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## Article

# Using management by objectives as a performance appraisal tool for employee satisfaction

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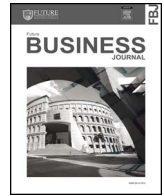
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## Using Management by Objectives as a performance appraisal tool for employee satisfaction



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### ABSTRACT

This study deals with the importance of applying Management by Objectives (MBO) method, as a method for performance appraisal (PA) in enhancing employees' effectiveness. A self-administered questionnaire was used, the number of participants included in the survey is 172 employees from 13 firms operating in Kosovo. The study aim is to identify the importance of creating objectives, communication objectives, planning goals, setting control points, employees' commitment to determine objectives, freedom and independence in fulfilling duties, continuous communication, as steps for realizing MBO method in employees' effectiveness. The questionnaire of the study has been prepared, the responses obtained, the econometric model is constructed in order to test empirically this relationship, passed through the IBM SPSS v.23.0 program has been utilized for the obtained findings. Results and proposals are brought forward by the matched t-test, independent sample t-test, anova, pearson and correlation used as the hypothesis tests. Econometric results suggested that MBO method should be used as a method of performance appraisal as the employees' effectiveness is enhanced. Also it resulted that the evaluation of individual employees' performance and a clear definition of results are the highest parameters from all the other activities of MBO method which we took in the study to raise employees' effectiveness in organization.

### Introduction

Wanting people to perform in high level, high standards of performance should be set. The employees must know precisely why they figure in the payment list, what is expected from them and what makes a high performance. All organizations, nowadays, are faced with a competing, unstable and turbulent environment, therefore managers focus is in creating competing advantage through employees' development of organization. Performance appraisal of employees is one of the most efficient methods for employees' development, motivation and evaluation, in modern time. Performance appraisal system is used in the organizations to measure the effectiveness and efficiency of their employees.

It tends to improve the work performance, communication expectations, determining employees' potential and aiding employee counseling (Aggarwal & Thakur, 2013). For performance appraisal different definitions have been given: "Performance appraisal" is a process within the overall performance management process (Dowling, Welch & Schuler, 1999), it can be defined as the formal assessment and rating of individuals by their managers (Armstrong, 2012), and is defined as "the evaluation of an individual's work performance in order to achieve at objective personnel decisions" (Robbins, Bergman, Stagg & Coulter, 2000). Generally,

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performance appraisal aims to recognize current skills' status of their work force (Shaout & Yousif, 2014).

In order to evaluate employees' performance appraisal various techniques exist, for more details see authors (Armentrout, 1986; Stronge, 1991; Sanchez & De La Torre, 1996; DeCenzo & Robbins, 1988; Arvey & Murphy, 1998; Jiang, Sobol & Klein, 2001; Hronik, 2006; Chang & Hahn, 2006; Deb, 2006; Randhawa, 2007; Jafari, Bourouni & Amiri, 2009; Khurana, Khurana & Sharma, 2010; Dvořáková, 2012; Aggarwal & Thakur, 2013; Kutllovci, 2014; Dagar, 2014).

Most of the above mentioned authors divide the appraisal methods of performance into: traditional method and modern method for performance appraisal. In creating and implementing an appraisal system, management must determine which system of performance appraisal will be used and then decide on the process of implementing the system. The methods chosen and the instruments used to implement these methods are crucial in determining whether the organization manages its performance successfully (Ahmed, Sultana, Paul & Azeem, 2013).

The authors that studied the techniques of performance appraisal classified the MBO method as a modern method or a method oriented toward the future. A lot of studies that compared successful methods of performance appraisal considered that MBO technique is the most effective. In their research Jafari et al. (2009) and Shaout and Yousif (2014) claimed that MBO is the most successful method that enables employees to successfully complete their work. Starting from these statements of literature seeing the importance of MBO method in employees' development, we will analyze specifically MBO technique as an employees' performance appraisal method.

The rest of this paper is organized as follows: Section II deals with literature review for management method according to objectives, there can be seen the advantages and disadvantages of this method for performance appraisal and the process is being analyzed (steps) to realize MBO method. In section III the hypotheses of this study are presented. Whereas, section IV covers the methodology used for literature review and testing hypotheses. Next, in section V the model that has been used in the study is presented. Further on, sections VI and VII deal with testing hypotheses and discussing results. Section VIII is about the authors' conclusion for the current study.

## Literature review

Managing objectives as a modern method to evaluate individual and organized performance is evaluated by a lot of researchers. For the first time "Management by Objectives" is created and named by Drucker (1954) as a contemporary management creator in his book "The Practice of Management". Since that time continuously studies, researches and analysis have been made for the MBO method. MBO method in structural aspect is analyzed by authors (McConkie, 1979; Busch, 1998; Rodgers & Hunter, 1991), in controlling system aspect and organizing methods (Williams & Hinings 1988), in the viewing point of productivity growth from managerial aspect (Friesen, 1987), in all including concept of MBO method (Seyna, 1986) introduced that applying this method brings different benefits for organization. The results-oriented MBO principles adopt the performance standards, in association with costs and manpower, value assessment, feedback, and improvement as claimed by Alberts (1982).

Before starting literature review some definitions should be given for MBO, in order for the readers to understand clearly their concept. Management by Objectives is a tool or instrument to do purpose integration (earning, growing, and development) with individual needs of manager (incomes, payment, improvement and the like) (Ramosaj, 2007), is a process that converts organizational objectives in to individual objectives (Jafari et al., 2009). Moreover, in MBO the attention is on contributions individuals make to the broader organizational aims (Wehrich, 2000).

Performance management is a planned process of which the five primary elements are agreement, measurement, feedback, positive reinforcement and dialogue. It is concerned with measuring outcomes in the shape of delivered performance compared with expectations expressed as objectives (management by objectives) (Armstrong, 2009).

