employment quotas for home workers typically necessitating changes to recruitment and selection practices, and in some cases training, development, appraisal and pay systems (Budhwar et al., 2018; Singh & Sharma, 2015). In the case of Nitaqat, it was expected that the requirements for compliance would force firms to invest in HRM capabilities to cope with the new demands. The extent to which Saudi firms were prepared for these changes, for the stricter regime of enforcement in Nitaqat compared to earlier localisation initiatives, and for the upgrading of HRM are issues which are considered in the empirical part of the paper.

### 3 METHODOLOGY

The research utilised a case study approach, based on qualitative interview data, to understand the early responses of Saudi private sector organisations to the state-led localisation regulations, known as 'Nitaqat', between 2011 and 2014. Multiple cases were carefully selected to allow for broader exploration of the research question (Creswell, 2016). The cases were three private sector firms that offered variations in their levels of compliance with the Saudization quotas before and after Nitaqat, and with variations in HRM capabilities.

The three specific cases investigated in this study were three Saudi owned, private sector firms. One was a chain of fast food restaurants (called FastFoodCo), the second was a firm that manufactured glassware (identified as GAGlassCo) and the third was a Sugar manufacturing firm (SugarMillsCo). At the time of Nitaqat, in 2011, both FastFoodCo and GAGlassCo would not have met the quota ratios required under localisation. SugarMillsCo, on the other hand, already had 57% of its workforce as Saudi nationals at that time. By 2013, all three firms were meeting Nitaqat requirements, with FastFoodCo having improved its proportion of Saudi workers to 21% and GAGlassCo to 32%. SugarMillsCo remained compliant but had dropped to 53% localisation.

Case study research requires the use of multiple sources of data to enhance the quality and strengthen the validity of the study (Cassell et al., 2006). To this effect, the study drew on three data sources: individual in-depth interviews, information of each firm's labour force between 2011 and 2013, and published government documentation on Nitaqat. The primary data source consisted of 17 in-depth interviews with key decision makers of the three Saudi firms that formed the cases of this study, allowing insight into the development and implementation of strategic choices within firms. Respondents are detailed in Table 1, these included decision makers within and outside HR, as well as general managers, and in some cases specialist training and development specialists, and managers' whose role involved direct liaison with the state over Nitaqat and other policies.

The interviews were carried out in 2013-2014 and focused on the early responses of the study population to Nitaqat. A semi-structured interview protocol was adopted, with questions around HR and labour strategy, engagement and responses to Nitaqat, and challenges experienced. More specifically, a first set of questions aimed to understand the impact of Saudization and Nitaqat in particular on firms and the Saudi labour market in general. These questions allowed for assessment of participants' knowledge and perceptions of these regulations. A second set of questions related to the impact of Nitaqat on participants' own workplace and particularly on how this government-led initiative has changed the HRM role and practices in their firm. A last set of questions sought to understand how participants perceived the potential impact of non-compliance with Nitaqat. The aim of these questions was to get a better idea of how important participants felt that it was to comply with Nitaqat regulations. Flexibility in the interview schedule was incorporated to allow for discussion of emergent issues.

Table 1: Fulfilment Grade of OA and Linked Bonus Level

FastFoodCo	GAGlassCo	SugarMillsCo
Regional General Manager	Executive Director	Chief Executive Officer (CEO)
Human Resources Director (HR. Director)	Administration manager	Human Resources Director (HR. Director)
Regional Recruitment manager	Recruitment officer	Resourcing Manager
Regional personnel and government affairs manager	Plant Operations Manager	Government Affairs Manager
Manager of Staff Training and Development	Government affairs officer	Training and Development Managers
Regional operations manager		Chief Operating Officer (COO)

Source: Considered Company

The interviews were conducted in Arabic by a bilingual researcher and lasted from a minimum of 30 minutes to a maximum of 120 minutes each. The interviews were recorded and then translated into English; the initial translation tried to keep the idiomatic nature of the Arabic and was used to code the responses (Santos et al., 2015). Where a quote is provided in the results section, the English has sometimes been adjusted to make the meaning clearer to native English readers. A thematic analysis approach was used to pinpoint, examine, and record patterns (or themes) within data. At the end of this process, the research produced some overall insights as patterns, themes and categories which emerged from the data, such as specific challenges and tensions faced by firms when implementing localisation programmes in their companies or major HRM decisions/practices that had been taken at different stages of the implementation.

## 4 RESEARCH RESULTS

Each case is discussed separately below, followed by an overall analysis. Specific attention is paid to how each organisation managed the requirements imposed under the localisation regulations, the role of HR capabilities was in this regard, as well as the challenges they faced.

### 4.1 FASTFOODCO

FastFoodCo was formed in the early 1970s as a fast-food restaurant chain. At the time of the interviews (2013) it employed 8,000 staff, of whom 1,700 (21%) were Saudi nationals. The company was pursuing an aggressive growth strategy and had, in the last three years, increased its number of outlets from 180 to 230. At a strategic level the organisation was committed to this expansion continuing and key staff had convinced senior management that achieving compliance with Nitaqat was essential to the success of expansion:

‘I have told the HR director to tell the shareholders, either we perform good in localisation or let them forget to open another 70 outlets in the coming years, because the government will not give us the visas we want for foreign workers’ [Regional Personnel and Government Affairs Manager, FastFoodCo].

There was some evidence that the HR function had struggled to gain support for elements of its HR strategy prior to Nitaqat. HR Managers indicated that they had been prepared to engage with localisation in earlier voluntary initiatives, but that some senior leaders in the firm were worried about the implications of recruiting more expensive, less experienced Saudi staff when they could continue with their long-standing strategy of hiring and firing foreign nationals to meet their labour needs. Senior HR managers certainly felt the firm had the HR capabilities in place to allow it to successfully manage Nitaqat:

‘Even before Nitaqat, I used to believe that localising the jobs is a strategic option for the company, and even if local workers have issues, these problems can be solved through training programmes and HRM solutions’ [Human Resource Director, FastFoodCo].

Challenges stemmed from the demanding but relatively low-skilled nature of the work within FastFoodCo. Like many hospitality firms in Saudi Arabia at the time of Nitaqat (Al-Ismail et al, 2019) the firm employed no female staff, but as the firm struggled to recruit sufficient Saudi men during their expansion, they looked to women as a new source of labour. This approach posed considerable challenges in the socio-cultural context of Saudi Arabia, in which gender segregation in roles, and physical segregation in workplaces remained the norm. At an operational level, their expansion required the establishment of a telephone call centre to organise recruitment and screening of new recruits.

FastFoodCo adopted a strategy to resource this entirely by women, allowing the organisation to maintain physical gender separation. More ambitiously, however, FastFoodCo was looking to integrate men and women working in their fast food restaurants, requiring the establishment of mixed-gendered workplaces, something that was not typical practice in Saudi Arabia. This change required the development of significant new dynamic HR capabilities related to work redesign, the recruitment and training of women into new roles, and changes to the nature of teams and supervisory structures. Crucially, it also required negotiation with the Saudi government religious authorities in order to gain permission to construct mixed-gender workplaces:

‘I had to go to the labour minister and met him personally, and then went to the Committee for the Promotion of Virtue and the Prevention of Vice (CPVPV) to convince them to consider the back line of restaurants as a production line and also showed them all the training and prevention measures we intend to take in order to reduce inter-gender interaction and prevent negative consequences... they approved it at the end’ [Human Resource Director, FastFoodCo].

The localisation programme did seek to push firms towards upgrading their HRM practices, but the approaches adopted can only be understood through explicit consideration of the socio-cultural context of Saudi Arabia. FastFoodCo’s HR strategy was shaped by increasing availability of female labour, albeit in the context of still relatively low participation rates for women in the labour market, and some restrictions on mixed-gender working. Their approach required significant negotiation with religious authorities, and approval for the strategy they wanted to follow. Once permission had been granted by state religious authorities, the firm moved rapidly from having no female staff in 2011 to 250 female employees in 2013. FastFoodCo did also seek to create clearer internal labour market structures so that local employees could professionally develop themselves and eventually fill in management and supervisory roles, which traditionally were filled by non-locals:

‘(there is a limited) supply in the Saudi labour market of well-experienced supervisors and restaurant managers because these jobs are historically filled by non-locals’ [Regional Recruitment manager, FastFoodCo].

To enable progression and internal development, the firm reduced the minimum experience levels required for promotion and provided additional support and training. This seemed to be a fruitful strategy as the number of Saudi supervisors had increased from none in 2011 to 45 in 2013, with 26 Saudis being assistant managers. By 2013, 6 (13 per cent) of these supervisory roles were occupied by women, meaning women had progressed to some degree within internal labour markets, but remained underrepresented in some of these positions. Within the firm, they remained concentrated in a smaller number of roles in the firm, particularly in call centre roles.

Prior to localisation, HR capabilities in FastFoodCo were heavily operational in nature. The HR function in FastFoodCo was very centralised, with HR activities focussing on the recruitment of workers and basic HR administration of contracts and pay. The HR function also collated necessary data to make statistical returns on employment to the Saudi authorities. These operational HR capabilities did provide a baseline level on which expansion of the firm could be built. The localisation of supervisory and management roles in the organisation represented one means through which further HR capabilities had been developed:

‘(We involve Saudi managers in) recruiting, developing, promoting and retaining local workers. This clearly has improved their commitment towards workforce localisation. No one now blames the HR department for poor recruitment and selection of local workers because today, they know they participated in the selection’ [Regional Recruitment manager, FastFoodCo].

Senior management in HR had also actively sought to develop operational and dynamic capability through significant investment in HR professional staff, to enable the firm to deal with the changes required by expansion and by Nitaqat:

'I have recruited different HR staff to support me in building different HR departments and functions to deal with different labour market challenges and government pressures ... most of HR team is recruited from a reputable large local and international firm ... who (already) had strong HR systems and successful implementation of workforce localisation... [Human Resource Director, FastFoodCo].

Effective adaptation was dependent then, upon a latent dynamic HR capability within FastFoodCo, in particular the presence of key personnel who were able to formulate and push for a more strategic approach to human resources. The firm undertook major HR changes during the first 2 years of the localisation initiative, retaining its wider strategic goal of expanding the number of fast food outlets, whilst simultaneously identifying the recruitment of female workers as a possible solution to the demands placed on them by Nitaqat. The authorisation by the state of the plans to allow women to work in the fast food outlets was of course, a requirement in order to pursue this approach, but the strategy did also draw on capabilities that were in place in the firm long before the introduction of Nitaqat. As noted above, there had been some resistance from senior leaders in the firm to calls from HR to upgrade capabilities, with these senior leaders arguing that there was little imperative to engage in far reaching HR changes (even though the capabilities to do this were in place). The shock of having to adapt to Nitaqat was a major driver to FastFoodCo being prepared to undertake change, and build on the HR capabilities it already had in place:

'I told the senior management in the company; either you take serious and immediate actions to implement Nitaqat through ensuring all the HR systems to recruit and retain locals, or you forget to sustain the business or to meet the company's strategic plan in reaching 300 restaurants by 2016 from 230 today... they choose to go with the expansion plan and they had no option but to increase the manpower budget from 10 to 25 per cent' [Human Resources Director, FastFoodCo].

#### 4.2 GAGLASSCO

GAGlassCo produced containers, tableware and perfume bottles from a single site and exports to over 100 countries. Its manufacturing plant contains the full range from production to packing the finished goods. In 2013, it employed 875 workers. Prior to Nitaqat, they had relied on non-Saudi nationals and had been unwilling to recruit Saudis to manufacturing roles, with some senior managers in the organisation holding highly negative attitudes about the attitudes of the local workforce which perhaps reflected the basis for this choice:

'Even if we offer such jobs to local workers, I doubt if anyone of them could accept this challenging job under this challenging environment. There is heat exposure in most of the fieldwork, besides the high noise coming from the furnace extraction systems and overall vacuum systems' [Plant Operations Manager, GAGlassCo].

However, even before Nitaqat, the firm had recruited substantial numbers of Saudi women to work in their finishing and packing departments. Senior staff regarded this female labour as a relatively low-cost source of labour. Senior management quickly identified that they could comply with Nitaqat regulations by expanding Saudi female recruitment further in packing and finishing areas. This strategy was adopted with the primary aim of complying with regulations, rather than being driven by any broader business strategy of expansion or innovation.

GAGlassCo expanded female employment from 10% in 2010 to 23% in 2013, maintaining strict physical gender segregation in plants. This expansion involved some modifications to work design and to operational HRM capabilities. Packing areas were expanded and air conditioning installed to improve the working conditions. Wages for female workers were slightly increased to the minimum level required to enable locally recruited workers to count towards quota targets, and working hours were adjusted to allow the female staff to take the weekend off and not work for more than 8 hours a day. While interviews revealed an awareness of the broader social and economic goals of Nitaqat, compliance was the primary driver for the actions undertaken with management:

'We breathe Nitaqat, to be in the green band it means you are inhaling oxygen and stay alive as a company, once you get in the yellow band the oxygen will reduce gradually' [Executive Director, GAGlassCo].

However, whilst GlassCo's approach to Nitaqat might be seen as successful in its own terms, there was some concern that it was not sustainable, and that constraints on developing more dynamic HR capabilities to adjust to environmental change could cause long-term problems for the organisation. Their minimal compliance strategy essentially consolidated a long-standing dual labour market within the firm. Career progression for women was

relatively limited, pay for women was at low levels, and very little training was provided. As a result, labour turnover rose in GAGlassCo over the first few years of the localisation regulations. This meant that the minimal compliance approach to Nitaqat was not a viable long-term option. GAGlassCo continued to seek to rely upon the external market to recruit further female workers, but found that this strategy had an in-built obsolescence with female workers increasingly seeking alternative employment, with more attractive conditions and progression opportunities:

‘For years, we had very efficient and disciplined local females... they stayed with us for a long time... today most of them were gone, and the newcomers have much less discipline and have no patience for the job at all.... more than 70 per cent of them don’t complete even six months with us” [Plant Operations Manager, GAGlassCo].

With relatively few dynamic HR capabilities existing in GAGlassCo, the organisation was gambling that its approach could be sustained to allow it to continue to meet the Nitaqat quotas. As with FastFoodCo, there were internal tensions within GAGlassCo between HR and senior leadership over the implementation of HR policy to meet Nitaqat. Recruitment officers and plant operations managers expressed their frustration at the lack of attempts to invest in more dynamic HR capabilities:

‘The CEO or the administration manager think if they fill the cracked water tank every day (by new women recruited in packing jobs), things will be fine, but they don’t know or they are ignoring the fact that...the crack is still widening (turnover). At any time the whole tank could break. Sooner or later the crack has to be fixed or at least should be reduced.... It might look to you that we have a high number of female workers but every month 10 of them leave us, and we hire another 10. This is very time-consuming. .... The top management prefers to put high pressure on us to fill the gap of those who left and ignore to look or give time to know the reasons behind the turnover...’ [Recruitment Officer, GAGlassCo].

GAGlassCo’s strategy did begin to look increasingly risky, due to its reliance on meeting quantitative Nitaqat targets through the employment of more women in very specific, limited, roles in the organisation. However, its relatively low levels of operational and dynamic HR capabilities placed significant constraints on adopting an alternative strategy.

### 4.3 SUGARMILLSCO

SugarMillsCo was a sugar refining company. Historically, it had received tariff protection from the Saudi authorities that allowed it to dominate the Saudi market, with around 60% market share at the time of the research. At the time of Nitaqat it had 800 employees. Even before Nitaqat, in 2011, Saudi nationals made up 57% of SugarMillsCo’s workforce, and 65% of managers, half of engineers and other specialists and 84% of the supervisors. The company was already exceeding Nitaqat targets, and the majority of Saudi employees were in high-skilled technical and managerial roles. Despite being ahead of compliance for Nitaqat, there was no engagement, unlike GAGlassCo and FastFoodCo with the feminisation elements of the regulations. The organisation employed no female workers in 2011, and with the lack of compulsion in Nitaqat to increase female employment, the firm was not seeking to address this:

‘Our refinery is not equipped for the employment of women ... it is a hazardous environment, a massive refinery, and not safe for women. The jobs offered to females in other factories are limited to packing jobs where you can isolate females. Here in our refinery, we don’t need any manual packing services almost all the packing area is automated’ [Chief Operating Officer, SugarMillsCo].

Rather, automation was central to the workforce strategy being pursued by SugarMillsCo, even prior to Nitaqat. Senior management in SugarMillsCo had anticipated likely changes to labour market regulation, with potential limits on the use of foreign workers, and had embarked on an automation programme to reduce reliance on these workers in the years leading up to Nitaqat:

‘Top management and shareholders have examined the possible future impact on operation in such unpredictable and unstable labour laws. So they decided to go with another automation project to be accomplished in different stages in the next 3-4yrs costing the company 48 million US dollar aiming to free the company from dependence on casual foreign labourers. This will ensure the sustainability of the business in the long run’ [Chief Executive Officer, SugarMillsCo].

The firm had developed a strong relationship with the state and had agreed to commit to localisation much earlier than Nitaqat to reciprocate for the state support they had received in the form of extended tariff protection. This meant that the organisation was already in a strong position to meet the localisation requirements, and they had received a significant financial injection of state funding to develop their operational HRM capabilities:

‘During the same period at that time, because of the good relationship we build with the government, we received around 700 thousand US dollars to enhance localisation, injecting this money on the employment and training of locals’ [Human Resources Director, SugarMillsCo].

The training provided focused on both technical skills but also preparation of workers for progression into managerial roles:

‘We have a very advanced learning management system in our company. Our training system aims to increase the efficiency of our employees (for both locals and non-locals), which we consider as one of our essential assets to lead the market’ [Training and Development Manager, SugarMillsCo].

This response does point to the presence of dynamic HR capabilities in the organisation prior to localisation, along with strong support from senior leadership for the HR strategy being pursued. These had certainly helped the firm to pursue its automation strategy and reduce its reliance upon foreign labour. However, this also shows that organisations do not simply engage with changes in the regulatory environment in isolation, but rather that a combination of factors shape and enable particular choices and decisions. For SugarMillsCo, the strong relationship with the state, and the financial support received from the government to pursue its automation strategy, meant that there was a strong element of reciprocity in its willingness to engage with localisation even prior to Nitaqat.

SugarMillsCo’s strong existing dynamic HR capabilities allowing it to pursue selective recruitment and provide extensive training allowed it to engage more meaningfully with Nitaqat than other organisations once it was introduced:

‘we have a social and patriotic duty to help in enabling Saudis to work efficiently and succeed in their jobs, which will at the end of the day, help our business too. We are proud of our efficient training programmes and we believe it’s one of our competitive advantages, especially after Nitaqat when the competition has increased. Our training programmes are keeping us miles ahead compared to the others’ [Training and Development Manager, SugarMillsCo].