Whereas, we, the authors of this research express our view points for this matter, MBO is defined as "parameters of strategically planning which means that harmonizing manager' aims with the employees in order to reach the objectives introduced by organization". It is a process that motivates employees to realize organizing objectives. Also, it enables to enhance performance, productivity, and manager results through its employees. According, Stewart (1993) general results of MBO is that the purposes of enterprise as an organizing form is reached from common people and through this method, effects often are realized on pre-arranged standards.

Despite definition and importance of MBO technique as a general concept of employees' performance appraisal, shortly it is mirrored even the importance of components of MBO technique evaluated by various authors, whereas a detailed analysis for each component of this technique is presented below, respectively in "Process of MBO".

The positive relationship between setting objective and task satisfaction is one of the most replicable findings in management and organization literature (Locke, Shaw, Saari, & Latham, 1981). According, Steers and Porter (1974) the use of goal-setting techniques in a natural work environment should have a significant impact on employee performance and satisfaction. Goal theory as developed by Latham and Locke (1979) states that motivation and performance are higher when individuals are set specific goals, when goals are difficult but accepted, and when there is feedback on performance. Participation in goal setting is important as a means of getting agreement to the setting of higher goals. Difficult goals must be agreed and their achievement reinforced by guidance and advice. Finally, feedback is vital in maintaining motivation, particularly towards the achievement of even higher goals. Goal theory, as developed by Latham and Locke (1979), highlights four mechanisms that connect goals to performance outcomes: 1) they direct attention to priorities; 2) they stimulate effort; 3) they challenge people to bring their knowledge and skills to bear to increase their chances of success; and 4) the more challenging the goal, the more people will draw on their full repertoire of skills (Armstrong & Taylor, 2014). This theory underpins the emphasis in performance management on setting and agreeing objectives against which

performance can be measured and managed.

Communicating objectives and setting clearly the goals that must be realized by employees, results in reaching them by working with satisfaction by employees.

Goal setting has been shown to result in higher levels of performance when goals are either assigned to individuals or when individuals are allowed to set goals for themselves (Hollenbeck & Brief, 1987). According to Miles (2012), goals influence performance levels by affecting the direction of action, the degree of effort exerted, and the persistence of action over time. For example, when an employee is told to improve quality and not make mistakes, that employee will focus his energy on producing a higher-quality product compared to when that employee is merely told to “do his best” on the task.

To improve employees' performance, help ensure that individuals are committed to their objectives (Locke, Latham, & Erez, 1988). When a specific, difficult goal is set for employees, then goal attainment provides those employees with an objective, unambiguous basis for evaluating the effectiveness of their performance (Locke & Latham, 2006). When assigning easy or vague goals to employees, commitment to accomplishing those goals is not usually a problem. However, for difficult goals, getting employees to commit to goal attainment can be problematic. Higher performance levels usually result when people are committed to reaching specific, difficult goals, compared with when people are not committed to goal attainment (Miles, 2012).

Setting standards of control impacts positively in enhancing the employees' satisfaction during work realization. According to Miles (2012) the main idea in control theory is that people are motivated to behave when they see that there is a discrepancy between their standard for performance and their actual performance level, according to a feedback loop process. Your task as a manager is to facilitate and enhance this discrepancy perception for your employees.

According to Hackman and Oldham (1974), one of the intrinsic motivating factors in increasing job satisfaction is even freedom and independence.

Giving continuous feedback to employees for their performance is an important indicator in increasing employees' productivity.

According to Locke (1967) goal setting results in the highest performance levels when people are given feedback about how well they are performing. Provide your employees with accurate, objective information about their performance whenever you can. Don't wait until performance review time to go over this information with your employees when it may be more difficult, or even too late, to correct performance problems (Miles, 2012). Instead, keep your employees up-to-date about their performance in real time when possible. Throughout the year, deliberately keep your employees apprised of their performance compared to objective standards, and identify and solve performance problems as soon as you notice them.

An appropriate system of reward helps employees increase their individual productivity. Help employees know and trust their company, and help your organization reward employees both through economic rewards (compensation, benefits, vacation time, and so on) and social rewards (praise, respect, appreciation, friendship, and so on, which don't cost the company anything) (Miles, 2012).

Armstrong and Taylor (2014) points out that a successful performance enhances employees' motivation and productivity. Success obviously creates satisfaction, especially if it enables individuals to prove to themselves that they are using their abilities to the full.

Armstrong and Taylor (2014), stated that it is a commonly held and not unreasonable belief that an increase in job satisfaction results in improved performance of employees. The whole human relations movement led by Mayo (1933) and supported by the Roethlisberger and Dickson (1939) research was based on the belief that productivity could be increased by making workers more satisfied, primarily through pleasant and supportive supervision and by meeting their social needs. People are motivated to achieve certain goals and will be satisfied if they achieve these goals through improved performance (Armstrong & Taylor, 2014).

With the purpose of detailed analysis and further knowledge are represented the advantages and disadvantages of MBO method, as an evaluation performance method.

#### *Advantages and disadvantages of MBO, as a method of employees' performance appraisal*

Management by Objective as all other performance appraisal methods has an advantage range that offers organizations that apply this method to create competing advantages in trade, but this method is not perfect, it has also a range of disadvantages that make its application in practice difficult. In Table 1, are represented advantages and disadvantages of MBO technique, set from other authors (see Table 1).

#### *MBO process*

Management by objective is not a moment, but a process that happens step by step to realize a performance appraisal successfully. In literature can be found different models to apply MBO, according to Weihrich (2000) MBO has probably survived as an effective managerial approach because it has changed, grown, and developed. Management by objective consists of four steps: goal setting, action planning, self-control and periodic reviews (Ingham, 1995), include three processes: object formulation, execution process and performance feedback (Wu, 2005). As a combination of these 3 processes of Management by objective: goal setting, participation in decision making, and objective feedback have each been shown to increase productivity, (MBO) also should increase productivity (Rodgers & Hunter, 1991).

Whereas, Weihrich (2000) suggested that MBO model comprise seven elements: strategic planning and hierarchy of objects, setting objectives, planning for action, implementation of MBO, control and appraisal, subsystems organizational and management development. MBO process goes as under: Establish goals and desired outcomes for each subordinate, Setting performance standards, Comparison of actual goals with goals attained by the employee, Establish new goals and new strategies for goals not achieved in previous year (Dagar, 2014; Kutllovci, 2014).

**Table 1**  
Advantages and disadvantages of MBO method.

Management by Objectives		
Author	Advantages	Disadvantages
Aggarwal & Thakur (2013)	<ol style="list-style-type: none"> <li>1. Easy to implement and measure.</li> <li>2. Employee motivated as he is aware of expected roles and accountability.</li> <li>3. Performance oriented diagnostic system.</li> <li>4. Facilitates employee counseling and guidance.</li> </ol>	<ol style="list-style-type: none"> <li>1. Difficult to employees agree on goals.</li> <li>2. Misses intangibles like honesty, integrity, quality, ect.</li> <li>3. Interpretation of goals may vary from manager to manager, and employee to employee.</li> <li>4. Time consuming, complicated, lengthy and expensive.</li> </ol>
Shaout & Yousif (2014).	<ol style="list-style-type: none"> <li>1. Easy to execute and measure.</li> <li>2. Employees have clear understanding of the roles and responsibilities expected of them.</li> <li>3. Assists employee advising and direction.</li> </ol>	<ol style="list-style-type: none"> <li>1. Difference in goal interpretation.</li> <li>2. Possibility of missing integrity, quality, etc.</li> <li>3. Difficult for appraise to agree on objectives.</li> <li>4. Not applicable to all jobs.</li> </ol>
Koontz & O'donnell (1976).	<ol style="list-style-type: none"> <li>1. It focuses employees on desired results.</li> <li>2. It facilitates communication between managers and subordinates regarding goals and action plans.</li> <li>3. Job satisfaction is increased.</li> <li>4. Allowing individual discretion in achieving goals, enhance as their growth.</li> <li>5. Both quality and quantity or performance seems to improve.</li> <li>6. It provides a vertical linkage between top and lower level goals.</li> </ol>	<ol style="list-style-type: none"> <li>1. Failure to teach the philosophy.</li> <li>2. Failure to give setters guidelines.</li> <li>3. Goals are difficult to set.</li> <li>4. Goals Tends to be Short-Run.</li> <li>5. Failure to ensure network of Goals.</li> <li>6. Setting Arbitrary Goals.</li> </ol>
Dagar (2014); Kutllovci (2014).	<ol style="list-style-type: none"> <li>1. It is more useful for managerial positions.</li> </ol>	<ol style="list-style-type: none"> <li>1. Not applicable to all jobs, allocation of merit pay may result in setting short term goals rather than important and long-term goals etc.</li> </ol>
Drucker (1954).	<ol style="list-style-type: none"> <li>1. Objectives are discussed before being agreed upon</li> <li>2. There is participation in setting of goals, deciding the action course and in making decisions</li> <li>3. There is increased motivation and job satisfaction</li> <li>4. Relationships between the managers and those under them improve</li> <li>5. There is better communication within the organization and increased coordination.</li> <li>6. Managers can ensure that objectives of the subordinates are linked to the organization's objectives.</li> <li>7. Objectives can be set at all levels and in various departments.</li> <li>8. Objectives can be set individually for each department especially in promotion, marketing, and financial planning.</li> <li>9. MBO can be applied in any organization.</li> <li>10. Traits of MBO can be found in industries like the electronic media where performance objectives are carefully established and monitored, particularly in the areas of promotion, marketing, and financial planning.</li> <li>11. In an MBO system, employees are more self-directed than boss-directed.</li> </ol>	<ol style="list-style-type: none"> <li>1. It has to be systematically done</li> <li>2. There is more importance given to the setting of the goals than on the actual outcome or course of action</li> <li>3. It may lead to polarization of efforts, whereby, people or departments are not motivated to look beyond their own targets and help others</li> <li>4. It does not take into consideration, the environment I which the goals are set, like available resources, stake holders, etc.</li> <li>5. To avoid potential problems SMART and SMARTER objectives need to be agreed upon.</li> <li>6. There is no stimulation of innovation.</li> <li>7. Managers start believing in the concept of an "ideal employee" and evaluate their subordinates based on what they expect they should be</li> <li>8. Targets can be misreported and objective setting may become counter-productive to the organization</li> <li>9. Quality of goals set may be poorer or too Unrealistic.</li> <li>10. It is time-consuming to implement and difficult to maintain.</li> <li>11. Setting production targets may encourage resources to meet those targets through whatever means necessary, which usually results in poor quality.</li> <li>12. It is not easy to identify all the objectives.</li> </ol>
(Daft, Murphy, & Willmott, 2010; Kreitner, 2009). Citet by Hoffmann-Burdzińska & Flak (2016).	<ol style="list-style-type: none"> <li>1. Focus on goals.</li> <li>2. Possibility to improve an effectiveness of an organization on its every level.</li> <li>3. Increase of motivation.</li> <li>4. Departments' and individual goals are in line with organizational ones.</li> <li>5. MBO combines planning and controlling in the rational management system.</li> <li>6. MBO forces organization to create and develop goals hierarchy from the highest to the lowest level of management.</li> <li>7. MBO emphasizes final results more than good intentions or personal traits of employee.</li> <li>8. MBO encourages self-management and individual engagement by participating in goal setting.</li> </ol>	<ol style="list-style-type: none"> <li>1. Continuous changes disturb using the MBO.</li> <li>2. Environment, in which relations between a superior and subordinate are poor, influences negatively the MBO effectiveness.</li> <li>3. Strategic goals can be supplanted by operative goals.</li> <li>4. Organizations operating mechanically and values that discourage the participation can harm MBO processes.</li> <li>5. MBO too often is treated as a remedy for all problems in organization.</li> <li>6. MBO is liable for autocratic managing style (theory X) and creating rigid bureaucratic rules and politic.</li> <li>7. MBO takes too much time and effort; it causes to much paper work.</li> <li>8. Pressure on objective measurement of goals can be a threat in hands of overzealous managers.</li> </ol>
Certo and Trevis (2006).	<ol style="list-style-type: none"> <li>1. The program MBO continually emphasizes what needs to be done in the organization in order to achieve the objectives.</li> <li>2. The MBO program provides guarantee for the employee loyalty for achievement of the organizational objectives. Both, the managers and other employees are concentrated</li> </ol>	<ol style="list-style-type: none"> <li>1. First, the progress of the organizational objectives takes long time and this reduces the effective working time for the managers and other employees.</li> <li>2. Writing about the objectives, giving a statement about organizational objectives and detailed evaluation about the</li> </ol>