Nitaqat did create some challenges for the firm. As experienced by other firms, there was greater external competition for staff, and SugarMillsCo did see increases in turnover. The extensive technical levels of training provided by the firm, supported by strong linkages with colleges and Universities meant that other organisations increasingly sought to poach local Saudi workers from SugarMillsCo, in order to meet their own Nitaqat quota requirements. However, the company argued that it was well placed to meet these challenges, and its compliance with Nitaqat provided some protection against poaching by firms who were non-compliant.

Between 2011 and 2013, the proportion of the workforce who were Saudi nationals actually fell from 57% to 53%, yet this still allowed them to easily meet Nitaqat objectives for their sector. This fall reflected the success of the automation strategy in reducing the overall headcount rather than being a calculated plan to reduce Saudi employment. In this case, the adoption of a strategic approach to HRM also provided the basis for the development of further operational capabilities after Nitaqat to monitor implementation and compliance. In particular, SugarMillsCo had introduced systematic workforce localisation targets to the KPIs of unit managers, as it looked to develop a greater fit between HR practices to help meet Nitaqat regulations.

## 5 DISCUSSION

This study sought to understand the role of operational and dynamic HR capabilities in organisations’ abilities to manage external change. The last decade has seen significant changes to both the Saudi Arabian economy and labour market (Cherif, 2020). One state-led initiative, called Nitaqat, has had a significant impact in particular. Nitaqat was firstly implemented in 2011 and required private sector firms to recruit more Saudi nationals, limiting their access to the non-Saudi labour market, and penalising firms that did not comply. This qualitative case study provided an in-depth understanding of how Saudi firms have developed and used their HR capabilities to respond to this changing environment.

The analysis takes our understanding of dynamic capabilities forward in two ways. First, the research shows that operational and dynamic HR capabilities can enable firms to respond more effectively to external change. The results demonstrate that for many firms, Nitaqat indeed created strong pressure to adopt a structured approach to the development of specific HR capabilities, notably in workforce planning, job design, and recruitment and selection and employee development and progression. This resulted in a successful and much-needed re-evaluation of their HR practices.

From the three cases in this study, FastFoodCo's approach involved the most significant changes. Alongside existing HR capabilities, they had developed some new capabilities enabling them to pursue an innovative approach to extend Saudi employment through the introduction of mixed-gender workplaces in its fast-food restaurants. GAGlassCo relied almost entirely on existing operational HR capabilities, which other studies have highlighted as important to help firms manage change (Maatman et al., 2010; Wei and Lau, 2010). Yet, their minimal compliance approach to Nitaqat, and their mere reliance on existing capabilities to navigate the changing environment of Nitaqat was problematic in the longer-term, clearly demonstrating the importance of modifiable HR capabilities.

GAGlassCo's reliance on a strategy to meet Nitaqat by continuing to employ more women but in a very limited range of roles, within a segmented internal labour market, and with limited progression opportunities had a built-in obsolescence as women increasingly sought employment elsewhere and turnover increased. In alignment with these findings, other studies have shown how a lack of dynamic capabilities can constrain choices and responses and ultimately hurt a firm (Garavan et al., 2016; Hansen et al., 2019).

SugarMillsCo's strong existing operational and dynamic HR capabilities meant that they were able to comply straightforwardly with Nitaqat, although their approach did not extend to engagement at all with the feminisation aspect of the regulations. Together the findings provide new evidence that indicate that HRM capabilities can be important in providing the 'operational zero-level' resources (Maatman et al, 2010) required to allow firms to adjust to external change. Indeed, the findings were in line with previous research that has demonstrated the relevance of operational and dynamic HR capabilities in successfully responding to external change (Ambrosini et al., 2009; Lopez-Cabrales et al., 2017). In addition, the findings confirm earlier research that demonstrates that the prior existence of operational and dynamic capabilities can provide a springboard for firms to innovate further and to develop new dynamic capabilities (Ambrosini et al., 2009; Lopez-Cabrales et al., 2017).

The second main contribution of the paper is to highlight how important contextual factors are in understanding how organisations respond to external change. Some aspects of context, and the role they play in shaping and constraining the development of HR capabilities have been highlighted in other studies (see Teece, 2018). However, socio-cultural factors are usually not taken into account in Western-based research. Yet, they are important to consider, as suggested in this study. Our paper indeed foregrounds the socio-cultural context of Saudi Arabia in which religious laws and dominant norms around the role of women in society continue to impact the operation of the labour market.

SugarMillsCo's response to external change was shaped by its long-standing close relationship with the state, which placed it in an advantageous position compared to others in the sector to use existing HR capabilities to respond rapidly to the quota requirements of Nitaqat. However, it did dismiss the idea of recruiting women during Nitaqat, despite its enthusiastic engagement with other aspects of the regulations. With feminisation of the workforce not being the central aim of the regulations, and not enforced by sanctions, its' strategy had strong elements of continuity with its' long-standing practices.

The socio-cultural context of Saudi Arabia was particularly important to understanding the use and development of capabilities in FastFoodCo and GAGlassCo. The success of FastFoodCo's strategy was indeed crucially dependent on the approval and support of state religious authorities, suggesting that socio-cultural context plays a particular role in enabling HR capabilities. Their plans to create mixed-gender restaurants involved significant negotiation and required permission from Saudi government religious authorities. Supported by these findings, Eisendhardt and Martin (2000) argued that different capabilities are needed for different market conditions and the external environment will influence what level of capabilities are needed both for basic functioning and for firms to gain a competitive advantage (Ambrosini et al., 2009). Indeed, whilst their planned strategy was innovative, other aspects of the FastFoodCo's HR strategy reveal how the organisation continued to work within the prevailing institutional and societal norms around the role of women in the labour market, with physical gender segregation being maintained in the new call centre it created which was staffed entirely by women. GAGlassCo also sought to achieve localisation by using more female workers while highlighted the importance of maintaining physical segregation.



## 6 CONCLUSION

The paper has revealed new insights into how HR capabilities are used within organisations, how they can facilitate the management of change, and the socio-cultural challenges firms face in utilising capabilities to manage change within specific contexts. Sociocultural context is a particularly important consideration, neglected in many Western based studies of strategic HRM. In this regard, the present research reveals that HRM capabilities do not automatically lead to innovation or successful adaptation to external change, but rather, outcomes depend on how HR strategies interact with, and are shaped by other contextual, environmental factors. Whilst this is an important finding, the limitations of the study are also worth noting. The study is based on a relatively small number of cases, across different sectors. Further research might consider whether the findings can be applied more widely. A further limitation of the research is that it has focused on just one country, Saudi Arabia. Whilst this has illuminated the importance of socio-cultural context in shaping HR capabilities and adaptation to change, further research would be needed to see whether the findings apply in other, different contexts.

The practical implications of these findings arise from the greater awareness that this paper brings of the importance of socio-cultural context to the development of operational and dynamic HR capabilities and their capacity to enable or constrain change. Organisations facing a changing external environment may be able to draw upon existing HR capabilities to help them manage change, whilst a knowledge of gaps in HR capabilities may enable firms to recognise which areas need further investment or development, to allow them to deal with change. Different capabilities may be more or less valuable for managing change in particular socio-cultural environments, as this paper has demonstrated. A mapping of existing HR capabilities in the areas of recruitment and selection, training, job design, employee development and progression, and a consideration of this alongside the features of the socio-cultural environment (labour market regulations, labour market participation norms, the employment system in place, religious and cultural rules and norms), can help any organisation to plan for and navigate change in the external environment. Overall, the paper points to the importance of considering context to understand the potential and actual impact of HR capabilities on outcomes during change.

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## Leader-follower moral (dis)similarity: A construct derived from ethics position theory designed for organizational ethics research

Marian Stančík

### ABSTRACT

**Purpose** – Ethics Position Theory lacks a model of a perceiver and a target person moral (dis)similarity in general.

**Aim(s)** – This paper presents a construct of Leader-Follower moral (dis)similarity derived from their individual moral ideologies designed to study ethical consequences at workplace.

**Design/methodology/approach** – Based on similarity research papers reviewed at first, a logical assumption “the more similar moral ideology the target and the perceiver person hold; the less reasons for target to act towards the perceiver against own moral standards, and at the same time, the less bias for the perceiver to misjudge the act of the target towards him/her, and vice versa” was proposed. With regards to graphical analyses of possible assessment outcomes, three internal factors – Gap, Direction and Placement – were identified, and their methodological function in terms of ethical consequences at workplace were described.

**Findings** – Parsimonious assumption proved to be a warrant strong enough to study morally similar partners. However, in case of dissimilar partners, possible latency, mediation and moderation effects among internal factors leave open ends for further research.

**Limitations** – Lack of theory and the nature of Ethical Positions Questionnaire scales – relativism and idealism – to assess partners’ moral ideologies are concerns for empirical data analysis and result argumentation.

**Practical implications** – Moral ideologies of leaders and followers, as individuals, might differ and this matter of fact yields at workplace as a mutual harmony or a moral conflict of ethical-philosophical reasons.

**Originality/value** – This paper extends Ethics Position Theory into its uncharted area and provides methodological insight to study moral decision-making phenomena related to leadership and followership from a viewpoint new to organizational ethics research.

### KEY WORDS

leader – follower (dis)similarity, relativism, idealism, moral ideology, dyadic morality

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## 1 INTRODUCTION

Becker and Useem (1942, p. 13; cited in Thompson & Walker, 1982) offered this definition of the dyad: “Two persons may be classified as a dyad when intimate, face-to-face relations have persisted over a length of time sufficient for the establishment of a discernable pattern of interacting personalities”. Another essential point made Thompson and Walker (1982) who acknowledged that personal interdependence is an essential characteristic of the dyad. In organizational research context, Williams reported that two of the oldest phenomena in group research (indeed, in social psychology) involve the very basic question of how does the presence (psychological or physical) of other people influence our motivation and performance. Moreover, Williams (2010) claim that using dyads we can examine the rudiments of leadership and followership.

Indeed, following LMX (Graen & Uhl-Bien, 1995) legacy, leader, follower and their relationship (also reported as vertical link) have become its own research domains and a vast of research followed (e.g. Abu Bakar & Sheer, 2013; Anand et al., 2010; Belschak et al., 2018; Campbell & Swift, 2006; Chun et al., 2009; Coglisier et al., 2009; Dunegan et al., 2002; Gong et al., 2012; Greguras & Ford, 2006; Kuenzi et al., 2019; Maslyn & Uhl-Bien, 2001; Muterera et al., 2018; Phillips & Bedeian, 1994; Scandura et al., 1986; Schriesheim et al., 2011; Wallis et al., 2011; Weng & Chang, 2015; Yagil, 2006). According to LMX authors, the question “What is the proper mix of personal characteristics and leader behavior to promote desired outcomes?” captures the leader-based domain. In contrast, the question “What

### CONTACT INFORMATION:

Marian Stančík / Faculty of Management, Comenius University in Bratislava, Slovakia / marian.stancik@fm.uniba.sk

is the proper mix of follower characteristics and follower behavior to promote desired outcomes?” captures the follower-based domain of research. Relationship-based approach would focus on the dyadic relationship between the leader and the follower. The critical question of interest in this case would be: “What is the proper mix of relational characteristics to promote desired outcomes?” (Graen & Uhl-Bien, 1995).

Seen methodologically, matched-reports include parallel data from both members of a relationship and provide a rigorous method for examining questions of interdependence (Wheeler et al., 2018). Discrepancy scores, correlations, agreement coefficients, ratios, conditional probabilities, and sums reports are just a sample of the techniques researchers use to represent the dyad by combining or relating individual scores (Thompson & Walker, 1982). Thus, “effect of (dis) similarity” (Parent-Rocheleau et al., 2020), “balance in perceptions” (Cogliser et al., 2009), “disagreement due to antecedents” (Loignon et al., 2019) are just examples of headlines used to title studies related to research of Leader-Follower (dis)similarity in terms of attitudes held at workplace.

In line with all studies the author of this study reviewed, a model of Leader-Follower (dis)similarity based on their moral positions seems just another application idea. And yet, the Handbook of Social Psychology definitions make evident that ideologies, values, and attitudes differ in levels of abstraction. More important, authors note that ideologies are even more abstract than single values, because ideologies subsume sets of values and attitudes (Maio et al., 2006). Hence, is there a link strong enough to interconnect individual moral ideologies and values with interpersonal attitudes at work and even mutual behavior of partners towards each other? Moreover, is the difference in partners’ moral ideologies a predictor of how ethics between two works at place? Since Ethics Position Theory (abbr. EPT) (Forsyth, 1980) has not been applied this way yet (Forsyth, 2019), there are open ends to solve.

The focus of this paper is to find answers not only to these questions and bring together arguments available to support the idea of a Leader-Follower moral (dis)similarity (abbr. EPsim/dis) model for a typical organizational ethics application. The first chapter sums up the Theory of Ethics Positions (Forsyth, 1980) for the sake of background information to build on. The second chapter presents assumptions behind the model suggested, defines internal factors of EPsim/dis and identifies their possible latency, mediation and moderation effects among each other and towards minority concepts designed to reflect specific workplace phenomena. The final chapter discusses assessment options for the field of organizational ethics research as well as methodological constrains and challenges related.

## 2 BACKGROUND TO MORAL IDEOLOGIES

The background of Ethics Position Theory (abbr. EPT) can help to explain the research problem outlined in the introduction. Back then, Schlenker and Forsyth (1977) reported that two major distinctions between three analyzed approaches to moral philosophy are notable and relevant to the present research. The first concerns the willingness to proffer the existence of universal moral codes. Deontologists assert that universal ethical principles exist and must be followed without exception. Teleologists similarly insist that universal principles exist (based on a benefit/cost ratio), though they are willing to tolerate exceptions under special circumstances. Skeptics, on the other hand, deny the possibility of developing universal ethical rules. Second, the positions differ in the degree to which they endorse idealistic versus pragmatic views. If an act fails to meet the standards of a universal rule, deontologists should condemn it regardless of the amount of harm or benefit produced by it. Teleologists are willing to tolerate negative consequences to the degree that positive consequences outweigh them and hence are more pragmatic. Skeptics should similarly be guided by consequences information, but there may be high variability across skeptical judges, with some evidencing more idealistic judgmental patterns than others (Schlenker & Forsyth, 1977). Although several different and equally valid approaches have been offered to describe individual differences in moral thought (Hogan, 1970, 1973; James et al., 1974; Kelman & Lawrence, 1972; Kohlberg, 1968; cited in Forsyth, 1980), Schlenker and Forsyth (1977) claimed developing the most parsimonious approach of all mentioned.

Table 1: Adopted from the Taxonomy of Ethical Ideologies (Forsyth, 1980).

	Low relativist	High relativist
High idealist	Absolutists	Situationists
Low idealist	Exceptionists	Subjectivists

More than four decades of research later on, Forsyth (2019) proves that people's moral judgments can be explained by taking into account their intuitive beliefs about morality and that these beliefs may vary in two basic ways – concern for the consequences of the action (idealism) and the consistency of the action with moral standards (relativism). To describe the extremes of idealism, some individuals idealistically assume that desirable consequences can, with the "right" action, always be obtained. On contrary, those with a less idealistic orientation, on the other

hand, admit that undesirable consequence will often be mixed in with desired ones (Forsyth, 1980). On the other side, in terms of relativism, some individuals reject the possibility of formulating or relying on universal moral rules when drawing conclusions about moral questions, whereas others believe in and make use of moral absolute when making judgments (Forsyth, 1980).

Relativism and idealism, as independent dimensions, yield four logical extremes of individual's moral ideology (Table 1). According to Forsyth, absolutists are principled idealists who believe people should act in ways that are consistent with moral rules, for doing so will in most cases yield the best outcomes for all concerned (Forsyth, 1980) respectively principled idealists who endorse both reliance on moral standards and striving to minimize harm done to others (e.g., deontologists) (Forsyth, 2019). Situationists are idealistic conceptualists who favor securing the best possible consequences for all concerned even if doing so will violate traditional rules that define what is right and what is wrong (Forsyth, 1980) respectively idealistic contextualists who value minimizing harm rather than reliance on moral standards that define right and wrong (e.g., humanitarians) (Forsyth, 2019). Subjectivists are pragmatic relativists who base their ethical choices on personal considerations, such as individualized values, moral emotions, or an idiosyncratic moral philosophy (Forsyth, 1980) respectively realists who do not endorse moral standards that define right and wrong or the avoidance of harmful consequences (e.g., act utilitarians, amoralists) (Forsyth, 2019). Exceptionists are principled pragmatists who endorse moral rules as guidance for actions, but admit that following rules will not necessarily generate the best consequences for all concerned (Forsyth, 1980) respectively conventionalists who tolerate exceptions to moral standards when benefits offset potential harmful consequences (e.g., rule-utilitarians) (Forsyth, 2019). In the same way, since the introduction of Taxonomy of Ethical Positions (Forsyth, 1980) a well-documented personality typology related to demography has been published by now (Forsyth, 2019).

For sake of further theorizing, equally important is the availability of vast research related to business, management and leadership (e.g. Barnett et al., 1994; Bass et al., 1999; Butler, n.d.; Demirtas, 2015; Fernando et al., 2008; Green & Wier, 2014; Hastings & Finegan, 2011; Henle et al., 2005; Ismail, 2014; Jha & Pandey, 2015; Johnson, 2007; Malik et al., 2019; Nayır et al., 2018; Pekdemir & Turan, 2015; Putranta & Kingshott, 2011; Ramasamy & Yeung, 2013; Rawwas et al., 2019; Ruiz-Palomino & Martinez-Cañas, 2011; Shukla & Srivastava, 2016, 2017; Tansey et al., 1994; Valentine & Bateman, 2011; VanMeter et al., 2013; Yu et al., 2014) as well as intercultural research (e.g. Vitell et al., 2003; Bhattacharya et al., 2018; Forsyth & O'Boyle, 2011; Forsyth et al., 2008; József et al., 2018; Poór et al., 2015; Smith, 2009; Swaidan et al., 2008) proving dependency of ethics on culture and many other applications summed up in the book "Making Moral Judgments: Psychological Perspectives on Morality, Ethics, and Decision-Making" (Forsyth, 2019). Despite such a long history of EPT research, the author of this study concludes there is no evidence of model related to perceiver and target person moral (dis)similarity in general.

### 3 MODELING MORAL (DIS)SIMILARITY

Drawing from Ethical Position Theory review in the introduction chapter, the author of this study sums up key the points crucial to reason up general assumptions behind the model herein suggested. Firstly, there is valid Ethics Position Questionnaire (Forsyth, 1980) (abbr. EPQ) and short form of it (Forsyth, 2019). Secondly, EPT was developed (Forsyth, 1980; Schlenker & Forsyth, 1977) and further tested (Forsyth & Pope, 1984; Forsyth, 1981, 1985; Forsyth & Berger, 1982; Forsyth & Jr, 2013; Forsyth & Nye, 1990; Nye & Forsyth, 1984) as individual moral judgment theory. Thirdly, a moral position implies individual's behavior (e.g., Forsyth et al., 2008; Forsyth & O'Boyle, 2011) but testing of predictability was not sufficient (Forsyth & Berger, 1982; Forsyth & Nye, 1990) due to a variety of uncontrolled situational factors. Moreover, neither the test of "dyadic analytic ability: The critically important ability to solve difficult cognitive tasks through collaborative problem solving" failed to predict cheating behavior (Forsyth, 2019, p. 123). Finally, important to note is that Forsyth et al. conducted studies of intended (note: self-reports not behavior resulted as perceived by others) behavior (Forsyth, 2019, p. 115) in experimental laboratory settings on psychology students.

The Leader-Follower moral (dis)similarity model (abbr. EPsim/dis) derived from individual EPQ data calls, instead, for an empirical research in a business setting. General assumptions behind EPsim/dim and towards further theory conceptualization can be explained on the example of any two individual actors as following:

*Proposition 0: From the perceiver's perspective is the moral ideology of the target person a controlled situational factor.*

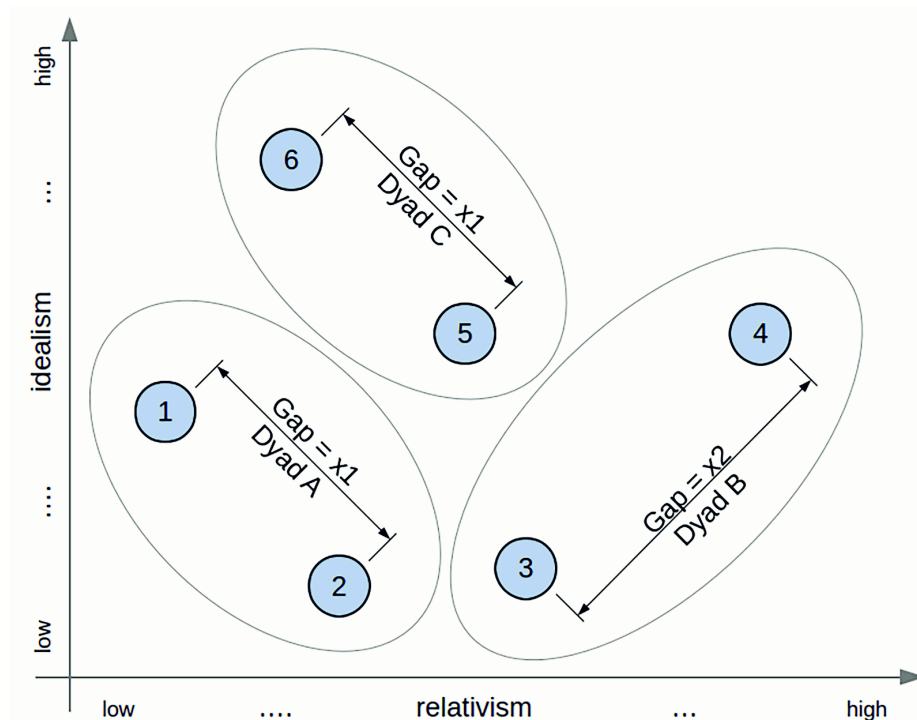
*Proposition 1: The more similar moral ideologies the target person and the perceiver person hold, the less likely it is for the perceiver to misjudge the behavior of the target person towards him/her, and vice versa.*

*Proposition 2: The more similar moral ideologies the target person and the perceiver person hold, the less likely it is for the target person to act towards the perceiver against his/her own moral standards, and vice versa.*

In other words, partners with similar morality should share a common base when it comes down to intuitive emotional as well as rational reasoning of any situation a Leader and Follower might encounter. And vice versa, partners with dissimilar morality would tend to argue “over own moral positions” (wording inspired by Fisher et al., 2011) on cost of work-related interests.

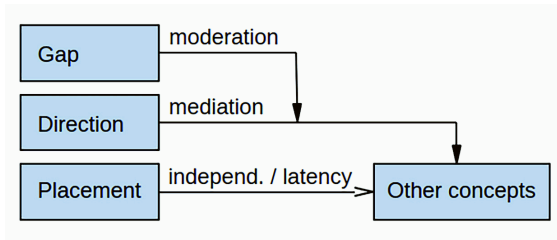
The model of EPsim/dis can be explained subsequently using graphical analysis of possible assessment outcomes (Figure 1). The Gap is the absolute distance between partners’ moral positions (compare  $x_1$  and  $x_2$ ). Since relativism and idealism are independent, orthogonality aligned, dimensions, the Gap can be evaluated using Pythagoras sentence. Besides that, of course, the Gap exists in terms of relativism and idealism independently too. Technically seen, the Gap as a factor is the answer to the analysis of moral (dis)similarity. And yet, the Gap shall not to be interchanged with the definition of EPsim/dis per se. There are another two critical internal factors of EPsim/dis construct to be considered. The Direction is the relative position of partners’ moral positions to each other. A more absolutist follower but more subjectivistic leader (e.g. 1=F and 2=L) would not yield the same setting as if their moral positions were vice versa (e.g. 1=L and 2=F). Likewise the Gap, the Direction can be also distinguished in terms of relativism and idealism separately. The Placement represents the general character of partners’ moral interaction. The Placement can be evaluated as mean value of partners’ individual EPQ measurements which, again, exist on terms of relativism and idealism independently. Even the though Gap and the Direction might be of the same setting, the Placement of each dyad might vary (dyad A and dyad C) independently on top of all (Figure 1).

Figure 1: Examples of Possible Leader-Follower (Dis)Similarity Settings



Hence, there have to be internal interactions among all three factors identified (Figure 2) that would influence the correlations with the minority concepts assessed (e.g. satisfaction with leader, supervisory procedural justice, promotability or any other mutually oriented concepts). Logic suggests that, in the case of absolutely similar partners, the Gap and the Direction are non-existent effects. Subsequently, the more similar partners are the more is their relationship effected solely by Placement. On the other hand, when it comes down to research of dissimilar partners, the author of this study suggests these following working hypotheses:

Figure 2: EPsim/dis Internal Factors and Related Working Thesees



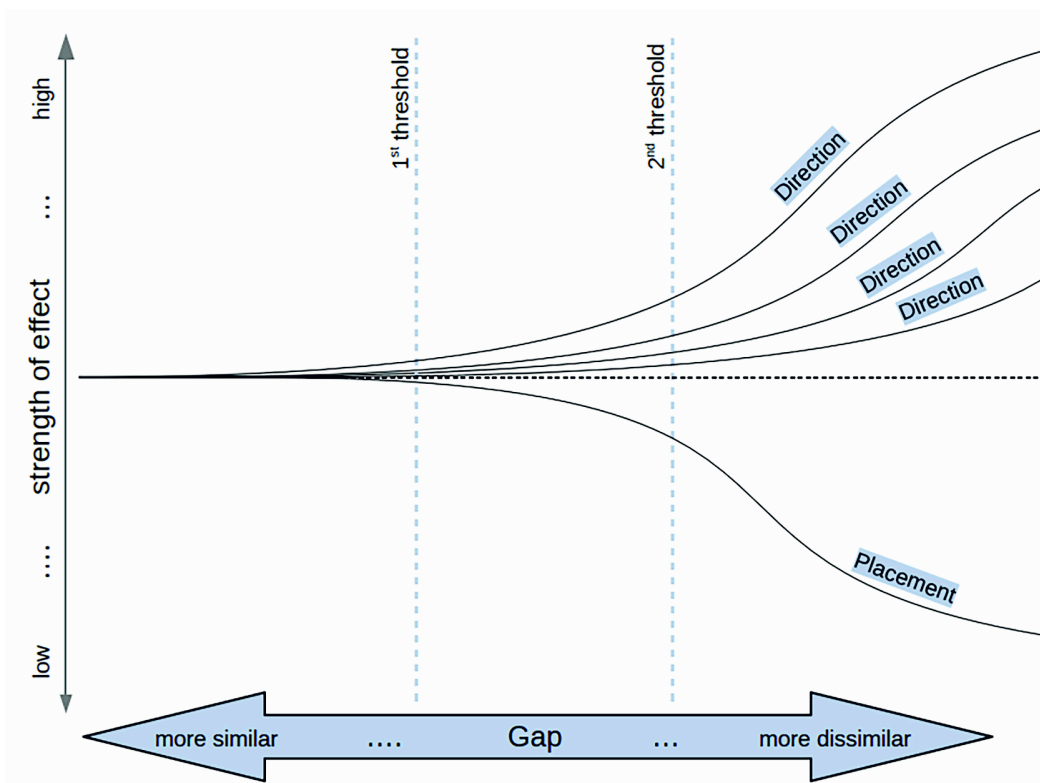
*Proposition 3: If there is no Gap, there is no Direction.*

*Proposition 4: The bigger the Gap, the more effect the Direction has, and vice versa.*

*Proposition 5: The more effect the Direction has, the less effect the Placement has, and vice versa.*

Placement can be seen as the most independent variable among all internal factors (Figure 2). Moreover, due to resident nature of Placement, an effect of latency (Bollen, 2002) to Direction and Gap can be foreseen. Direction as a variable, however, appears to mediate the effect of Placement on minority concepts. Due to the nature of mediation (Baron & Kenny, 1986), certain magnitude of the Gap (Figure 3: 2nd threshold) would strengthen the effect of Direction to such an extend, that the effect of Direction would replaces the effect of Placement on minority concepts. Thus, the Gap as variable appears to moderate the effect of the Direction per se. Again, the nature of moderation (Baron & Kenny, 1986) implies that the Gap would strengthen or eliminate the effect of the Direction completely. Hence, the Gap as a moderator appears not to effect the Placement directly but indirectly through the effect of the Direction. Building on these internal assumptions, the Gap, the Direction and the Placement interfere each other within the Leader-Follower dyad and all together rule the ethics at workplace from inside out (Figure 2).

Figure 3: Character of EPsim/dis in it's Two Theoretical Extremes



Another and last essential point to make about this model is the variable non-linear multidimensionality of EPsim/dis construct (Figure 3). Again, logic suggest that while researching morally similar partners, Placement shall be the main concern. On the other hand, when examining dissimilar partners, Direction and Gap – apart from the possibility of a latent effect of the Placement – shall be the main research concern. However, the joint effect of the Direction and the Gap yield a variety of effects within and inside-out of the Leader-Follower dyad to be considered depending on partners’ relative moral position assessment. Such a characteristic appears to be an intrigue finding because there is a lack of theory available to support this construct of EPsim/dis (Figures 1, 2, 3) completely. Put in other words, the herein suggested Leader-Follower moral (dis)similarity model significantly extends Ethics Position Theory.



## 4 DISCUSSING EMPIRICAL CHALLENGES

Easier said than done, assumptions (Propositions 0, 1, 2, 3, 4, 5) made behind the EPsim/dis construct led to a discussion about future research directions. More specifically, general assumptions (Propositions 0, 1, 2) were formulated unbiased by intention in order to study any form of ethical consequences EPsim/dis might cause to leaders and followers at workplace. While internal assumptions (Propositions 3, 4, 5) were deduced to examine the change of ethics between morally similar and dissimilar partners in detail. On the other hand, the nature of EPQ scales given leads to a discussion towards empirical limitations. Following the methodological-analytical approach set in this paper, the last chapter discusses challenges to overcome for further research.

Before starting, let us remind that the Ethical Position Theory (Forsyth, 1980) brings a cross-philosophical background into typical research of organizational ethics with it. Relativism, idealism as well as all four moral ideologies were derived from the original authors' observations of commonalities among three strong schools of ethical philosophy: deontology, teleontology and skepticism (Schlenker & Forsyth, 1977). As pointed out in the first chapter, Ethics Positions do not dictate what is right or wrong on its own. On the contrary, this theory is about individual moral beliefs, convictions or ideologies that define individual standards, according to which individuals judge what is right or wrong to them. Therefore, any form of ethical harmony or conflict between morally similar and dissimilar partners herein discussed is expected to be of ontological reason in general. More specifically, the author of this study suggests that the diversity in partners' morality cause ethical consequences relative to, and depending upon, actors' individually held moral positions (Proposition 1,2). Thus, moral (dis)similarity at the workplace would stand for the boundary – mainly unconscious or intuitive – between the mutual understanding (Figure 3: up to 1st threshold) of Leader and Follower and their value-laden option-contradicting conflict (Figure 3: above 2nd threshold) in mutual act in general.

To start with methodological challenges, Proposition 0 claims that the ethical position of the partner (target person) is a controlled situational factor when considering the viewpoint of the perceiver. And yet, people react on the basis of perceptions of reality, not reality per se (Ferris & Judge, 1991). To explain this limit, Ferris and Judge (1991, p. 464) concluded that supervisors and subordinates may hold quite similar (actual similarity) attitudes or values, but not know it. Authors also noted that in such situation, similarity would not be expected to affect reaction or behavior. However, the perception of similarity might, authors conclude. Moreover, EPQ scales are self-reports only, not designed to assess partners' moral position. Saying that, there is a need for further research to control the actual partners' moral (dis)similarity using minority concepts accompanied that would reflect perceived (dis)similarity.

Perhaps the ABC of attitudes might help with the further selection of minority concepts. General psychology recognizes affective – cognitive – behavioral attitudes and this categorization has also an application in examining leadership theories from an attitudinal viewpoint of the follower (e.g., Lee et al., 2015). Since EPQ scales tap moral beliefs, convictions and ideologies, the author of this study suggests that (a) minority concepts tapping just cognitive, intellectual or logical abilities of dyadic partners would be useful to control perceived (dis)similarity. In contrast, (b) minority concepts assessing partner's emotions and behavioral motivations towards each other would be useful to assess ethical consequences related to EPsim/dis. Such an assessment distinction underlies the fact that the actual workplace harmony or conflict between leaders and followers would be very difficult for them to spot and reason up. Hence, EPsim/dis research might, for example, lead to a better understanding of in-group effect articulated by LMX (Graen & Uhl-Bien, 1995) and/or explain chances for followers to be promoted.

The next challenge relates to Proposition 1 which claims that the more similar moral ideology the target and the perceiver person hold, the less bias for the perceiver to misjudge the act of the target towards him/her, and vice versa. Wast of attitudinal similarity research and the proverb "people judge others how they judge themselves" shall be a warrant reliable enough to support the EPsim/dis construct as long as the target and the perceiver are similar indeed. However, the more morally dissimilar partners are, the less use this proverb for science has. An example suitable for EPsim/dis theory can be found in the comparison of social intuitionist and rationalist approaches to moral judgment. Davis and Rusbult (1998; as cited in Haidt, 2001) documented a convergence process, which they called attitude alignment. In regards to this work, Haidt noticed that, however, if both parties began with strongly felt opposing intuitions (as in a debate over abortion), then reasoned persuasion would be likely to have little effect, except that the post hoc reasoning triggered in the other person could lead to even greater disagreement, a process labeled attitude polarization (Lord et al., 1979; as cited in Haidt, 2001). Further research therefore needs to reflect ethical consequence related to EPsim/dis using minority concept with mutually oriented scales and compare data measured from both sources.

An even more intrigue challenge relates to Proposition 2 which claims that the more similar moral ideology the target and the perceiver person hold, the less reasons for target to act towards the perceiver against own moral standards, and vice versa. This claim follows the idea of behavior predictability, which has been a tempting ambition for many social researchers (e.g., Guyer & Fabrigar, 2015). However, even Forsyth, interested in the link between EPT and intended behavior, concluded that even though people who vary in their level of idealism and relativism report acting differently in morally turbulent situations, studies of actual moral behavior do not confirm these differences;

Absolutists were, if anything, more likely to act in ways that were morally questionable compared to individuals who endorsed less idealistic ethics positions. Forsyth concluded that these findings reinforce the importance of investigating moral behavior in situ rather than relying only on individuals' predictions about their actions (Forsyth, 2019, p. 126). Apart from that, behavior research has its in-rooted challenge related to perception taken to overcome as well. To explain on an example, Herbst (1953; in Huston & Robins, 1982) primarily interested in the interpersonal behavior rather than the respondent's perception of it, has argued that the self-report of behavior is a valid representation of that behavior. But Huston and Robins criticized that such a view can be sustained only under certain circumstances. Authors warned that actual behavior is irreversibly drawn into a subjective black hole; the entire inquiry is couched in terms of processes taking place inside the head of each participant in the relationship (Huston & Robins, 1982). Saying that, further EPsim/dis research shall select and assess minority concepts as (a) self-reports to reflect intended behavior of one partner towards the other one and, vice versa, (b) other-reports to reflect the result of this behavior as perceived by the other partner. In other words, the assessment of behavioral intention can be seen as an antecedent caused by one partner, and vice versa, the perceived behavior can be seen as the consequence resulted to the other partner. Thus, considering limits of previous propositions, the attitude-behavior link might be proven to work when partners are rather morally similar than dissimilar.

Putting it all together, EPsim/dis allows to study organizational ethics from a new viewpoint and within one integrated construct that possibly influences ethics of unknown manners so far. An asset for any empirical research is the personal typology and related demography (Forsyth, 2019) that EPT incorporates. However, EPsim/dis limits discussed above partially constrain research of any of the three domains – leader – follower – relationship as pointed out by LMX (Graen & Uhl-Bien, 1995) in the introduction of this paper. Subsequently, being in a dyad means that the role of the perceiver and the target person might change between leader and follower as needed. Therefore, further research should also consider whether (a) leadership or (b) followership is the focus before selecting minority concepts to assess ethical consequence and/or prove assumption behind EPsim/dis. Besides that, seen methodologically, the domain of EPT is individual psychology. Therefore, any cross-source analyses related to EPsim/dis would be limited due to the shift between partners' actual and perceived ethical position. With this regards, further research shall consider EPsim/dis rather as two variables; one representing the Leader's moral (dis)similarity to Follower and the other one vice versa. On one side, the leaders' (apparent) moral ideology influences the followers' perception of any work-related minority concepts measured at the followers' side. And, on the other side, the follower's (apparent) moral ideology influences the leaders' perception of any work-related minority concepts measured at the leaders' side. In other words, especially when testing EPsim/dis, the emphasis of further research shall be on within-source correlation analyses from each partners' viewpoint independently and, if possible, on contrasting them against each other to prove assumptions made.

Finally, all limits related to general assumptions (Proposition 0,1,2) might add up successively or, on the other side, might eliminate each other. However, the Gap, the Direction and the Placement (Figure 2) as well as the insight into the internal mechanism of ethics of the two (Proposition 3,4,5) were proposed logically without theory to support them. Therefore, the author of this study leaves no comments in this case in order to keep further research as unbiased as all assumption were made. Perhaps this is the risk what it takes to examine how new EPsim/dis construct works or, even, how leaders and followers develop and share unique "dyadic morality" (cf. Schein & Gray, 2018; Gray & Wegner, 2012) among each other.