(continued on next page)

Table 1 (continued)

Management by Objectives		
Author	Advantages	Disadvantages
	on achieving the organizational objectives because they were the ones who set the objectives.	achievement of the organizational objectives increases the paperwork.

On the other hand, Robbins and Coulter (2005), created the model through which insisted to departmentalize the objectives and proposed that typical MBO program has the following phases: 1. Formulation of the company objectives and the organizational strategy, 2. The company objectives are given to all the departments, 3. The departments’ management determines its specific objectives, 4. Each department’s objectives are concluded in a co-operation with the employees, 5. The planning process for defining the ways of how to achieve the goals is done by the management team together with the employees, 6. There is a plan process for the tasks, 7. The progress towards achieving the objectives is observed periodically, 8. The success of achieving the objectives has a positive impact to the reward for the employees.

Based in existing literature related with the process of MBO method, and based in observed firms that filled in our questionnaire, we present conceptual model as in (Fig. 1). This process is a united model of above mentioned authors, in a widening form.

Fig. 1, presents in visual way, the process of MBO technique realization. This process will serve in the continuity of the based study in order to test hypotheses. All activities of MBO method processes will be analyzed, and its impact of application will be found (each one by one) in employees efficiency growth, in order to make comparisons in between the steps of the process of MBO method in employees’ efficiency growth.

MBO process consists of three phases of management: planning, monitoring, and evaluation. MBO process starts with the project planning that we want to achieve in this phase project mirror is made with the purpose that each and every one should know what is going to be reached with their work. This plan will serve as guide for their later work. As their expectations are clearly defined from their project starts the second phase applying this plan, its implementation. And employees’ results can be evaluated only after project’s implementation.

Setting productivity and employees’ satisfaction offers the opportunity of evaluating the effectiveness in work. All this process serves as a lesson for other same processes, only after effectiveness evaluation of employees we can analyze effects of special factors of their results. These factors finding will serve as guide for other processes of performance appraisal.

MBO planning

MBO planning technique starts by defining the problem and setting goal. An analysis of the state is made where the organization is now and where it wants to be after this technique application. The general setting purpose is made that where they want to go and what they want to measure, in order for all later activities to be guided toward general purpose of organization. The survey aim is to measure the influence of MBO technique as a method of employees’ performance evaluation in raising their effectiveness in work.

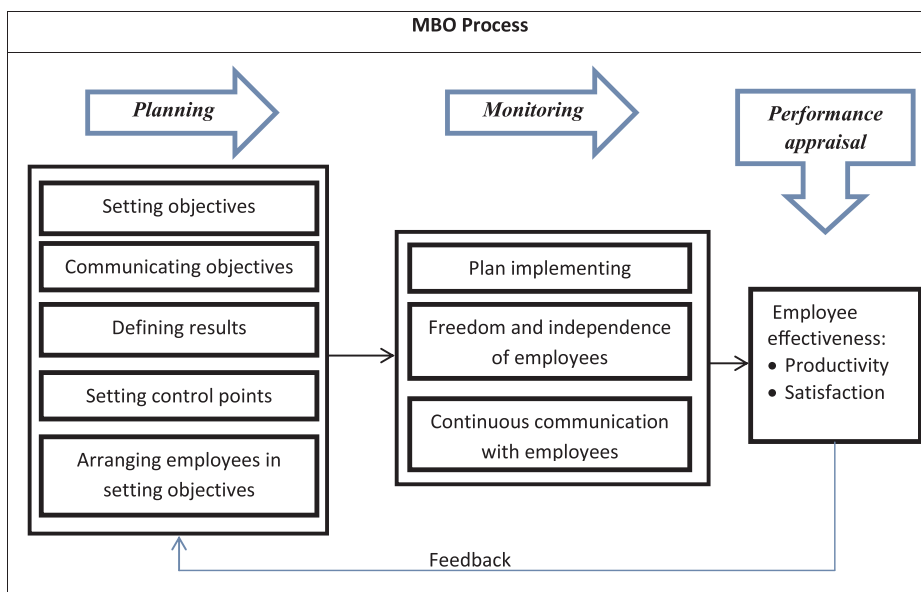


Fig. 1. Conceptual model.