## 5 CONCLUSION

The aim of this paper was to present and discuss a construct of Leader-Follower moral (dis)similarity derived from individual EPQ data (abbr. EPsim/dis). This construct was modeled up based on the following theses “the more similar moral ideology the target and the perceiver person hold; the less reasons for target to act towards the perceiver against own moral standards, and at the same time, the less bias for the perceiver to misjudge the act of the target towards him/her, and vice versa”.

Theoretical operationalization of this simple idea lead to an identification of three internal factors related to this construct – the Gap, the Direction and the Placement – and to the deduction of their possible latency, mediation and moderation effects among each other. Moreover, all three EPsim/dis internal factors jointly are expected to yield ethical consequences at workplace but of theoretically unpredictable quality.

Since there is no other organizational research based on partners’ moral (dis)similarity derived from Ethics Position Theory, these findings confirmed that there are opened ends to this piece of theory. Therefore, this paper proposes exploratory experimental research to be conducted at first. Despite this fact, EPsim/dis construct can be assessed with any work-related minority concepts. Thus, further empirical organizational ethics research might focus on phenomena related to leadership as well as followership.

The main characteristic of EPsim/dis is that it has an ethical-philosophical background as the Ethics Position Theory (abbr. EPT) has. Hence, at workplace, EPsim/hence might predict a mutual harmony or a moral conflict of ethical-philosophical reasons. Nevertheless, further empirical research must take the risk of pioneering in order to contribute to the field of organizational ethics with more specific results.

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## What motivates Gen Z at work? An empirical analysis

Ravikiran Dwivedula, Poonam Singh

### ABSTRACT

**Purpose** – The purpose of this research is to advance the current research on work motivation in generation Z workforce. Empirical research on this topic is nascent. We attempt to address this research gap.

**Aim** – The objective of this paper is to identify the underlying job characteristic factors that explain motivation in generation Z.

**Design/methodology/approach** – In line with the research objective, we employed empirical research methods. We surveyed 317 employees belonging to this generational cohort using an online survey. Principal component analysis (PCA) was used to identify the underlying motivation factors.

**Findings** – Four factors- 'Job enabled growth opportunities', 'Organization support', 'Accountability', and 'Interaction and feedback' were extracted using PCA. These factors accounted for 61.98% of total variance, thus providing a framework of motivating job characteristics specific to generation Z.

**Limitations of the study** – Self report measures were used to obtain responses. Also, the sample size puts constraints on our analysis at this stage to determine any differences on perceptions of work motivation based on demographical data such as age, professional experience, and employment status. Our future research would include a larger sample size could possibly allow us to explore these research avenues.

**Practical implications** – The results of this study are potentially useful to design employee engagement practices. Specifically, the findings of this study have implications for human resource practices such as learning & development, performance management, job analysis, and compensation management.

**Originality/value** – We believe it is one of first works exploring generation Z worker motivation using empirical methods, and a generalized global sample. This study is but a small step in the right direction.

### KEY WORDS

job characteristics, employee motivation, generation Z, empirical study

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## 1 INTRODUCTION

Motivation is an important topic in organizational studies. It is central to our understanding of individual and organizational behavior (Mitchell & Daniels, 2003). It is defined as a set of energetic forces that originate both within as well as beyond the individual's being that influence, the initiation, direction, intensity, and duration of actions (Pinder, 2014 as cited in Kanfer & Chen, 2016). Research has long recognized different sources to derive motivation (c.f. Herzberg, 1966; Porter & Lawler, 1968; Gagné & Deci, 2005). An important contribution comes from the significant advances in the field of human relations movement (Deci & Ryan, 1985) which lead to the development job design theories of work motivation. The traditional job design theories proposed five factors- skill variety, task identity, task significance, autonomy, and feedback as being important to motivate employees (Hackman & Oldham, 1975; Turner & Lawrence, 1965). Humphrey et.al (2007) extended the model to propose that task meaningfulness (perception that the task is seen worthwhile, important, or valuable; Allan, Duffy & Collinson, 2018) regulates the relationship between job characteristics and motivation (Kanfer, Frese & Johnson, 2017).

The extant literature on motivation, and job characteristics is extensively grounded in the study of demographic cohorts such as generation X (those born between 1965 and 1980), millennials or generation Y (those born between

### CONTACT INFORMATION:

Ravikiran Dwivedula / Brandon University, Canada / DwivedulaR@BrandonU.ca

Poonam Singh / The American College in Spain, United Arab Emirates / Poonam.singh@mcm.ac.ae



1981 and 1995). For example, Hughes (2011) evaluates the expectations, values, desires, and conflicts that occur in an inter-generational workforce setting. Brown-Crowder (2018) determines the differences in values of workers from different generations and how it affects one's perceptions of job. Kiiru-Weatherley (2017) examined the relationship between one's values and employee engagement across three generations.

As the next generation following the millennials, generation Z (those born between the years 1996 and 2010) becomes the latest generation to join the workforce, there is a need to understand how workplace perceptions have changed for generation Z. We address this gap in the literature.

## 2 LITERATURE REVIEW

### 2.1 WORK MOTIVATION: JOB DESIGN PERSPECTIVE

Literature review on work motivation is exhaustive. There have been numerous reviews to conceptualize work motivation, and also to determine the course of scholastic dialog to advance its understanding for theory and practice (c.f. Cerasoli, Nicklin & Ford, 2014; Ryan, 2011; Kanfer, 2010; Steers, Mowday & Shapiro, 2004; Hardré, 2003). Various research themes pertaining to consequences of work motivation such as turnover intent (Sahir, Phulpoto & Uz-Zaman, 2018), goal achievement as an outcome of work motivation (Janke, Daumiller & Dickhäuser, 2018) are reported. Extant research on the topic also focused on determining the antecedents of work motivation (Thy-Jensen & Ladegaard-Bro, 2018), and critical evaluation of psychometric properties of work motivation scale (Gagné et al., 2015; Chen & Fouad, 2016).

On the theoretical underpinnings of work motivation studies, job design perspective has gained prominence in the recent years; building on robust theoretical lenses. In this, empirical research on work design has predominantly focused on Hackman and Oldham's Job Characteristic Model (1976) that proposed five job dimensions which motivated employees- skill variety, task identity, task significance, feedback, and autonomy. The same model to measure work motivation has been used in the subsequent studies in this period (Champoux, 1980). The job characteristic model has also drawn considerably from the socio-technical system studies (Cherns, 1976) that identifies autonomy at work, challenging nature of work, opportunities for learning on the job, and feedback from work as being constituents of work motivation. Apart from the job characteristics model, other theoretical lenses that have shaped research on work motivation from the job design perspective are Tavistock Studies (Trist & Bamforth, 1951, Cherns, 1976), Scientific management research (Taylor, 1911), Herzberg et al. Two factor theory of motivation (1959), Job enrichment perspective (Paul, Robertson & Herzberg, 1969), Rockeach's Value expression & self-identification (1973), Demand Control Model (Karasek, 1979), Distal Motivation (Kanfer, 1990), and Morgeson and Humphrey's Extended Job Characteristic Model (2006). While there have been numerous studies that critically evaluated these theories of motivation over the years, and in the context of other generational cohorts, studies on generation Z grounded in such robust theoretical lenses is yet to be pursued vigorously by the academic community.

### 2.2 GENERATION Z: EMERGING RESEARCH THEMES

Scholarly research on generation Z has gained prominence in the recent past. Some of the research themes are understanding the generational differences between generation Z, and older (generational) cohorts (Southgate, 2017), impact of social media on their individual behavior (Puiu, 2016), and learning styles appropriate to generation Z students (Pousson & Myers, 2018).

On the other hand, pertinent research on workplace practices affecting behavioral outcomes in generation Z workers has been sporadic, albeit successfully initiated studies on the topic. For example, Grow, and Yang (2018) state that Generation Z employees tend to value health-care benefits and financial stability at work. Furthermore, they view the work environment to be supportive when it accommodates their schedule and non-work related commitments. Although generation Z can be termed as 'digital natives'-born into an environment of digital technology, they still prefer in-person performance appraisal (Lazányi & Bilan, 2017; Iorgulescu, 2016). This generational cohort is also low on optimism (vis-à-vis millennials, Christensen, Wilson & Edelman, 2018), and therefore considers working in large-stable organizations that offer job security and generous pay to be important. However, this is not to say that generation Z values only extrinsic factors. Opportunities to learn and develop their skills, and making a positive impact is equally important. (Kirchmayer & Fratricová, 2020). In the same vein, Goh and Lee (2018) identify a myriad of workplace practices important to generation Z- interesting work, cross-training (across job functions), working hours, anti-discrimination policies, and workplace safety.

Thus, we infer that workplace characteristics do have a role in shaping the perceptions of generation Z employees towards their work and organizations. This in turn is likely to affect their behavioral outcomes such as motivation.

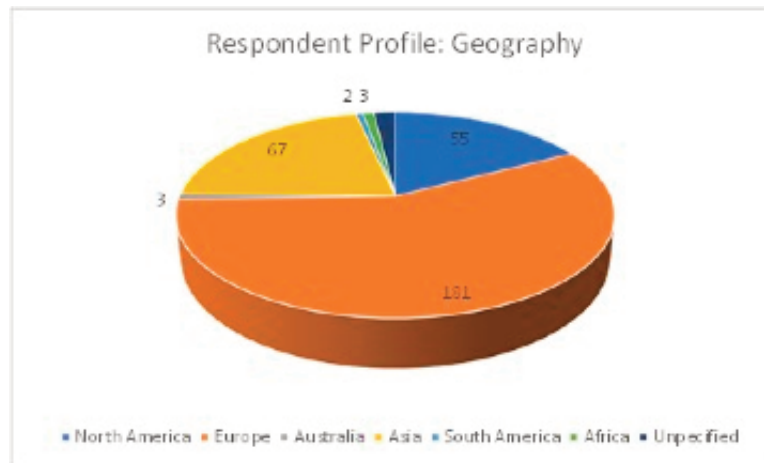
Thus, the objective of this paper is to determine underlying job characteristic factors that explain motivation in generation Z.

### 3 METHODOLOGY

#### 3.1 SAMPLE

In line with the research question, empirical research method was applied to determine how motivated were the employees at work. 18 items based on the scale developed by Campion (1988) was used. Through a snow-ball sampling method, we reached out to generation Z working professionals through the authors' professional contacts. In addition, potential respondents were recruited through Facebook. 317 members participated in this study. The average age of the participants was 22.3 years (S.D. 1.9). The average work experience was 2.5 years (S.D. 2.4). The participants represented a wide range of geographical regions that is summarized in Figure 1

Figure 1: Respondent Profile by Geography



#### 3.2 PROCEDURE

We collected data over a 4-month period. The participants received the electronic link to the survey (created using Google Form). Research background, objectives, and the expected conclusions of the study were explained. Informed consent from the participants was taken prior to them taking the survey with detail data management plan given to the participants (ensuring security of data, access, and the respondent's rights to withdraw from the study). The encompassing question that we asked was *how motivating is your job*. This was preceded by a brief note on this section of the instrument which read "In this section, you will find some statements about work and work environment. How true are these statements about your job. Please use the following scale to answer the questions: 1- strongly disagree, 7-strongly agree". As is the case with the original instrument developed by Campion (1988), the questions intended to find out the perceptions of generation Z towards work, and how it determines their work motivation. Furthermore, an explanatory note was included as a part of the survey that clearly explained the objectives of the study.

#### 3.3 MEASURES

We measured work motivation using an 18-item scale developed by Campion (1988). This multimethod job design questionnaire is built on the motivational perspective to job design. The items represent various aspects of a job such as autonomy at work, feedback on the job, social interaction, task goal clarity, task identity, task variety, skill variety, task significance, growth & learning, promotion, achievement, participation, communication, pay adequacy, recognition, and job security. The scale is based on multiple perspectives and taxonomies of work motivation. We choose this instrument for three reasons. First, it encompasses socio-technical approach, job enrichment, intrinsic motivation, and job involvement aspects of work that motivates employees. This is in alignment with the literature that suggests a broad array of items influencing work motivation. Second, there have been previous studies which evaluated the psychometric properties of this scale, and suggested that the motivational approach to measure work motivation that included 18 items as one construct in the original scale may in fact comprise of multiple dimensions (see Edwards, Scully & Brtek, 1999 for a detailed review). Therefore, evaluating the relevance of this instrument to a novel sample such as generation Z, to see if there are underlying dimensions held promise. This also supports our choice to employ principal component analysis. However, we remain cautious in drawing definitive conclusions about detailed psychometric properties of the instrument which is beyond the scope of this paper, and which requires

a greater sample size. Third, there are other scales available which could have been used to measure work motivation (c.f. Morgeson & Humphrey, 2006; Campion & Stevens, 1991), the scale developed by Campion (1988) succinctly mirrors the knowledge characteristics, task characteristics, and social characteristics that are important to explain work motivation. All the items were measured on a 7-point Likert scale with 1 stating strongly disagree to 7 stating strongly agree. Table 1 presents the list of items, and the corresponding abbreviations used for the purpose of analysis.

Table 1: Broad Aspects and Specific Functions of EOP with Hypotheses

Item	Abbreviation
The job allows freedom, independence, or discretion in work scheduling, sequence methods, procedures, quality control, or other decision making	frdmtsk
The work I do provides me with direct feedback about the effectiveness (e.g., Quality and Quantity) of my performance	fdbwrk
My managers and coworkers provide me with feedback about the effectiveness (e.g., Quality and quantity) of my performance	fdbcoll
My job provides the opportunity for social interaction such as team work or coworker assistance	sclintr
The job duties, requirements, and goals are clear and specific	jbrespclar
I have a variety of duties, tasks, and activities on my job	tskvrty
The job requires completion of a whole and identifiable piece of work. It gives you a chance to do an entire piece of work from beginning to end	tskidnty
My job requires a high level of knowledge and skills	advskills
My job requires a variety of knowledge and skills	varskills
My job is significant and important compared with other jobs at the organization	tsksignfce
My job provides the opportunity for learning and growth in competence and proficiency	jblearn
My job provides opportunity for advancement to higher level jobs	jbprmntn
My job gives me a feeling of achievement and accomplishment	jbachvmnt
My job gives me the opportunity to participate in decisions that affect my job	jbdecimkng
The job has access to relevant communication channels and information flows	eascomm
My job offers adequate pay compared with the job requirements and with pay in similar jobs	payadqt
The job provides acknowledgement and recognition from others	jbrcgtn
My job offers job security as long as I do a good job	jbsecurity

### 3.4 ANALYSIS

In line with the research objective, Principal Component Analysis (PCA) with varimax rotation was conducted. The purpose of this paper is to determine whether there are underlying factors that would better explain the interrelationship between the variables. Therefore, we have not analyzed differences in perceptions of work motivation within this sample based on demographic information such as experience in organizations, age, or current employment status.

## 4 FINDINGS AND DISCUSSION

The Kaiser-Meyer-Olkin measure of sampling adequacy was 0.90. Significance of Barlett's test of sphericity was 0.000. Therefore, the dataset was highly appropriate for Principal Component Analysis (PCA). Table 2 shows the means and standard deviations of all items. Four factors that explained 61.98% of variance (see Figure 2). The reliability of items for factor 1 (JbVar, JbLearn, JbAdvskill, AbAcvmnt, and JbVar) is 0.85; for factor 2 (JbRcgn, JbDecimkng, Tsksgnfce, JbPrmntn, EaseComm, Adqtpay) is 0.79; for factor 3 (TskIdnty, JbRespClr, JbScrty) is 0.67; and factor 4 (fdbcoll, fdbwrk, sclintr) is 0.80. Figure 3 shows factor loadings of the items on corresponding factors. Pearson's correlation was used to determine the correlation between the factors. All the factors reflected a positive and significant correlation with each other. Thus, it can be concluded that these four factors would explain work motivation of generation Z employees (see Table 3).

Table 2: Mean and Standard Deviation: 18 Items

Item	Mean	Standard Deviation
Frdmtsk	5.16	1.52
Fdbwrk	5.39	1.38
Fdbcoll	5.24	1.40
Scintr	5.54	1.39
Jbrespclear	5.38	1.33
Tskidnty	5.42	1.34
Tskvrty	5.70	1.33
Advskills	5.15	1.59
Varskills	5.49	1.35
Tskfignce	3.89	1.71
Jblearn	5.51	1.37
Jbprmtn	4.76	1.79
Jbachvmt	5.39	1.36
Jbdecimkng	5.15	1.43
Eascomm	5.09	1.45
Payadt	4.83	1.53
Jbrcgntn	4.68	1.60
Jbsecurty	5.36	1.35

Figure 2: Total Variance Explained: 4 Factors

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	7.303	40.570	40.570	7.303	40.570	40.570	3.278	18.212	18.212
2	1.431	7.851	48.521	1.431	7.851	48.521	3.214	17.655	36.067
3	1.341	7.448	55.968	1.341	7.448	55.968	2.347	13.037	49.105
4	1.084	5.921	61.989	1.084	6.021	51.989	2.319	12.885	61.989
5	0.654	4.740	66.730						
6	0.784	4.353	71.085						
7	0.763	4.237	75.322						
8	0.713	3.961	79.283						
9	0.557	3.095	82.377						
10	0.536	2.972	85.349						
11	0.464	2.578	87.927						
12	0.429	2.392	90.309						
13	0.390	2.165	92.473						
14	0.356	1.990	94.463						
15	0.316	1.760	96.213						
16	0.255	1.418	97.631						
17	0.234	1.301	98.932						
18	0.192	1.068	100.000						

Extraction Method: Principal Component Analysis.

Figure 3: Factor Loadings

**Rotated Component Matrix<sup>a</sup>**

	Component			
	1	2	3	4
jbvarskill	.838	.187	.097	.121
jblearn	.739	.217	.255	.180
jbadvskill	.725	.413	-.004	.164
jbacvmt	.627	.400	.345	.159
jbvar	.611	-.119	.455	.258
jbrecogntn	.133	.741	.131	.282
jbdecimkng	.457	.624	.174	.153
tsksgnfce	.259	.600	.026	.060
jbprmntn	.182	.554	-.121	.418
easecomm	.353	.535	.236	.277
frdmwrk	.115	.522	.279	-.020
adqtpay	-.066	.504	.340	.267
tskidnty	.345	.150	.766	.012
jbrespclr	.108	.121	.697	.264
jbscrty	.168	.449	.518	.091
fdbcoll	.222	.162	.120	.853
fdbwrk	.218	.213	.187	.767
sclintrn	.114	.242	.495	.575

Extraction Method: Principal Component Analysis.  
 Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 9 iterations.

Table 3: Mean, SD, and Correlation of Factors

Items	Factor	Mean	SD	1	2	3	4
1	Job enabled growth opportunities	5.14	1.08	1	0.60**	0.57**	0.53**
2	Organization support	4.71	1.11		1	0.51**	0.57**
3	Accountability	5.38	1.03			1	0.52**
4	Interaction and feedback	5.35	1.16				1

\*\*correlation significant at 0.01 level

The results of the principal component analysis (PCA) reveal that there are four factors that explain the motivating characteristics of a job. Further in this paper, we will discuss in detail these factors, and also juxtapose these results with pertinent research.

**4.1 FACTOR 1. JOB ENABLED GROWTH OPPORTUNITIES**

Previous research that compared motivation across generational cohorts suggested that older workers valued nature of work and challenges on the job more than the younger workers. Furthermore, issues pertinent to control of work- how and where they work were more principal to older workers than the younger workers. Other factors such as opportunity to perform a variety of tasks on the job, acquire and use advanced job-related skills, and learning were also more significantly important to the older workers over the younger workers (Stork, 2008). Echoing these findings, Piotrowska (2019) find that employees are intrinsically motivated to acquire skills. They value autonomy

to undertake tasks that lead to their professional development. Götze, Jeske and Benters (2018) in their study of pharmaceutical organizations in Germany are cautiously optimistic about the effects of employee learning on motivation. They conclude that unless organizations regularly review their training programs to make them relevant to the employees' work, and the employees are closely involved with co-creation of the training content, the effect of employee learning on motivation is less significant. Thus, we can infer that the learning opportunities need to be integrated with skills that are directly pertinent to the job. An important aspect to employee learning is enable the employee to experience achievement on the job. In this direction, literature points to a specific human resource practice-integration of micro-credentials in the employee learning programs. Fields (2015), and Diaz (2016) in their respective studies underscore the growing relevance of micro-credentials or short certificate programs that provide a testimony of specific skills acquired by the employee. These micro-credentials are integrated into the employee development plans, thus reflecting a certain level of achievement for the employee. For example, Lopez, and Galindo (2016) described the use of 'digital badges' being awarded to the employees after they have successfully completed a micro-credential. Employees recognize these digital badges as an evidence of achievement (also see Copenhaver & Pritchard, 2017 for a detailed pertinent literature review). Thus, human resource managers and supervisors should ensure that tasks are so structured so as to enable professional development of the employees.

#### **4.2 FACTOR 2. ORGANIZATION SUPPORT**

Job characteristics such as perceptions of advancement opportunities, task significance, and autonomy significantly determine the person-organization fit (congruence between individual's values and workplace characteristics), and eventually on employee motivation and retention (Ertas, 2019). These arguments are grounded in social exchange theory (Blau, 1964; Cropanzano & Mitchell, 2005). According to this theory, individuals would weigh the fairness of exchange of certain workplace factors against the work efforts expended. If the perception is unfair, they are more likely to quit organizations. These workplace factors can be financial rewards, or those related to work characteristics such as task significance, and freedom at work. An important argument about perceptions of fairness is related to how individuals view growth motives at work. Baltes and Baltes (1990) in their Selection-Optimization-Compensation model propose that older workers allocate fewer resources to growth with advancing age. Further, the model argues that when time is perceived as expansive, or open-ended, developmental goals that secure the future are prioritized by individuals (Freund & Ebner, 2005; Kooji & Bal, 2014). Generation Z employees would be in early career stages. With a potential lifetime career span that is at least four decades, it is reasonable to assume that this young workforce would be invested in career development. These workers would focus on attaining task related competence (Kooji & Bal, 2014). Furthermore, the motives to acquire such task related competencies are closely associated with job characteristics such as challenging work (Latham & Pinder, 2005; Kooji et al., 2011). A corollary to this argument is also provided by Self Determination theory (Gagné & Deci, 2005). According to this theory, individuals will have an intrinsic proclivity for autonomy at work, acquire skills, and relatedness. In other words, work characteristics such as recognition, promotion, and communication between colleagues are important for motivation and growth. The effects of financial rewards or adequacy of pay on motivation is debatable. For example, in a study of nurses working in a Southern US hospital, Dave et al. (2011) find that extrinsic rewards such as pay are valued by nurses who are intrinsically motivated. Intrinsic motivation on the other hand is related to job characteristics such as task significance. Other studies on the salience of rewards to the employees have suggested that individuals' preference for financial rewards will change with the age. Doering et al (1983) in their seminal work suggest that older workers prefer increased pension and related benefits over short term pay increases. Similarly Moi-Barak (1995), and Loi and Shulz (2007), and concluded that older workers valued long term financial rewards, and benefits that are associated with work. This then explains the importance of stable careers and job security being associated with pay and other job characteristics. Interestingly, generation Z's perceptions of financial rewards seem to reflect those of the previous generations. This then provides a common ground for the young and the senior members of the organization. Some of the human resource practices pertaining to rewards, and long-term benefits can be so structured so as to meet the expectations of a majority of workers in the organization, irrespective of their generational identification. Thus, factor 2- Organization support is an important factor that explains what generation Z seek from their nature of work.

#### **4.3 FACTOR 3. ACCOUNTABILITY**

Task identity is the degree to which the job requires completing a whole or an identifiable piece of work (Hackman, & Oldham, 1975). This perhaps is most evident in organizations such as armed forces where the job responsibilities are very specific, and the soldiers are required to serve on specific missions and tasks. In a study of 300 newly recruited soldiers into Swedish Armed Forces, Österberg, and Rydstedt (2018) test job characteristic model (Hackman & Oldham, 1975) for their effects on various attitudinal and behavioral outcomes including motivation. Task identity strongly correlated positively with employee motivation. These results assume even more

significance when we consider the sample. The members of the armed forces surveyed reported to a clear supervisor (officer). Given the authoritarian nature of the organization structure, the job responsibilities were clear. This suggests that having a clear description of job responsibilities is closely associated with task identity. The study clearly identified the lack of adequate financial rewards to the members of the armed forces. However, it also concludes that the members see their work as a calling and therefore are less sensitive to financial rewards.

#### 4.4 FACTOR 4. INTERACTION AND FEEDBACK

With the rise of communication platforms and technology, organizations today grapple with the challenge of information overload, as much as they are looking to leverage the opportunities to enhance employee productivity using these same tools. Extant research is divided on whether employees should be allowed to communicate using social media at work. Kane et al. (2014) show that employee productivity is increased when they use social media with colleagues. It provides a platform for the employees to gain social and emotional support. Martin, Parry, and Flowers (2015) extend this argument to show that using social media fosters greater collaboration at work and benefits employee morale. On the other hand, Coker (2013), and Rosen and Samuel (2015) claim that increased use of social media at work impedes productivity. Bizzi (2017) resolves this debate by concluding that when employees can interact with those outside the organizations, it reduces their productivity. On the other hand, when employees use the same tools to interact with colleagues, it leads to greater collaboration and productivity. As implied in the discussion of this factor, an important facet to social interaction between the employees is to increase their productivity. To achieve this, the employees will need to obtain feedback from their managers and colleagues (Daniels, & Bailey, 2014). Furthermore, feedback from impersonal systems (such as equipment displays) also play an important part in performance improvement (Hatrup, Edwards & Funk, 2020). In order to understand the effects of impersonal systems or feedback from work on one's performance, Lee, Lim, and Oah (2020) ran an experimental design on college students where they were required to perform a task. As a part of the design, some of these students received immediate feedback on their performance from the system, and the remaining students were oblivious to their progress. The study concluded that when the students were made aware of their performance, the feedback achieved its objectives of performance improvement more effectively. Conflating these perspectives on sources of feedback, Cattaneo, Boldrini, and Lubinu (2020) show how formal and informal performance debriefings among the employees become more effective when supported by immediate feedback on task performance from a system such as a simulator. They base their arguments on Loprieto's et al. (2016) definition of a debrief. According to this, debriefing promotes reflective thinking among participants while providing feedback on their completed tasks. It is during the debriefing that employees understand their emotions, question, reflect, and provide feedback to one another. This then provides an opportunity for organizations to fully leverage the benefits of current technology for enhanced communication among the employees. Generation Z are digital natives who are adept at technology. Organizations can use communication platforms structured on popular social media to promote information exchange among the employees.

#### 4.5 JUXTAPOSITION WITH LITERATURE

The findings of the current paper confirm the extant literature on the effect of job design on work motivation. Recent research by Mat et al. (2017) concludes that job complexity, and employee learning are determinants of work motivation. Employees engaged in complex tasks tend to learn on the job, and work independently to achieve the outcomes; those engaged in less complex tasks show proclivity for group work and social learning. In both these cases, job complexity and learning have been found to be closely associated with each other in determining one's work motivation. These findings reflect other similar studies (c.f. Leach et al., 2013; Griffin, 1991; Grant, 2008) which suggests that employees engaged in complex tasks tend to learn on the job in order to respond quickly to the uncertainty. Such behavior leads to work motivation. Thus, we conclude that factor 1 – job enabled growth opportunities is in consonance with extant literature (also see Knight & Parker, 2021).

Factor 2 – Organizational support perhaps bring forward the underlying motivational processes that determine why generation Z employees engage in knowledge sharing (itemized as ease of communication exchange), and how is such behavior related to fulfilment of certain esteem needs such as recognition, and growth opportunities at work. Knowledge sharing is encouraged by most of the modern organizations. However, it presents a dilemma to the employees. Employees may be demotivated to share knowledge because it may not be reciprocated by their colleagues, and undermines the importance of employee. Therefore, employees who contribute to the collective knowledge of the organization, tend to recoup this investment through social prestige and recognition in the organization (Barclay, 2010; Park, Chae & Choi, 2017). Such recognition is attained through task characteristics such as making important decisions, attaining promotions, and securing adequate pay. Thus, we conclude factor 2-organizational support is in alignment with extant literature.

Job insecurity is a stressor, and defined as one's inability to maintain desired continuity. This lack of continuity may be with respect to the whole job (called quantitative job insecurity) or with regards to important parts of the job (termed qualitative insecurity, Tu et.al, 2020). Qualitative job insecurity impedes the professional growth of the employees by denying employees opportunities to assume responsibility for work. Furthermore, employees who may be motivated by such professional growth opportunities may feel stifled when they lack adequate information about their (job responsibilities). This undermines their effectiveness at work, and will negatively affect their work motivation (Van den Broeck, 2014). Therefore, factor 3-Accountability seem to suggest that generation Z employees demonstrate a strong proclivity for knowledge of job responsibilities because it affects their perceptions of job security. Thus, these findings are in conformity with extant literature

Performance feedback from colleagues, supervisors, and work itself elicits positive or negative emotions in an employee (Belschak & Den Hartog, 2009). Typically, such feedback would include interactions with managers and peers on a range of work-related behaviors (Waldman, 2003). Feedback on one's performance itself may include two facets- how well an individual accomplished a certain task, and how to adjust a certain behavior to achieve an outcome. The former is called outcome feedback, while the latter is called process feedback (Liang, 2016). While outcome feedback is elicited through colleagues and supervisors, it alone is insufficient in improving employee's performance. Process feedback allows an employee to monitor one's performance on the job, and adjust the behavior and therefore the work efforts accordingly. Therefore, such feedback would have implications for one's motivation on the job (Liang, 2016). Thus, factor 4-Interaction and feedback suggests that generation Z employees value interactions with colleagues and supervisors as it helps them become aware of the output, and process feedback from their doing the work itself as it helps them develop appropriate behaviors. Therefore, the findings of factor 4 resonate with extant literature.

## 5 LIMITATIONS AND FUTURE RESEARCH

We note two limitations of our study. First, self-report measures were used to obtain the responses. This is a limitation of our research design. However, the larger research study entailed obtaining both qualitative, and quantitative data about work motivation. This necessitated use of open-ended questions requiring elaborate responses. Thus, the research instrument was deemed appropriate. A second limitation pertains to the sample size. However, when considering the larger context of research design adopted in the more recent studies on generation Z, we believe this to be an adequate sample size (c.f. Shen et.al, 2020: n=100; Kemp, Cowart & Bui, 2020: n=34; Murillo-Zamorano, 2019: n=160; Fratričová & Kirchmayer, 2018: n=235).

Future research should replicate the findings of the current paper for a larger and different sample. Further research should test how each of these four factors that constitute motivating job characteristics determine pertinent motivational processes such as self-efficacy, and behavioral outcomes such as turnover intent (Boudrias et al., 2020; Qowi et al., 2018). It is also important to understand the interaction between the job characteristics and one's disposition such as personality trait for their combined effect on purposeful work behavior (such as work motivation; Barrick, Mount & Li, 2013). This will enable researchers to refine the model of work motivation. Another promising direction for future research lies in rigorous testing of the job characteristics model theory itself. Humphrey, Nahrgang, and Morgeson (2007) note that the theory of job characteristics does not consider the role of relational features of work (such as individuals working in teams or with customers). Therefore, there is a need to extend the theory to include other such variables (Kanfer, Frese & Johnson, 2017).

## 6 ACADEMIC AND MANAGERIAL IMPLICATIONS

Current research on what motivates generation Z though nascent, is promising. Fratričová, and Kirchmayer (2018) identify three dominant themes: *employee*, *job*, and *organization*, within which factors such as poor content of work, bad team climate, work overload, and lack of sense of purpose on the job were identified as drivers of motivation. Narrative data collection methods were used to identify the factors that acted as drivers and barriers to motivation. Earlier research by Kubátová (2016) concludes that generation Z prefers independent virtual work; thus, indicating a strong proclivity for autonomy. Evidence also points towards generation Z's need for organizational support to realize their professional ambitions (Singh Ghura, 2017). Interestingly, the findings of our empirical analysis support these conclusions. The four factors that explain motivation relate to one's job, organizational support, and one's need for advancement. Therefore, we believe the current paper furthers the dialog on issues most important to generation Z employees at the workplace.

From the managerial perspective, the findings of the study have significant implications for human resource management practices in organizations. For example, the study may provide inputs for job crafting-describing how



employees leverage development opportunities at work by being engaged with challenging tasks and interacting with others. Other human resource practices such as reward management, employee retention, and learning may also be potentially structured based on these research results.

## 7 CONCLUSION

In conclusion, the current research sought to empirically determine job characteristics that are motivating to generation Z. Four factors related to organizational support, growth opportunities, rewards and accountability at work, and work-related interaction are found to best explain the worker motivation. The findings of the study support the contemporary arguments that motivation is a complex variable. It is an outcome of multitude of factors such as work content, work context, and individual disposition. This highlights the need to explore these interactions in greater detail with more rigor specifically with respect to this generational cohort.

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## How HRM and knowledge sharing technologies foster virtual team productivity for globally dispersed workforces: A systematic review

Clark Shah-Nelson, Justin R. Blaney, Heather A. Johnson

### ABSTRACT

**Purpose** – Virtual Team (VT) productivity is affected by multiple factors, including knowledge sharing, communication and collaboration due to geographical or temporal dispersion. This review spans multiple VT contexts globally to determine the practices that contribute to productive VTs. The authors fill a research gap by exploring how, across cultures and contexts, VTs overcome temporal and geographical dispersion barriers to share knowledge and foster productivity.

**Aim** – To reveal and understand critical factors that enhance virtual team productivity across multiple sectors and geographical boundaries.

**Design/methodology/approach** – The authors conducted a systematic review of twenty-one articles, which resulted from a comprehensive database search and quality screening of the best available evidence. Inductive thematic coding was used to conduct a mixed-method synthesis of findings across these studies.

**Findings** – Proper implementation of HRM practices combined with the utilization of technology tools that best fit tasks based on temporal and geographical needs can help organizations overcome dispersion issues among virtual teams.

**Limitations of the study** – Due to limitations of available evidence, this systematic review could not address all possible contexts. As a result, applying these findings across the broadest range of geographic areas and industry sectors should be exercised cautiously. Additionally, a small number of included articles were conceptual papers of relatively lower academic rigor.

**Practical implications** – This study highlights the importance of implementing HRM policies related to hiring, induction, training, and on-going appraisal practices to encourage knowledge sharing and build trust and socialization among teams.

**Originality/value** – By synthesizing evidence across various sectors and geographic boundaries, this paper provides rigorously supported recommendations for increasing VT productivity.

### KEY WORDS

virtual teams, telework, human resources management, knowledge sharing, knowledge management

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## 1 INTRODUCTION

Few could have predicted how a global pandemic in 2020 would accelerate the transition to mobile working. According to GlobalWorkplaceAnalytics.com (2019), approximately 40% of the workforce worked remotely (i.e., at home or another location besides the company office) with some frequency before the global pandemic caused by the coronavirus-related illness known as COVID-19. Radocchia (2018) predicted that up to 50% of the workforce would soon move to remote working. However, due to COVID-19, employees around the world have been thrown into a massive telework experiment. Many of these people and organizations are new to working remotely and have struggled to maintain productivity. Virtual teams (VTs) and global virtual teams (GVTs) are teams that work together on shared goals but are dispersed either geographically or temporally and use technology tools to communicate (Gibson & Cohen, 2003; Zakaria et al., 2004). In parallel, workers the world over are now required to learn new technology tools that can help them break the barriers of time and location to remain productive, collaborative, co-creative and provide an environment conducive to continuous improvement. To aid managers in implementing

### CONTACT INFORMATION:

Clark Shah-Nelson / University of Maryland, School of Social Work, Baltimore, USA / e-mail: clark.shah-nelson@ssw.umaryland.edu

Justin R. Blaney / University of Washington, USA / e-mail: blaney@uw.edu

Heather A. Johnson / University of Maryland Global Campus, USA / e-mail: hjohnson87@student.umgc.edu

effective tele-working, the following research question was formulated: *How do virtual teams overcome geographic and temporal dispersion issues to share knowledge and maintain productivity?* This article explores specific methods organizations can use to help virtual teams maintain productivity through knowledge sharing. Key factors surfaced in human resources management (HRM) practices and getting the right fit between tasks and technologies.

Research proves the monetary benefits of virtual offices. For example, companies with 5000 or more employees who mandate one day of telework per week and institute desk-sharing can save up to \$14.8 million annually on facilities costs (Citrix, 2010). The data further shows that approximately 73% of those with flexible work arrangements (FWA), which includes working virtually, express agreement that FWA increases their satisfaction with their jobs (Malone University, 2019). Therefore, the conclusion was made that this can mean potential savings of \$15 million in attrition costs and replacing dissatisfied workers (Citrix, 2010). The 2020 pandemic forced many organizations into working virtually, which escalated the need for these organizations to address productivity in a remote or virtual environment. This need is further related to the perceived barriers to performance in a virtual environment and how to overcome these perceived barriers. Productivity is defined as a measure based on the ratio of input and output, such as the relationship between time and resources spent to design and develop. Productivity is also related in the literature to the concepts of “efficiency” and “effectiveness” (Bosch-Sijtsema et al., 2009, p. 536) as well as creativity and creative output (Capece & Costa, 2009). Researchers in 2013 found that “project team dispersion is negatively associated with project performance. In other words, project teams that are widely dispersed across different locations are more likely to exhibit lower levels of project quality, on-time completion rate, and longer cycle times” (Bardhan et al., 2013, p. 1479).