Setting objectives- after defining the problem and setting goals in the process of planning MBO method objectives of work should be formulated. In this phase the manager gives specific instruction to the dependent, sets quality standards and time of realizing these objectives that serve as standards for evaluating and for a continuous comparison for the results that were agreed. It works out well-communicated hierarchy of objectives and participative determined, people-motivated, and SMART objectives (Adekunle & Wu, 2005). The system's objectives are clear, compatible, attainable and acceptable (McMahon & Gunnigle, 1994). The objectives of the MBO need to be SMART (Specific, Measurable, Achievable, Relevant, Time-determined) (Wu, 2005; Armstrong, 2009; Brim, 2012), in some areas SMART can be extended to SMARTER, where E – means exciting and R – recorded (Kralev, 2011). Whereas, Chamberlin (2011) argued, 'the real aim of setting objectives is for people to know exactly what it is they have to do, when they've done it, that they are able to do it, why they have to do it (ie who for) and that it is something they should be doing, and how they are progressing along the way'.

Communicating objectives- After objectives are being set, the managers and employees should implement a clear and precised agreement for objectives and goals that need to be fulfilled. Although goals and plans may be initiated at high levels in the organization, they must also be communicated to others in the organization (Griffin, 2005). He further claims that people responsible for achieving goals and implementing plans must have a voice in developing them from the outset. These individuals almost always have valuable information to contribute, and because they will be implementing the plans, their involvement is critical: People are usually more committed to plans that they have helped shape.

Defining results- MBO starts with the selection of an appropriate person to fulfill a certain job. Then, the manager and selected person make plans and agree for the time required and the objectives that must be fulfilled for the next period. In this step, discussion, taking and giving data are required in between the manager and dependent. According to Price (2004) a management system in which the objectives of the organisation are explicitly stated, so that management and employees understand their overall or ultimate purpose and the specific implications for their role in the organisation, whereby an employee's objectives are derived or cascaded down from the organisation's overarching goals.

Setting controlling points – Setting controlling points is important because a manager must tell precisely the employee of how the work is going to be evaluated and to describe different controlling points that are going to be managed by the manager in order to be assured if the works are finished with time and inside the predetermined budget. In this phase, will be set the measure, calculations and standards in a way that the employee must know clearly that the success can be measured and determined. Cummings, Schwab, and Rosen (1971) found that maximal performance can only be achieved when employees are provided with accurate feedback on performance based on clear and published standards. It is at this meeting that the employee's past performance and development, current status, reward package and future work expectations and development or promotion prospects are discussed and a record made thereof, to be added to the employee's file for posterity. In brief, this meeting should ensure that the employee's motivation level is enhanced in an appropriate manner as a result of this all-important interaction with their manager (McMahon, 2013).

Commitment of employees in setting objectives- MBO requires participation, discussion, and general analysis, in order to reach a complete agreement in between manager and employees to separate the role and responsibilities for the job that is going to be fulfilled. If the employees are included and discuss the job and objectivities with the manager, then more the employee will be the employee to finish the job. Macey, Schneider, Barbera, and Young (2011) defined engagement as 'an individual's purpose and focused energy, evident to others in the display of personal initiative, adaptability, effort and persistence directed towards organizational goals'. Therefore management by objectives is a method which supports implementing an idea of teams participation and it contains performing tasks, decision making process and solving organizational problems (Szelągowska-Rudzka, 2015). To be notified more about the role of employees commitment in setting objectives, see (Alfes, Truss, Soane, Rees & Gatenby, 2010; Macey, Schneider, Barbera & Young, 2009; Islami, 2015).

### *Monitoring of MBO*

Implementing the plan – In the moment when the duty is given to employee and starts work, manager begins to evaluate and compare the results which they have agreed on. The implementation stage focuses on how the strategy is achieved (Griffin, 2005). For MBO implementing for performance appraisal, there are some guides created from Levitz as cited by Kutillovci (2004) according to his instruction for implementing MBO program are: Management and employees should be committed and supporting MBO program; Each and every one involved in the process, must develop a good understanding of the aims and objectives of program; management and others personnel must meet in order to develop the common aims; the aims of department should be developed that should be in accordance with the organizations' aims; Describing of work should be written in a certain form, by declaring measurement of satisfying performance; rapport official-supervisor should be reviewed in every meeting; objectives should be evaluated and set for each individual. They should be clear and measurable. The agreement for objectives should be reached; supervisor must be trained for these methods: evaluation, development and observing performance; development of background session must be based in individual needs; employees must see MBO-program interrelated with rewarding program; observing system must be interrelated with other function of management.

Freedom and independence of employees – are considered as two motivating forces in the world of work. Employees need to be evaluated as individuals, to be responsible for realizing important duties, and measured from their manager precisely in their individual performance. Furthermore, they want freedom to complete their work according to their method and time that they set. In the moment that employee is given the freedom to act more they will feel responsible to realize that work, and will be committed to finish the work inside the standards set: time and budget planned. Freedom and independence makes the employees to be more motivated, creative and to raise self evaluation.

Through this system are expressed wishes and possibilities for creative work activities, motivation of leaders is raised, and the

loyalty toward firm is created (Ramosaj, 2007). Continuous interference from manager in employee when he does a work unintentionally can take the responsibilities and duties through not allowing him work according to his plan, and in this case the employee feels overwhelmed from responsibility of doing a work in reaching objectives. According to Crawford, Rich, Buckman & Bergeron (2014) the freedom, independence and discretion allowed to employees in scheduling their work and determining the procedures for carrying it out. It provides a sense of ownership and control over work outcomes.