On the contrary, in one study on European knowledge-intensive workers, van der Meulen et al. (2019) mentioned that dispersion could have productivity benefits, including increased privacy and fewer work interruptions. Further, website development teams in Italy were found to increase creative output through careful moderation of technology for internal communications and team coordination (Capece & Costa, 2009). Thus, a gap is observed concerning knowledge of what factors and practices contribute to productive VTs across cultures and contexts. This paper explores how VTs overcome temporal and geographical dispersion barriers to share knowledge and foster productivity by systematically synthesizing findings across several geographical and work contexts. By analyzing these diverse contexts and locations, this study aims to be impactful on a global level. The systematic review analyzed and synthesized twenty-one scholarly articles that span several countries, continents, and business sectors to reveal factors and strategies for organizations to enhance VT productivity through knowledge sharing. Viewed singularly, each article points to various disconnected factors. However, when synthesized, stronger threads and connections can be made, leading to a conceptual model for crucial factors and strategies to enhance VT productivity despite temporal or geographical dispersion.

## 2 BACKGROUND

VTs first entered the scholarly literature in the mid-1990s. VTs provided the flexibility that businesses needed to compete effectively (Mowshowitz, 1997, p. 67). During this period, researchers compared VTs with in-person teams and found that VTs displayed higher satisfaction levels (Warkentin et al., 1997). Several positive outcomes were cited in the literature during this period. Researchers established trust as a critical antecedent to the effectiveness of VTs (Iacono & Weisband, 1997; Jarvenpaa et al., 1998; Jarvenpaa & Leidner, 1999). Townsend et al. (1998) were among the early pioneers who linked knowledge sharing and effective communication with the success of VTs. Zakaria et al. (2004) confirmed this observation by noting that “the ability to create a knowledge-sharing culture within a global virtual team rests on the existence (and maintenance) of intra-team respect, mutual trust, reciprocity, and positive individual and group relationships” (p. 15). In contrast, the literature has also highlighted the negative outcome of the VT environment, as posited by Arora et al. (2010). The proliferation of VTs presents obstacles to effective knowledge sharing, pertaining mostly to communication and coordination.

Over the past 20 years since VTs first showed up in the scholarly literature, researchers have noted several problems related to this working style. These problems have primarily been revealed as issues related to HRM and technology tools for solving communication and collaboration issues. For example, problems with managing VTs are amplified due to temporal and geographic dispersion (Guzmán et al., 2010, p. 430). Due to such issues' pervasiveness, researchers have tended to focus on trust and technology. Sénquiz-Díaz and Ortiz-Soto (2019) investigated the trends in virtual team literature between 2008 and 2018, finding that the majority of researcher attention has been focused on behavior and communication, while “knowledge management issues in VTs have hardly been investigated” (p. 88). While some individual researchers have explored this area, this systematic review fills a research gap by combining findings from several different geographical and work contexts to provide insight into critical factors to knowledge sharing that improve VT productivity.

Knowledge sharing is a key factor related to the productivity of VTs (Bosch-Sijtsema et al., 2009; Mesmer-Magnus & DeChurch, 2009; Zakaria et al., 2004) and “knowledge has been recognized as an asset for the competitive

advantage of organizations” (Sénquiz-Díaz & Ortiz-Soto, 2019, p. 88). Donnelly and Johns (2020) found via a systematic review that remote working can result in dehumanization, which can negatively affect organizational knowledge sharing and exchange. Johnson (2020) observed that knowledge sharing is critical to “team heterogeneity” and “tacit knowledge held by team members.” This observation is critical in understanding that “shared knowledge bases” are not “static” communal pools of knowledge (p. 64). The advantage of knowledge sharing was further posited by Johnson (2020): “knowledge sharing strengthens existing professional knowledge, enhances internal work coordination and consistency in employees’ behavior, and effectively integrates diverse team knowledge and experience” (p.69). This supports the idea of VTs being diverse sources of knowledge and background, both from a cultural and educational standpoint. Further, knowledge sharing is a critical factor in generating enhanced productivity that provides a sustainable competitive advantage.

## 2.1 THEORETICAL FOUNDATIONS

The concern around productivity and barriers associated with teams working in a virtual environment led the researchers of this paper to examine theoretical constructs that could influence this study's variables. Therefore, after several theories were examined, it was determined that two theories would be utilized to underpin the research study, Media Synchronicity Theory (MST) and Task Technology Fit Theory (TTFT). Dennis et al. (2008) defined MST as a state of individuals collaborating simultaneously with a common focus. MST is focused on media in support of synchronicity. Selecting the type of media to use based on the intended purpose and form of communication enhances the quality and quantity of communication. An essential construct in this argument is that some communications are meant to convey information (conveyance communication), whereas others are meant to converge viewpoints to foster decision making (convergence communication). Therefore VTs, unlike collocated or in-person teams, are forced to select a communication medium that matches the purpose of the VT and should also support the team's efficiency while overcoming the barriers of temporal and geographical dispersion. TTFT was chosen because it was viewed as complementary to MST, emphasizing the need for a common medium to support collaboration and synchronicity in VTs. TTFT (Goodhue & Thompson, 1995) hypothesizes that the technology tools' fit impacts job performance and effectiveness to the specific tasks. Fit consists of eight factors: (1) Quality; (2) Ease of use or training; (3) Production timeliness; (4) Compatibility; (5) Locatability; (6) Systems reliability; (7) Authorization, and (8) Relationship with users. Both MST and TTFT were used to underpin this research study. The two theories provide a lens through which to view and analyze the primary factors that contribute to knowledge sharing among VTs and examine how and when productivity is enhanced in the VT environment.

## 3 METHODOLOGY

The methodology employed for this study is a systematic review grounded in evidence-based management research (Gough et al., 2012). The systematic review aimed to examine the research question: *How do virtual teams overcome geographic and temporal dispersion issues to share knowledge and maintain productivity?* Evidence-based research is the result of seeking the best available evidence from scholarly literature. Systematic reviews are literature-based reviews that employ scientific methods to avoid systematic error or bias. This is done by identifying, appraising, and synthesizing all relevant articles to answer or inform a research question (Petticrew & Roberts, 2006). Briner et al. (2009) further remarked that systematic reviews have become fundamental to evidence-based practice and represent a critical methodology for locating, appraising, synthesizing, and reporting “best evidence” (p.24). This qualitative research methodology presents a rigorous and transparent overall review process (Dixon-Woods et al., 2005). While singular studies can be informative for one particular context or intervention, managers can benefit from a complete picture of the evidence, synthesizing multiple sources of evidence. Thomas and Harden (2008) noted that qualitative research is often not generalizable due to specificity for a particular context, time period, or population. This study provides a broader picture of how the findings answer the research question through a synthesis of findings from multiple contexts, sectors, populations, and study designs.

The researchers for this study used the following methodology: (1) Developed a research question using the CIMO (Context, Intervention, Mechanism, Outcome) framework; (2) Established search criteria for inclusion and exclusion of peer-reviewed articles; (3) Designed several search strings using key variables to search for peer-reviewed literature and applied exclusion and inclusion criteria as part of the search strings; (4) Screened retrieved studies by reviewing abstracts that may potentially answer the research question; (5) Applied inclusion/exclusion criteria using the variables in the research question to determine which articles would be appraised for use in the research study; (6) conducted inductive thematic coding of included articles; and (7) analyzed and synthesized coding across themes and articles to generate findings and recommendations.



### 3.1 SEARCH

The researchers utilized over 50 scholarly databases, including Academic OneFile; Academic Search Ultimate; Business Insights: Essentials; Business Source Complete; Emerald Insight; Scopus; JSTOR and ProQuest. ABI/INFORM database was also explored. See Appendix A to view related Boolean search strings.

The results of the exhaustive search of peer-reviewed literature are captured in the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) diagram. The diagram allows a graphical depiction of reporting and evaluating literature and includes four phases: 1) Identification; 2) Screening; 3) Eligibility; and 4) Inclusion (Moher et al., 2009, p. 334). See Appendix B for the PRISMA results of articles chosen for the study. Inclusion and exclusion criteria were set based on the research question, including years 2006 through 2019 and peer-reviewed articles from “anywhere” for this research. The year 2006 was the starting point for this study due to the lack of availability and affordability of collaboration tools prior (Bonk, 2020). Curlee and Gordon (2004) also contended that virtual teams did not need “state of the art technology...for success”, with further observation that no research was “found that supported the need to have state of the art equipment” in the virtual team context. High quality synchronous and asynchronous VT collaboration requires relatively easy to use, highly functional, accessible, and affordable software tools. While CU-See Me, Webex, and some other net-based videoconferencing systems existed before 2006, many systems suffered issues of access and affordability, and their functionality was limited (Bonk, 2020). The year 2006 marked the entry of Polycom’s first high-definition video conferencing system and a turning point concerning synchronous videoconferencing tools. The entry of Twitter and other Web 2.0 tools in 2006 ushered in an era in which all types of companies could afford and have easy access to highly functional software tools. After removing duplicate studies, the researchers performed a cursory review of the 295 non-duplicate article titles and abstracts, of which 258 articles were removed due to irrelevance to answer the research question. Many articles discussed one or more search teams without the correct context or outcomes pertinent to this study. The full texts of 37 articles were next reviewed. Studies pertinent to VTs, knowledge sharing, and collaboration with connection to productivity were included. Excluded articles included those outside of VTs, not factoring in aspects of productivity or articles involving studies conducted solely with education-related student groups.

### 3.2 APPRAISAL

The twenty-one articles that resulted from the search were reviewed in full and critically appraised to determine the research question’s validity and relevance level. The appraisal was based on the Transparency; Accuracy; Purposivity; Utility; Propriety; Accessibility, and Specificity (TAPUPAS) (Pawson et al., 2003) for each article. The researchers aimed to compare each article’s reporting, fitness to answer the specific research question, and overall utility as a piece of evidence. This appraisal helped inform the researchers by providing a weight or score to the evidence, based on each article’s qualities. Such weight is factored into the overall assessment of the findings’ synthesis in terms of importance to answer the research question. After the quality appraisal was conducted, the result was a final primary data set to be utilized in the study. The authors deemed 21 articles fit for inclusion in the primary data set. These articles were then coded to extract findings for analysis to answer the research question.

### 3.3 CODING

Coding is the process of extracting study findings into codes, which are categorized, analyzed, and summarized into themes. The authors conducted inductive thematic coding of 21 articles using Dedoose software and analyzed the results using spreadsheets and data visualizations to identify common and recurring themes through thematic synthesis (Gough et al., 2012). The coding process involves a first and second cycle along with analytic memoing. Saldaña (2016) stated that with first cycle coding “several of the individual methods overlap and can be mixed and matched” (p.80). Articles were also coded using “Hypothes.is” (<https://hypothes.is>), an open-source web annotation software extension that allows highlighting and tagging excerpts across articles. The codes were then loaded into a spreadsheet for further analysis in a second cycle. Second cycle coding involves “the researcher [revisiting] passages of text and edits, re-wording or regrouping emergent codes where necessary.” Saldaña (2016) mentioned that second cycle coding serves the purpose of developing “a sense of categorical, thematic or conceptual from the array of first cycle codes” (p.234). The second cycle coding enabled the categories to emerge from the twenty-one articles. Eventually, these categories would help formulate the themes, which would begin to take shape at the end of the coding exercise. This process revealed descriptive and analytical themes across the research study articles.

Common codes and tags helped the researchers observe commonality across articles, which helped synthesize the research findings. Analytic memoing was another coding strategy used for this paper. Birks et al. (2008) mentioned that qualitative research emphasizes contextually situated meaning, and the act of “[m]emoing enables the researcher to engage with the data to a depth that would otherwise be difficult to achieve” (p. 69). Analytical

memoing is a mechanism to steer the researcher through all coding phases, from the “conceptualization to completion.” Analytic memoing is the transitional process from coding to the study’s formal write up (Saldaña 2016, p.54). This facet of the analysis is crucial to ensure the research is rigorous and can stand up to scrutiny from a quality perspective. The coding results are findings to support the nature of productivity of VTs and the types of HRM and technology tools needed to support VTs and answer the research question. These findings are discussed in the next section of this research study.

## 4 FINDINGS

The findings of this systematic review are the result of analysis and synthesis of inductive thematic coding of 21 articles that span multiple cultural contexts, countries, continents, sectors, industries, and study designs to answer the research question: How do virtual teams overcome issues of geographic and temporal dispersion to share knowledge and maintain productivity? These results include evidence from global software teams, technology companies, new product development (NPD) teams, knowledge workers, business consulting teams, inter-organizational project teams, and business school alumni from many countries across Europe, Asia, and North America. Two of the included authors (Guzmán et al., 2010; Montoya et al., 2009) conducted studies across forty-eight countries. A detailed listing of the contexts, populations, study designs, and countries can be found in Appendix C, Table 1C.

After an analysis of the primary data utilizing coding, two primary theme categories surfaced. They were: (1) Human Resources Management (HRM) practices and (2) Technology Tool Selection. A breakdown of the coding analysis revealed the following: (a) Three articles featured HRM practices prominently; (b) Eight articles featured technology tool selection, and (c) 10 articles jointly featured the two major finding categories. Table 1 is an overview of the articles and connections to the findings. See Appendix C, Table 1C for more details on the findings and relationship to variables in the research question.

Table 1: Results of Research Findings and Connections and Interrelationships

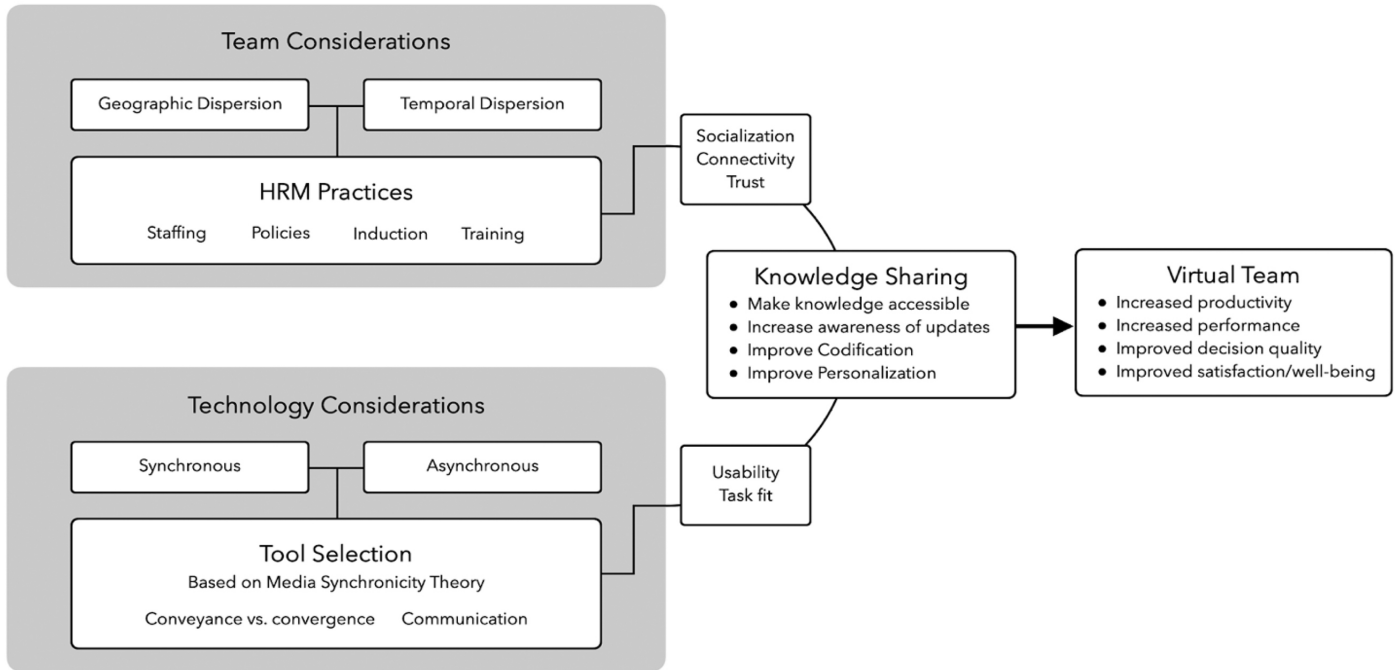
Number of Articles	Finding Categories	Knowledge Sharing	Outcomes
3	HRM practices	Make knowledge accessible	Increased productivity
8	Technology tool selection	Increase awareness of updates	Increased performance
10	HRM practices and Technology tool selection	Improve codification Improve personalization	Decision quality enhanced Improved satisfaction and well being

One of the first predominant themes included the importance of selecting the right tools based on the communication and collaboration needs of the team and helping make knowledge accessible to all across each VT. Evidence supports the notion that careful selection of technology tools for VTs can mitigate temporal and geographical dispersion. Whether the tools are predominantly synchronous or asynchronous factored into this tool selection process. Seven articles discuss chat/instant messaging and synchronous tool usage and their advantage for addressing geographic dispersion. Six authors discussed predominant themes relating to the use of asynchronous tools to mitigate temporal dispersion. A total of eight articles also featured the importance of training for technology tools as a primary theme, and six authors discussed the importance of training specific to knowledge sharing. Tying these themes together, it is apparent that training and tool selection are complementary in maximizing the value to the organization.

From the HRM perspective, seven papers discussed building trust among virtual teams, and another seven linked trust and comfort building to create less need for synchronous tools. Another important HRM theme was the emphasis on induction in the team-building process. The coding analysis reveals the overarching importance of socialization and connectivity resulting from the team building and induction phases.

In addition, several other common themes were highlighted that connect across the key categories, by emphasizing the following: (a) Making knowledge accessible to all and making others aware of updates; (b) Using discussion forums for idea sharing and team induction; (c) Utilizing a mix of tools in order to match the needs of the VT. Additionally, various specific effect dimensions related to productivity were revealed. Competitive advantage and increased performance were most common, with eight articles showcasing these two themes. Decision quality enhancement and process improvement were further dimensions of productivity noted across five articles, while four authors noted communication betterment and employee satisfaction/well-being. The primary themes and study outcome can be seen in the conceptual map (Figure 1), discussed further in the next section.

Figure 1: Conceptual Map of Critical Team and Technology Considerations Pertaining to HRM or Tech Tool Selection and the Key Findings with Implications



The findings resulting from the systematic review process and analysis of articles point to factors and considerations for enhancing VT productivity through knowledge sharing. By weaving together the findings, HRM practices and selection of technology tools were confirmed as critical in supporting an increase in productivity of VTs. Together these two factors enable linkage and connectivity of team members for success (Suh et al., 2011). More succinctly, Paloş (2012) mentions, “for virtual organizations, improved technology and the right human resources support translate into an increase in productivity” (p. 38). The discussion of the two major themes of technology tools and HRM practices and their associated sub-themes across several sectors and geographical areas based on this systematic review is included in subsequent sections.

#### 4.1 HRM PRACTICES

HRM practices including specific policies, staffing considerations, training and induction of new teams and team members were found to be critical factors that can foster socialization, connectivity, and trust and enable knowledge sharing (Paloş, 2012; Pathak, 2015; Wang & Haggerty, 2011; Zhang et al., 2018). Because team members often do not know each other at the onset, there may be barriers to knowing who knows what, and “without effective knowledge management, virtual teams are likely to remain inefficient and lack cohesion” (Pathak 2015, p. 27). A common theme across more than 50% of the articles was that synchronous tools and communication were less necessary after more comfort and trust had been built among teams via HRM practices (Badrinarayanan & Arnett, 2008; Gaan, 2012; Gupta et al., 2009; Mesmer-Magnus et al., 2011; Montoya et al., 2009; Skopp et al., 2015). Alternatively, several papers mentioned the importance of overlapping shift times to ensure that there is at least some synchronous time when colleagues need to work through issues (Badrinarayanan & Arnett, 2008; Pathak, 2015; van der Meulen, 2019).

#### 4.2 POLICIES

According to Gaan (2012), “organizational policies, and process orientation are the constituents of collaborative tools that influence the virtual team performance” (p. 5). Making knowledge available and known to all (building knowledge awareness) was an essential contributor to improved results (Badrinarayanan & Arnett, 2008; Guzmán et al., 2010; Oshri et al., 2008; Pathak, 2015; van der Meulen, 2019). Knowledge transfer and codification are further factors that facilitate success. This is accomplished by making sure knowledge is stored systematically to ensure it is useful to as many as possible (Gupta et al., 2009; Oshri et al., 2008). Organizations should develop mechanisms and/or policies that encourage or require employees to share their knowledge and provide updates when they do so. Furthermore, employees should be expected to assess the frequency and reliability of knowledge contributions (Badrinarayanan & Arnett, 2008; Guzmán et al., 2010; Pathak, 2015). Also, appraisals (performance reviews) were noted as a critical area for organizations. These should emphasize the importance of knowledge sharing by assessing whether employees share

what they know. Further, employees should be encouraged to inform colleagues when the knowledgebase is updated (Badrinarayanan & Arnett, 2008; Pathak, 2015; Wang & Haggerty, 2011). Thus, the literature recommends improving VT members' appraisals by assessing the frequency and completeness of knowledge sharing. Pathak (2015) connected incentives and the sharing of organizational knowledge amongst employees (p. 27). Finally, other key areas of focus include team forming (development), induction, and training of VTs.

### 4.3 TEAM FORMING AND INDUCTION

When building the team, significant factors include assessing competencies and team induction practices (Guzmán et al., 2010; Pathak, 2015; Wang & Haggerty, 2011). Additionally, teams have to contend with the usual stages of people coming together in team development. Tuckman's (1965) model of team development, with five critical stages, is known as (1) Forming; (2) Storming; (3) Norming; (4) Performing; and (5) Adjourning. These aspects of team development do not go away when forming VTs. Therefore, managers and leaders of VTs must be cognizant of these aspects of team development to ensure all the nuances associated with in-person team development are also taken into account during VT development.

Furthermore, it is vital in light of this knowledge of team development to understand what role competencies play during the stages of people coming together to form a team. Competencies have been defined for this research as skills, experiences, and knowledge (Grant & Baden-Fuller, 2018). Research notes that competency assessment in the initial team-building process plays a role in "forming" success. Wang and Haggerty (2011) showed "that individuals who have more experiences are more competent and therefore, may achieve better work outcomes in virtual settings" (p. 323). Wang (2011) further posited that hiring decisions could be made by managers based on assessing individual virtual competencies (IVCs) and experiences people have in their online life.

Induction, or orienting the teams to the organization and each other, was a common theme to help teams form close personal connections (Badrinarayanan & Arnett, 2008) and socialize (Oshri et al., 2008). Several authors also recommended some collocated or in-person time during induction when that possibility exists (Badrinarayanan & Arnett, 2008; DeLuca & Valacich, 2006; Pathak, 2015). Induction periods should include identifying knowledge gaps, making sure all team members understand what knowledge exists and where it is located (Pathak, 2015). This is a salient point related to "tacit knowledge," which is not codified or written down and is based on a person's beliefs, experiences, perspective, and value systems (Johnson, 2020, p. 64). This is one of the core strengths in VTs and is typically overlooked. Also, "for the collaboration to be successful, virtual teams must have specific trust-building activities, and all project aspects (purpose, objectives, risks involved) must be shared among team members." (Paloş, 2012, p. 41). Johnson (2020) observed that "one area of dilemma that is being faced at this juncture is when team orientations become very rigid or unyielding" (p.66). This observation indicates that knowledge sharing would not be supported in this environment, "hence an awareness needs surfaces and must be tended by managers" (Johnson, 2020, p.66). Finally, and more specifically, group norming should occur via a discussion about standards for availability of team members, acknowledgment of messages, and how quickly a response can be expected from each other (Montoya et al., 2009).

### 4.4 TRAINING

The importance of technology tool training for team members was a significant theme that emerged from the literature (Badrinarayanan & Arnett, 2008; Guzmán et al., 2010; Montoya et al., 2009). According to the research, organizations should assess what gaps may exist in their team's ability to codify and personalize knowledge sharing (Oshri et al., 2008; Paloş, 2012; Pathak, 2015; Wang & Haggerty, 2011; Zhang et al., 2018). HRM can ensure the training plan is oriented towards sharing knowledge. However, HRM must also create awareness about the importance of knowledge management for a virtual team's success and motivate workers to share their knowledge (Pathak, 2015). Oshri et al. (2008) further emphasize training for "common encoding of information in personalized and codified directories that, in turn, improved understanding and created a basis for efficient knowledge transfer between future remote counterparts" (p. 605). Finally, training should go further than just the technical "how-to" as team members need to know why each particular technology tool "is useful and when it is most appropriate to use relative to specific tasks and development projects" (Montoya et al., 2009, p. 151).

### 4.5 COLLOCATED VS. VIRTUAL TEAMS

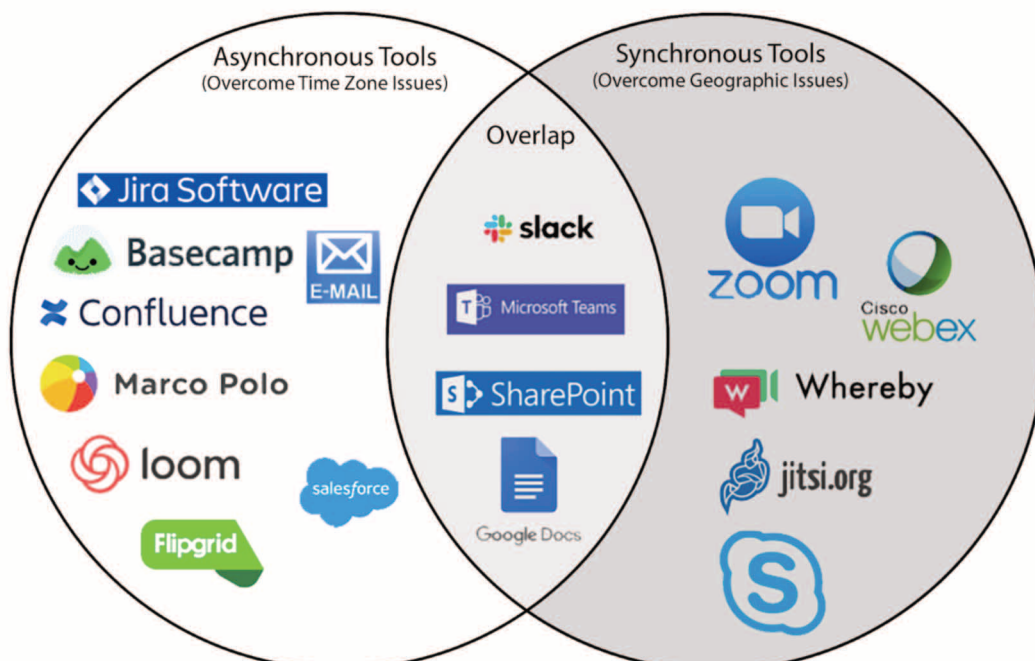
An unexpected theme drawn from the analysis relates to collocated teams compared to VTs and sheds light on ways they can improve upon knowledge sharing and performance. For example, Wang and Haggerty (2011) noted that both collocated and VTs use email and instant messaging to accomplish collaborative tasks (p. 300). On the scale of virtuality, even collocated teams who meet regularly in person are considered partially virtual since they all at least use email as a means of connection. It is important to note that unless a team operates entirely in-person and

without tools like email, they are all on the spectrum of virtual-based teams. Badrinarayanan and Arnett (2008) noted that in-person teams often lack recording or documentation, as many interactions can occur that do not result in codified, stored, shared knowledge. On the other hand, “in virtual interactions, there is a greater emphasis on verbalization (over demonstration), which facilitates the capturing, storing, and transmitting of implicit knowledge” (p. 245). This was further substantiated by Gupta et al. (2009), who noted that IBM corporate workers in VTs located in the US and India share knowledge more through documentation and formal codification processes to resolve issues, while collocated teams relied on informal in-person interactions and tended not to document their decision-making (p. 157). Also, Mesmer-Magnus et al. (2011) conducted a meta-analysis of 90 studies on VTs worldwide. They found that “the type of information that tends to be shared within in-person teams as compared with VTs is exactly opposite that which is likely to promote the highest levels of performance in these teams” (p. 221). By the very nature of VTs relying upon various technology tools to communicate and moderate synchronicity, VTs “engage in more information sharing than in-person teams” (Mesmer-Magnus et al., 2011, p. 220). Kotlarsky et al. (2007) conjectured that there are specific strategies for use before, during, and after in-person meetings to strengthen or renew social ties among team members. For example, teams can use email to resolve understandings and intranet to post internal documents before meetings, and use chat and application sharing to address short questions after a meeting (p. 21).

#### 4.6 TECHNOLOGY TOOL FACTORS

There are two primary categories of technology tool usages that are utilized by VTs: asynchronous and synchronous. A tool itself may be used either synchronously, asynchronously or a mix of both, depending on the work task and situation. Factors related to technology tools were featured across the threads of the research synthesis. Many articles revealed themes relating to technology tools and their role in knowledge sharing and VT productivity. The predominant sub-theme relating to these tools is that of synchronicity. From a theoretical perspective, both MST and TTFT were cited to influence decision-making regarding the tools with an emphasis on choosing them based on the team's communication needs to have the best fit for the tasks at hand. See examples of these tools in Figure 2. Whether the goal of the communication was conveyance or convergence, the tool's choice was found to influence the success of VTs. Specifically, multiple articles found that technology tools can mitigate the adverse effects of teams' geographical dispersion by enabling collaboration and information exchange that fosters efficiency (Bhardan et al., 2013; van der Meulen et al., 2019). Further, in a study on business consulting teams in Korea, Suh et al. (2011) posited that technology tools for communication could help build social networks with desirable characteristics, and “using these technologies to enhance intra-group tie strength can increase group solidarity, cooperation, and information sharing” (p. 353). This was further supported in a study across virtual software development teams in India, Germany, Switzerland, and the USA, in which Kotlarsky et al. (2007) recommended the use of technology tools because they supported the strengthening of social ties.

Figure 2. Common Tools Used for Asynchronous Communications are Shown on the left, with Synchronous Tools on the Right, and Tools with Some Overlap in the Middle



#### 4.7 ASYNCHRONOUS TECHNOLOGY TOOLS

Asynchronous tools naturally facilitate communication for teams that have a great deal of temporal dispersion. Email, discussion forums, knowledge management databases, and project management systems provide teams with the ability to convey knowledge and information (DeLuca & Valacich, 2006). Such tools also give people more time to process and respond. This can lower barriers due to cultural or language differences for global teams (Gaan, 2012). Asynchronous use of technology tools can also help reduce stressful interruptions that can cause delays and loss of productivity and quality (Guzmán et al., 2010, p. 430). However, van der Meulen et al. (2019) pointed out that the use of asynchronous tools among teams with a great deal of temporal dispersion can harm knowledge awareness, and they recommended the synchronization of working times when possible. Furthermore, researchers also note that decision-making and convergence are often better suited to synchronous technology tools (DeLuca & Valacich, 2006; Palos, 2012; van der Meulen et al., 2019).

#### 4.8 SYNCHRONOUS TECHNOLOGY TOOLS

Synchronous tools have improved tremendously since the early 2000s. Examples include Slack, Microsoft Teams, and other similar instant message applications. As these tools become commonplace, they are increasing communication and knowledge sharing. Though such tools are often thought of as synchronous, they are frequently used asynchronously. For example, one might receive an instant message and respond hours later if one is off work, at lunch, or in a meeting. Videoconferencing has become more usable and affordable, and the quality has increased over the past decade (Shah-Nelson, 2013). Services such as Adobe Connect, Google Hangouts, and Zoom have greatly improved the ease-of-use and usability across different bandwidths. The improvement of these communication methods has reduced costs due to companies no longer needing extensive proprietary and costly video conferencing systems and a reduced need for travel (DeLuca et al., 2006; Montoya et al., 2009). These mechanisms replicate the in-person communication found in collocated teams as closely as possible (Montoya et al., 2009, p. 152). Although these contrivances do not greatly assist with issues of temporal dispersion (Gupta et al., 2009), the ability to easily record the conversation does have the effect of providing asynchronous access to the knowledge and communications they contain, which can be to the benefit of the VTs who use them. When in use by VTs the tools can facilitate decision-making, instant feedback, and convergence communications across teams that can significantly enhance knowledge sharing (Bhardan et al., 2013; DeLuca & Valacich, 2006; Montoya et al., 2009).

#### 4.9 TECHNOLOGY FIT

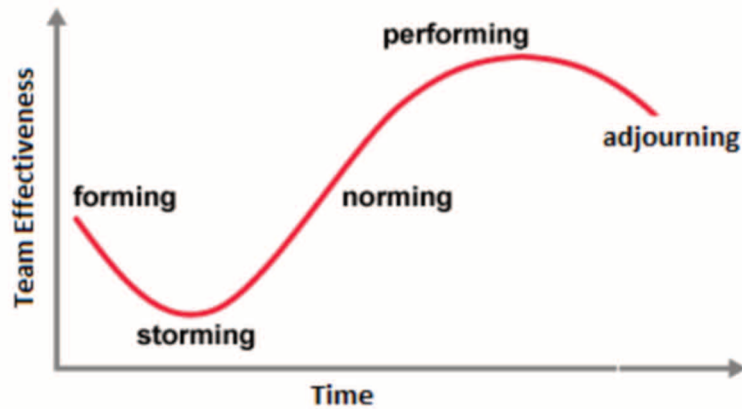
The fit of the technology to the specific task was a sub-theme in the literature related to successful VTs performance. Zhang et al. (2018) found via a large-scale survey of inter-organizational teams in the USA and China that “tool usability, task fit, and team connectivity contribute to virtual collaboration effectiveness, which affects project management success and team appreciation” (p. 1096). This continues to support Montoya et al. (2009), who noted in a study of virtual new product development teams across 18 countries that “team members need to know why an ICT (information communications technology) is useful and when it is most appropriate to use relative to specific tasks” (p. 151). Zhang et al. (2018) further noted that “tool usefulness, team connectivity, and task fit had stronger impacts on virtual collaboration effectiveness than tool ease-of-use” (p. 1102), which has significant implications when VTs in the future need to select tools for sharing knowledge. They need not focus on, or factor in, ease-of-use as a primary outcome. This is corroborated by Gaan’s (2012) study of 25 virtual software development teams in India, which concluded that there is a critical need to examine the fit of the technology tools and select them to fit the task. One of the implications of this finding is that companies need to carefully coordinate information technology, HRM, leadership, and management to ensure alignment between the organizational goals, tasks, communication needs, and technologies.

## 5 DISCUSSION

The findings based on the systematic review and analysis of the data leads to several important discussion points. First, these findings support technology tool choice and decision-making based on a combination of TTFT and MST theories, which underpinned the study. Such decisions can optimally be made based on a VT’s level of temporal and geographic dispersion (to determine the needed synchronicity level of tools) and the tools’ fit to complete the necessary tasks. These decisions should also keep knowledge sharing capability at the forefront to help ensure that they are used to maximize capturing, retrieving, and sharing of knowledge and codifying tacit knowledge to make it explicit and accessible. The findings also point to several important HRM considerations for VTs. Tuckman’s model (Figure 3) provides a basis for discussing team development stages of forming, storming,

norming, performing, and adjourning. The findings support the need to consider the uniqueness of VTs in the context of team development to enhance team productivity. Time and team effectiveness (performance) are closely connected to teams' key performance indicators (KPIs). This became more obvious with the onset of the COVID-19 pandemic with the rapid formation of many VTs. Many of the teams were forced into VTs that were forming and storming at the same time.

Figure 3: Tuckman's Five Stages of Team Development



Note. Derived from *Five Stages of Team Development*, by: John/Lynn Bruton and Lumen Learning (n.d.). Licensed under CC-BY 4.0.

Research shows that forming and storming are times of conflict in team development, with the storming phase being the time of significant conflict (Curlee & Gordon, 2004). The current research findings indicate that HRM practices play a pivotal role in the support rendered during team formation. By having well-defined project roles, job descriptions, appraisal criteria, and team forming practices, HR managers can facilitate high functioning team forming. Trust is a critical element of team formation and is more crucial for VTs due to the nature of these teams in terms of temporal and geographical dispersion. Consequently, this puts more onus on leaders and managers of VTs to consider how to build trust and socialize teams during team forming and storming phases of team development via well-planned induction practices. To facilitate a smooth transition past the storming phase of team development, the team leader should consider the research finding of ensuring the HRM practices, policies, and technology tools are all in place to support the VTs. The research also indicated that understanding the functionality of technology tools for communicating and sharing knowledge is paramount to supporting VTs during the forming and storming phases of team development. This will play a pivotal role in giving assurances to VTs that knowledge is not being withheld and that transparency is valued by management. Hence, collaboration between HRM and leaders/managers of VTs should be prioritized to ensure productivity success is addressed early in team formation (development) as part of the VTs goals and objectives.

Furthermore, the research indicated that it is imperative to ensure that productivity is enhanced during the norming and performing phases of VTs team development. Tuckman's model indicates that during the norming phase of development, teams are beginning to be effective. Consequently, productivity becomes more fully realized at this phase. This knowledge helps leaders of VTs support their teams by ensuring the correct technology tools are being utilized, by evaluating whether synchronous or asynchronous tools are the best fit for their teams in decision-making, productivity, and knowledge sharing. At this stage, a re-assessment of the tools and practices is recommended to see if adjustments are needed. As a result of this assessment, the performing phase of team development becomes more fully supported. Performance is at its highest peak in VTs if both HRM practices and technology tools fit for purpose are in place to support VTs. The ability of VTs to communicate effectively thereby becomes the cohesive network of high performing VTs that in turn support high productivity. Consequently, knowledge sharing is at its optimum and should be capitalized by both HRM and leaders/managers of VTs. This is the area of peak synergy when MST and TTFT theories intersect in support of teams and, more specifically, VTs during the project's performing phase.