Continuous communication with employees- firstly, in planning phase the manager and employee agree about how work is going and information exchanges. So based on this plan managers and employees communicate with each other, excluding the cases when the employee has unpredictable obstacles for realizing predetermined objective, and it needs to be consulted with his employers. In this case, again the two sides together reach agreement for overtaking created situations, and if necessary they make changes about the created situation from beginning plan. Strategic communications convey to people what doing a good job means and entails (Shields et al., 2015). In order for the manager to realize evaluation of employees, he must contact with the employee in order to explain realized opportunities compared with the one planned (Ramosaj, 2007).

### *Evaluating MBO*

Evaluation means finding something that belongs to the impact that it has on one situation, individual or organization. In this study we evaluate the influence of MBO technique on employees' effectiveness.

Productivity- is raised through using MBO method; this can be seen from various studies. Research indicates that this is the most popular of scheme types, with one review of British practice reporting that 89% of their respondents measured employee performance against objectives or goals (IRS, 2005). Latham and Locke (1979) concluded a 14-year research program into goal setting as a motivational technique. Arising therefrom they asserted that the level of production in the companies they surveyed had increased by an average of 19%.

Goal theory as developed by Latham and Locke (1979) following their research states that motivation and performance are higher when individuals are set specific goals, when goals are demanding but accepted, and when there is feedback on performance. Goals must be clearly defined. Participation in goal setting is important as a means of getting agreement to the setting of demanding goals. Feedback is vital in maintaining motivation, particularly towards the achievement of even higher goals.

The value of this approach was also reflected in another extensive review which discovered that organizations introducing an appraisal cum Management-By-Objectives system, with a high level of senior management commitment, achieved average productivity gains of over 56%, compared with average gains of just over 6% in the case of organizations where such commitment was lacking (Rodgers & Hunter, 1991).

Satisfaction- The MBO method is in itself a method of motivating employees by managerial practices that are perceived positively (commonly negotiated goals, an autonomy in searching and using means to achieve goals, self-controlling and periodical common controlling work done by team members) (Hoffmann-Burdzińska & Flak, 2016). Management by objectives improves employees' motivation to work and to achieve organizational goals (Bieniok, 2004). Whereas, Locke (1976) defined job satisfaction as 'a pleasurable or positive emotional state resulting from the appraisal of one's job and job experiences'. According to Armstrong and Taylor (2014) engaged employees are more likely than not to be satisfied with their jobs. Whereas, Mulolli, Islami and Skenderi (2015) claimed that if the employee realize bonus like raising the incomes or personal satisfaction they will be more motivated for work and will improve their individual performance as the results of these firms which have the employees clever and motivated for work, the performance will be better.

### *Survey hypotheses*

Based in literature review, survey hypotheses are raised for factors of MBO method as a method of employees' performance appraisal, in a way that from varieties of applying factors is determined the employees' effectiveness.

- H1.** Setting objectives has a positive relationship and is important statistically with satisfaction of employees.
- H2.** Communicating objectives has a positive relationship and is important statistically with employees' satisfaction.
- H3.** Defining results have positive relationship and is important statistically with employees' satisfaction.
- H4.** Setting controlling standards for time and budget has positive relationship and is important statistically with employees' satisfaction.
- H5.** Employees' participation in setting standards and goals have positive relationship and is important statistically with employees' satisfaction.
- H6.** Freedom and independence to act has a positive relationship and is statistically important with employees' satisfaction.
- H7.** Continuous communication has positive relationship and is statistically important with employees' productivity.
- H8.** Rewarding system based on results has positive relationship and is important statistically with employees' productivity.
- H9.** Individual performance measurement has positive relationship and is important statistically with employees' productivity.
- H10.** MBO method has a positive relationship and is important statistically for employees' effectiveness.



**Table 2**  
Demographic characteristic of the sample.

Demographic variable	Count (percentage) N = 172	
<b>Gender</b>		
Male	97	(56.4%)
Female	75	(43.6%)
<b>Age</b>		
20–25 years	56	(32.5%)
26–30 years	49	(28.4%)
31–35 years	28	(16.4%)
36–40 years	19	(11%)
41–45 years	4	(2.5%)
46–50	11	(6.3%)
Over 50	5	(2.9%)
<b>Work experience</b>		
2 years	56	(32.6%)
3–5 years	63	(36.6%)
6–10 years	34	(19.8%)
11–15 years	19	(11%)
<b>Education</b>		
Intermediate	63	(36.6%)
Bachelors	79	(46%)
Masters	22	(12.7%)
PhD	8	(4.7%)
<b>Position in Firm</b>		
Owner	1	(0.6%)
Director	31	(18%)
Manager	23	(13.4%)
Human resource staff	19	(11%)
Employees	98	(57%)

### Methodological approach

To realize this study, a methodology consisting from a combination of primary and secondary data has been used. The article has been prepared using the analysis of secondary resources (scientific publications and articles from specialized databases, such as Science Direct, Emerald and ProQuest) and primary resources in the form of results of the quantitative survey conducted in a sample group of employers that work in the business organization in Republic of Kosovo. For the empirical analysis of the study, the data were gathered from a self-administered questionnaire. The participants were randomly chosen. To measure the impact in between variables in this study SPSS v. 23 program has been used.

### The sample

From 200 questionnaires distributed to 13 firms, we have only 172 well-filled (so the scale of responses was 86%). In order to make a solution for the model (Tabachnick & Fidell, 2013) suggested that 172 is a good number to do regression analysis, whereas, the sufficient requirement for generalizing the research results is suggested 150 responses. So, 172 respondents is sufficient number to do regression analysis and to generalize results of this study. Even though we received back 181 filled questionnaires, we found that 9 questionnaires had lack in data and we could not enter in the further analysis, therefore only 172 questionnaires were analyzed that had full data. And Table 2, presents general data of respondents. Questionnaire has been conducted in the way that the employees to take their opinion related with MBO technique application as method of their performance appraisal.

The study is focused in the product sector and the data analyzed are derived from employees' sector of product. This sector was selected because it was more convenient to measure the results of employees that are reached as a result of applying MBO technique from their managers. The method of business selection is method of simple random sampling.

The questions of the questionnaire in the piloting phase were given to experts and professors in the field of management as well as to a university professor of econometric field. The experts were requested to evaluate the questionnaire and to suggest changes if necessary. Each expert gave its recommendations and opinion without being interfered from the others experts participating in this part. After reviewing suggestions made by this panel of experts, necessary changes have been made or some questions have been removed as they were considered very academic and difficult for the business to give answers. After eliminating these questions and taking into consideration the suggestions, the questionnaire is used to proceed in the next phase of testing. Two businesses have been randomly selected respectively 15 employees of these two businesses to see whether the questions are clear and there are not misunderstanding of concepts, as well as to ensure the validity of questionnaire. Another way to evaluate the validity from which it can be evaluated the inside statement through coefficient measurement Cronbach Alpha. From this test resulted that the questions were clear and understandable and in the same time the validity evaluation has been made which resulted to be inside these requested parameters statistically, coefficient Cronbach Alpha resulted to be 0.809 ( $r = .809$ ).

Questionnaire was distributed to all employees including manager, director, supervisor, other employees. So, it was required to take in consideration the experience and their opinions related with employees' success through applying MBO technique as a method of performance appraisal. The scale used in questionnaires is based in 5 Likert scale. Likert scale (1-Highly dissatisfy, 2- Dissatisfy, 3-Neutral, 4-Satisfy, 5-Highly satisfy).

#### *Instrument design*

To make the regression analysis firstly we have to present the link between the independent variables, if the correlation between variables is within the limits (−0.7 to 0.7), from the general rule of correlation if the value is outside these limits, variables have strong connection between them, that produces incorrect estimated results. We have multicollinearity when we have a high correlation between independent variables (Hair, Anderson, Tatham & Back, 1998; Lind, Marchal & Mason, 2002).

#### *Demographic data of respondents*

In Table 2, are presented data of participants concerning demographic data such as: gender, education, age, and their position in firm and their activity in the enterprise.

#### *The model used*

In this section we construct an econometric model regression in order to estimate the impact of factors of MBO method as a method of employees' evaluation performance in effectiveness of employees.

$$\hat{Y} = \alpha + \beta_{1x_1} \dots + \beta_n x_n + \varepsilon \quad (1)$$

Note:  $\hat{Y}$  = dependent variable,  $\alpha$  = non-standardized coefficients (constant),  $\beta_{1, \dots, n}$  = non-standardized coefficient of variables,  $x_{1, \dots, n}$  = independent variables,  $\varepsilon_i$  = standard error.

Based in non-standardized weights of regression, regression equation for dependent variable “employees' productivity” can be presented as:

$$\hat{Y}_1 = \alpha + \beta_1 \text{COM} + \beta_2 \text{REMUNERA} + \beta_3 \text{INDIVID} + \varepsilon \quad (2)$$

Whereas dependent variable “employees' satisfaction” through using non-standardize weights of regression can be presented as below:

$$\hat{Y}_2 = \alpha + \beta_1 \text{DETERMIN} + \beta_2 \text{COMOB} + \beta_3 \text{DEF} + \beta_4 \text{CONSTA} + \beta_5 \text{PARTICIP} + \beta_6 \text{FREEIND} + \varepsilon \quad (3)$$

As it can be seen even in Fig. 1 (conceptual model), employees' efficiency is sum of satisfaction and productivity, therefore hypothesis ten (H10), is sum of formulas 2 and 3, and can be presented as below:

$$\text{Employees' effectiveness} = \hat{Y}_1 + \hat{Y}_2 \rightarrow \text{Employees' effectiveness} = \alpha + \beta_1 \text{MBO} + \varepsilon \quad (4)$$

The following discusses in detail the dependent and the independent variables depicted in Tables 4a, 4b, 5a, 5b and 5c.

Independent variables: determination of objectives (DETERMIN), communication objectives (COM.OB), definition of results (DEF), the control standards (CON.STA), employee participation (PARTICIP), freedom and independence of employees (FREE.IND), Constant communication (COM), remuneration system (REMUNERA), individual performance (INDIVID), management by objectives (MBO).

*Dependent variables: employees' productivity, employees' satisfaction, employees' effectiveness*

It is worth mentioning that to test H10, independent variable MBO is taken as an average of all independent variables of this study (nine variables) because all these variables are parts of MBO technique for performance appraisal. Whereas dependent variable of H10, is as average of two other dependent variable “employees' satisfaction” and “employees' productivity” because in this study these two variables are part of variable “effectiveness of employees”.

#### *Empirical findings*

In order to analyze data and test hypotheses, correlation and regression analysis is used. In order to finish correlation and regression analysis, statistical IBM SPSS software has been used. Besides correlation and regression analysis, we have presented some descriptive data. In the further steps of this research will be presented the main results.

#### *Descriptive statistics*

Descriptive data are presented in Table 3, where are presented min., max., mean. and std. deviation, for all independent variable and dependent variable (see Table 3).