The adjourning phase of team development is a critical juncture. This is the phase when tacit knowledge is often lost, and productivity starts to fall off due to teams scattering and moving on to other projects. The research indicated that VTs typically are successful if they are given the correct technology tools to support their projects. However, in many instances, this area is often overlooked by leaders/managers of VTs. The current research showed that technology tools, when utilized appropriately, can become the mechanisms to capture and retain tacit knowledge.

When codified, the tacit knowledge will, in this instance, become part of the enduring knowledge formulated by VTs for future use or can become the competitive advantage when working across VTs outside of organizations or during mergers and acquisitions. Likewise, HR managers can further support the codification of knowledge through policies that support appraisal of employee knowledge sharing and provide incentives for doing so through all team development stages.

### 5.1 RECOMMENDATIONS FOR MANAGERS

Several managerial implications and recommendations came out of the findings. Managers will want to help VTs share and transfer knowledge effectively and efficiently by being strategic with technology tools selection and HRM practices. Managerial support in the form of resources, availability of task-appropriate tools, and HRM practices that foster trust and socialization must be emphasized due to the rapid formation of VTs due to the COVID-19 pandemic. For knowledge to be effectively shared, tacit knowledge must be captured and codified to be accessible across boundaries. This is in-line with the observations from (Johnson, 2020) that companies must codify and convert tacit knowledge to explicit knowledge.

Six recommendations emerged as part of this systematic review. Both organizations and managers must address these recommendations to support VTs. However, this has taken on greater meaning for VTs that have been forced into a rapid formation due to the COVID 19 pandemic:

1. Document and create a plan for technology tool usage based on VTs' geographical locations and temporal dispersion. The more temporally dispersed the team, the more need for asynchronous tool usage, including email, project management systems, discussion forums, and instant messaging. The plan should be executed immediately during team development and should be part of the HRM induction onboarding process and encouraged at all weekly departmental or team meetings.
2. Team leaders and managers must integrate technology synchronously (video conferencing whenever possible, or instant messaging) for decision-making, resolving understanding issues, or convergence communication. Share video to help build socialization and trust. Take time to discuss non-work-related topics to forge personal connections. Once trust is established as a norm, teams can move toward more asynchronous technologies.
3. Provide training for technology tool usage that covers the how-to, the why, and especially, the guidelines for use that help the team be informed and aware of new knowledge.
4. HRM: Include knowledge sharing practices in job responsibilities; assess and screen candidates based on past VT work, technology tool usage, and knowledge sharing practices. Once hired, provide relevant and specific training based on the assessment outcomes.
5. HRM: Orient new VTs and VT team members through a period of induction by utilizing Tuckman's team development model that includes getting to know each other, forming deep connections, and discussing standards relating to availability and responsiveness in communications.
6. HRM: Adjourning: Appraise VT members on their frequency and completeness of knowledge sharing and consider incentives such as gift cards or bonuses as potentially useful for the team to ensure that they share their knowledge.

## 6 CONCLUSION

Based on this systematic review and synthesis of twenty-one scholarly journal articles' findings, two primary factors emerged from the literature regarding virtual teams enhancing productivity via knowledge sharing. These categories are technology selection and HRM factors. Together, these can help mitigate the issues of geographical and temporal dispersion of virtual teams. While each separate article had its context and findings, this systematic review contributes to the field by synthesizing findings across various contexts and sectors to provide a more generalizable set of recommendations. The research leads to several implications and recommendations for practitioners, including the careful consideration of technology tool affordances to match the intended communication goals while focusing on usability and task fit.

Moreover, the implementation of crucial HRM practices and policies regarding team induction and training that facilitate socialization, team building, and trust are recommended. New knowledge was acquired of particular interest in light of the global pandemic of COVID-19 with VTs springing up across the globe on a grander scale. The current research supports HRM practices and technology tools looking through new theoretical lenses not previously utilized. The theoretical implications of using MST and TTFT provide a robust basis for an in-depth understanding of what supports productivity in VTs. Both MST and TTFT not only support the hypotheses that both productivity and synchronicity are enhanced, but the theories support a deeper understanding of the effects of collaboration within VTs. The greater the collaboration, the greater the productivity of VTs. This understanding



has substantial implications for leaders/managers and organizations when supporting VTs. The research further explores the conceptual framework of using Tuckman's team development model to expound on the knowledge garnered from the study of VTs across different sectors and globally. Tuckman's model reinforces the idea that VTs need to have the strong support of HRM and the availability of technology-focused tools fit for purpose at the earliest stages of team development during forming and storming stages. The support does not go away until the adjourning aspect of team development is realized and thus creates a considerable onus on leaders/managers to support VTs through the entire lifecycle of team development in support of productivity.

## **6.1 LIMITATIONS AND FUTURE RESEARCH**

This study has several limitations. While all articles included were deemed fit, several were conceptual papers and not empirical. Most studies were cross-sectional, or case studies on a multi-country or global perspective, but the lack of longitudinal studies causality were not established. A sizable number of the teams studied were either technology, software, or NPD oriented. Resultingly, some bias toward those industries and sectors may be present in the findings.

Future research would benefit from a longitudinal study to analyze particular sectors or industries. There were several articles specific to NPD teams, software development teams, and other high technology teams. Hence, there may be enough studies available for a researcher to do a systematic review of only NPD teams to best report on a particular business sector. Future research into more specific effects relating to creativity or innovation by VTs would be useful for both scholars and practitioners. The proliferation of instant messaging replacing email among workgroups in the past five to ten years lends weight to future research for empirical evidence of the differences in outcomes between using IM versus email. Finally, with such a high percentage of the world now working remotely during the COVID-19 pandemic, we are enthusiastic that more empirical data will emerge regarding VTs knowledge sharing, productivity, and creativity related to technology, HRM, and all aspects of knowledge management.

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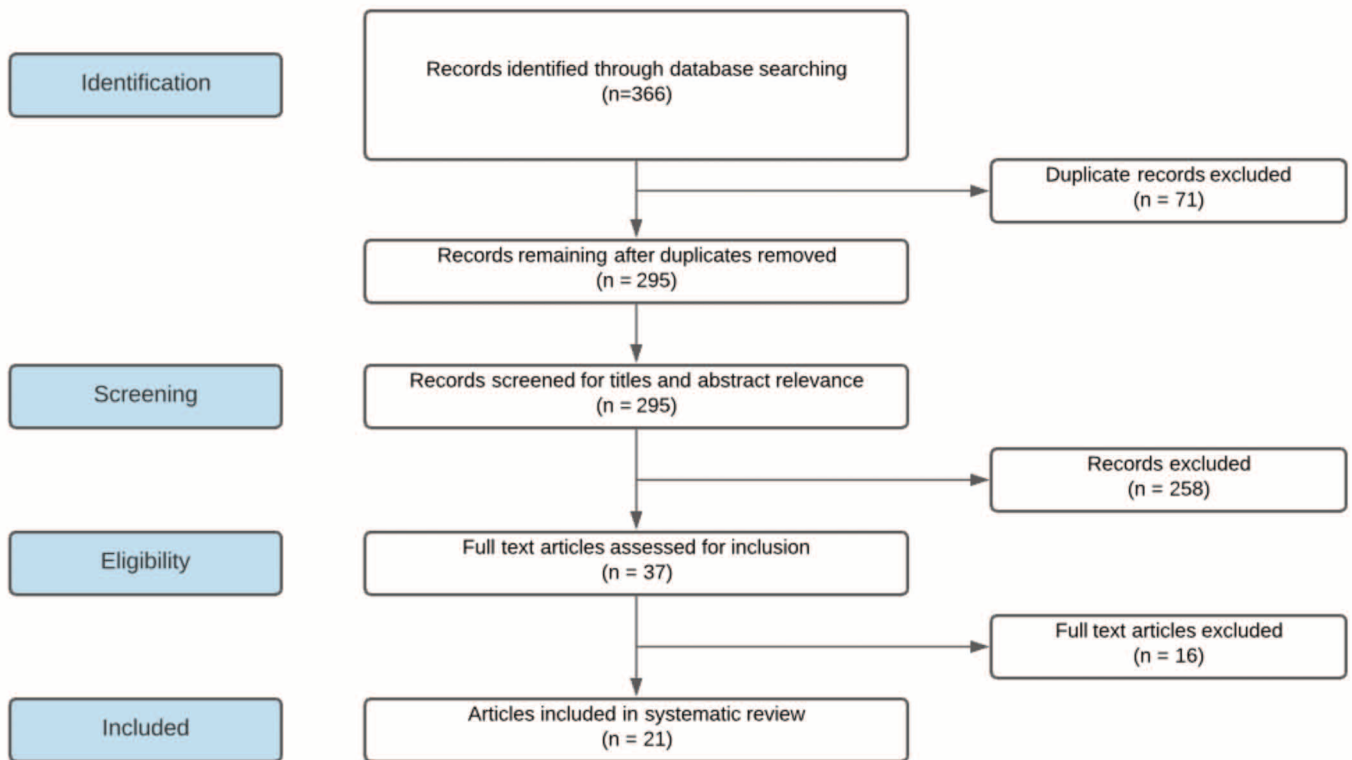
## APPENDIX 1

Table 1a. Search Strings and results: UMGC OneSearch includes (but is not limited only to) the following databases: Business Insights: Essentials, Business Source Complete, Computer Science OneFile, Computers & Applied Sciences Complete, Education Research Complete, Emerald Insight, JSTOR

Database	String	Result #
UMGC OneSearch	("virtual team" OR "remote team" OR "distributed team" OR "dispersed team") AND ("knowledge management" OR "knowledge sharing" or "knowledge transfer") AND efficien* AND "synchronicity theory" OneSearch 68 (all text)	38
UMGC OneSearch	("virtual team" OR "remote team" OR "distributed team" OR "dispersed team") AND ("knowledge management" OR "knowledge sharing" or "knowledge transfer") AND efficien* (abstract, OneSearch)	3
UMGC OneSearch	("virtual team" OR "remote team" OR "distributed team" OR "dispersed team") AND ("knowledge management" OR "knowledge sharing" or "knowledge transfer") (OneSearch - titles)	15
UMGC OneSearch	("virtual team" OR "remote team" OR "distributed team" OR "dispersed team") AND ("knowledge management" OR "efficient knowledge management" OR "efficient knowledge sharing" OR "knowledge transfer") (OneSearch abstract)	42
UMGC OneSearch	("instant messag" OR slack OR "google hangout" OR "microsoft teams" OR "online chat") AND ("video conferenc" OR videoconferenc* OR teleconferenc* OR "screen shar") AND (efficien* OR effective* OR success* OR productiv*) AND "knowledge management" AND ("virtual team" OR "remote team" OR "distributed team" OR "dispersed team") peer reviewed √ 2006-2019 full text is not checked	
ABI/Inform	in "anywhere"	78
UMGC OneSearch	("instant messag" OR slack OR "google hangout" OR "microsoft teams" OR "online chat") AND ("video conferenc" OR videoconferenc* OR teleconferenc* OR "screen shar") AND (efficien* OR effective* OR success* OR productiv*) AND "knowledge management" AND ("virtual team" OR "remote team" OR "distributed team" OR "dispersed team")	190
TOTAL		366
	-DUPLICATES	71
<b>TOTAL</b>		<b>295</b>

## APPENDIX 2

Figure 2a. Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) shows the number of articles identified, screened and included/excluded



## APPENDIX 3

Table 3a. Data extraction table of included articles displaying authors, sectors, study design and sample size, countries, and primary findings area

Author(s) & Year	Sector/	Design & Sample Size	Countries	Primary Findings Area
Badrinarayanan & Arnett, 2008	virtual new product development (NPD)	literature synthesis/ conceptual paper	?	HRM
Bardhan et al., 2013	multiple US industries, large cross-section of US firms, projects	mixed methods, 636	USA	Tech Tools
Bosch-Sijtsema et al., 2009	distributed teams, global tech companies	conceptual paper	?	HRM/Tech Tools
Capece & Costa, 2009	virtual teams, Italy, website development	conceptual + case study, 4 teams of 6 members	Italy	Tech Tools
Deluca & Valacich, 2006	virtual teams (newly formed) Eight business process improvement teams	action research, 76	USA	Tech Tools
Deluca et al., 2006	virtual teams, educational services organization	action research	USA	Tech Tools
Gaan, 2012	IT virtual teams; software professionals	qualitative grounded theory; 25 teams	India	HRM/Tech Tools
Gupta et al., 2009	virtual vs. co-located teams; IBM corporation	quasi-experiment	USA/India	HRM/Tech Tools
Guzman et al., 2010	global software teams	literature synthesis/ conceptual paper, 462	30 different countries	HRM/Tech Tools
Kotlarsky et al., 2007	virtual software dev teams	case study,	India, Germany, Switzerland, USA	HRM/Tech Tools
Mesmer-Magnus et al., 2011	virtual teams	meta analysis, 90 studies, 19,702 individuals	Global	Tech Tools
Montoya et al., 2009	new product dev (NPD) virtual teams	virtual NPD team members, 184	18 countries	HRM/Tech Tools
Oshri et al., 2008	global distributed teams, India, USA, Swiss, banking	case study, 14	India, USA, Switzerland	HRM/Tech Tools
Palos, 2012	virtual teams	literature synthesis/ conceptual paper	N/A	Tech Tools
Pathak, 2015	gray lit. article (3 pages, no references)	n/a	N/A	HRM
Senquiz-Diaz & Ortiz-Soto, 2019	virtual teams	literature synthesis/ conceptual paper	N/A	HRM/Tech Tools
Skopp et al., 2015	n/a	literature synthesis/ conceptual paper	N/A	Tech Tools
Suh et al., 2011	business consulting teams, Korea	conceptual paper	Korea	HRM/Tech Tools
van der Meulen et al., 2019	knowledge workers, Europe	mixed methods, 90	Europe	Tech Tools
Wang & Haggerty, 2011	virtualized workplace, students and Business school alumni	self-report online survey, 199	North America	HRM
Zhang et al., 2018	inter-org collab. projects; China/USA	literature synthesis/ conceptual paper, 462	China, USA	Tech Tools



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

Flokart Aliu

### ABSTRACT

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

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

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

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

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

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

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

### KEY WORDS

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

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## 1 INTRODUCTION

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

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

### CONTACT INFORMATION:

Flokart Aliu / Faculty of Economy, "Kadri Zeka" University, Republic of Kosovo / flokart.aliu@uni-gjilan.net



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

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

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

## 2 THEORETICAL REVIEW

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

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

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

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

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

## 2.1 USES OF PERFORMANCE APPRAISAL

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

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

## 2.2 PERFORMANCE MEASUREMENT AND ERRORS

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

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

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

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

### 2.3 IMPORTANCE OF PERFORMANCE APPRAISAL

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

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

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

Therefore, we hypothesize as follows:

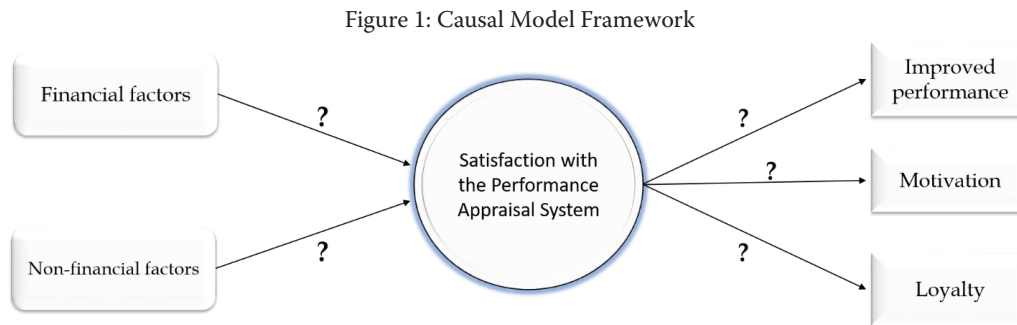
*H2: Employee satisfaction with the performance appraisal system positively affects the improvement of employee performance.*

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

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

## 2.4 CAUSAL FRAMEWORK OF THIS STUDY

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



## 3 METHODOLOGY

### 3.1 POPULATION AND SAMPLE

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

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

### 3.2 PARTICIPANTS

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

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

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

### 3.3 INSTRUMENT AND PROCEDURE

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

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

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

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

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

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

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

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

#### **Reliability of the research instrument**

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

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

Table 1: Cronbach Alpha Test Results  
Reliability Statistics

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

## 4 RESULTS

### 4.1 TESTING THE FIRST HYPOTHESIS

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

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

Table 2: Linear Regression Analysis and ANOVA for Financial Factors  
Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.494 <sup>a</sup>	.255	.128	.592

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

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

ANOVA<sup>a</sup>

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

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

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

Table 3: Analysis of Linear Regression and ANOVA for Non-financial Factors  
Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.391 <sup>a</sup>	.153	.126	.593

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

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

ANOVA<sup>a</sup>

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

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

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

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

#### 4.2 TESTING OF THE SECOND HYPOTHESIS

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

Table 4: Correlations – "Second Hypothesis"  
Correlations

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

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

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

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

#### 4.3 TESTING OF THE THIRD HYPOTHESIS

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

Table 5: Correlations – "Third Hypothesis"  
Correlations

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

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

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

#### 4.4 TESTING THE FOURTH HYPOTHESIS

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

Table 6: Correlations – "Fourth Hypothesis"  
Correlations

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

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



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

## 5 DISCUSSION

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

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

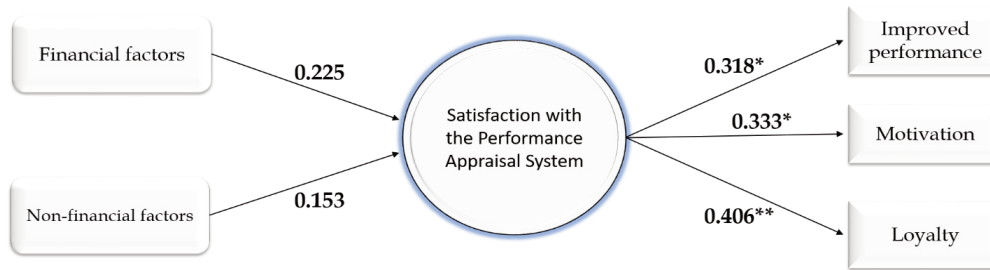
Moreover, this study contributes to this research field by providing additional empirical support to the opinion that performance appraisal satisfaction may enhance performance, motivation and loyalty towards organization. It is found by (Gabriel & Nwaeke, 2015), that compensation and reward practice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

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

## 6 CONCLUSION

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

Figure 2: Results of the Conceptual Framework of the Model



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

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

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

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

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

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

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