**Table 3**  
Descriptive statistics of the study variables (n = 172).

Study variables	Minimum	Maximum	Mean	Std. deviation
DETERMIN	2	5	4.08	1.100
COM.OB	2	5	4.16	1.022
DEF	2	5	4.20	1.041
CON.STA	1	5	4.08	1.206
PARTICIP	2	5	4.30	.936
FREE.IND	2	5	4.09	1.077
COM	2	5	4.16	.926
REMUNERA	1	5	4.10	1.024
INDIVID	1	5	4.08	.964
Employees' productivity	2	5	3.99	.940
Employees' satisfaction	2	5	4.28	.969

### Correlation analysis

In Table 4a. Is presented the Pearson correlation analysis for three independent variables that are taken as predictable in finding (determination) dependent variable “employees’ productivity”, with the purpose to evaluate the scale of connection in between independent variables in this testing. It is presented the relationship in between a continuous communication, rewarding system and individual performance. COM is positively related with REMUNERA ( $r = .680^{**}$ ,  $n = 172$ ,  $p = .000$ ), and is positively related with INDIVID ( $r = .719^{**}$ ,  $n = 172$ ,  $p = .000$ ).

Whereas, a fragile positive relationship has shown the variable REMUNERA me INDIVID ( $r = .537^{**}$ ,  $n = 172$ ,  $p = .000$ ). According to results in table is showed that relationship in between independent variable is inside allowed boarders (+, -, 0.7).

In Table 4b. is presented the Pearson correlation analysis for six independent variables that are taken as predict in setting dependent variable “employees’ satisfaction”, in order that the scale of relationship in between independent variable to be measured in this testing. We have presented the relationship in between variables DETERMIN, COM.OB, DEF, CON.STA, PARTICIP, and FREE.IND. All variables have shown fragile relationship in between, excluding correlation in between variables COM.OB with variable FREE.IND, that have correlation in between higher than 0.7, ( $r = .836^{**}$ ,  $n = 172$ ,  $p = .000$ ).

### Regression analysis

In order to measure the impact of independent variable “employees’ productivity” we have used multiple regression analysis. Results of regression analysis are represented in Table 5a. According to regression analysis independent variables that enter in analysis explain 54.5% of dependent variable “employees’ productivity”. F critic for the scale of freedom (3, 168) is 2.66 whereas F real is 69.253 that means the model is important statistically with significance level  $\alpha = 0.05$ . Independent variable COM is positively related with dependent variable “employees’ productivity” through predicting it for 24.8% ( $\beta = .245$  and  $p = .005$ ). Independent variable REMUNERA is positively related with dependent variable “employees’ productivity” through predicting it for 15.8% ( $\beta = .172$  and  $p = .016$ ). Also independent variable INDIVID is positively related with dependent variable “employees’ productivity” through predicting it for 41.2% ( $\beta = .423$  and  $p = .000$ ). If we pay close attention to Table 5a. We will conclude that variable INDIVID has huge impact than two other independent variables in setting employees’ productivity.

In order to measure the impact of dependent variable “employees’ satisfaction” multiplied regression analysis has been used. Results of regression analysis are presented in Table 5b. According to regression analysis of independent variable that enter in analysis are explained 46.4% of dependent variable “employees’ satisfaction”. F critic for freedom scale (6, 165) is 2.16 whereas F real is 25.683 which means that model is important statistically with significance level  $\alpha = 0.05$ . Independent variable DETERMIN is positively related with dependent variable “employees’ satisfaction” and explains it for 15.2% ( $\beta = .173$  and  $p = .029$ ). Independent variable COM.OB is positively related and predicts dependent variable “employees’ satisfaction” for 1.3% ( $\beta = .014$  and  $p = .991$ ), from sign. value (p) that is bigger than 0.05 showed that this variable is not important statistically. Independent variable DEF is positively related with dependent variable “employees’ satisfaction” and predicts it with 28.8% ( $\beta = .309$  and  $p = .000$ ). Independent

**Table 4a**  
Correlation matrix.

Parameters	Correlations	COM	REMUNERA	INDIVID
COM	Pearson Correlation	1	.680 <sup>**</sup>	.719 <sup>**</sup>
	Sig. (2-tailed)		.000	.000
REMUNERA	Pearson Correlation	.680 <sup>**</sup>	1	.537 <sup>**</sup>
	Sig. (2-tailed)	.000		.000
INDIVID	Pearson Correlation	.719 <sup>**</sup>	.537 <sup>**</sup>	1
	Sig. (2-tailed)	.000	.000	

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

**Table 4b**  
Correlation matrix.

Parameters	Correlations	DETERMIN	COM.OB	DEF	CON.STA	PARTICIP	FREE.IND
DETERMIN	Pearson Correlation	1	.654**	.594**	.317**	.385**	.605**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
COM.OB	Pearson Correlation	.654**	1	.630**	.369**	.556**	.836**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
DEF	Pearson Correlation	.594**	.630**	1	.444**	.390**	.583**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
CON.STA	Pearson Correlation	.317**	.369**	.444**	1	.434**	.489**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
PARTICIP	Pearson Correlation	.385**	.556**	.390**	.434**	1	.465**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
FREE.IND	Pearson Correlation	.605**	.836**	.583**	.489**	.465**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	

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

**Table 5a**  
Analysis of regression for dependent variable “employees’ productivity”, n=172.

Model	R <sup>2</sup>	ΔR <sup>2</sup>	β	b	S.E	F	t	p
	.553	.545				69.253		
(constant)				.631	.240		2.626	.009
COM			.245	.248	.087		2.854	.005
REMUNERA			.172	.158	.065		2.436	.016
INDIVID			.423	.412	.073		5.670	.000

Note: b = Un-standardized Coefficients, S.E = standard error of variables, β = standardized coefficients, t = t-statistic, p = significance level. R<sup>2</sup> = square, ΔR<sup>2</sup> = adjusted R square.

**Table 5b**  
Regression analysis for dependent variable “Employees’ satisfaction”, n=172.

Model	R <sup>2</sup>	ΔR <sup>2</sup>	β	b	S.E	F	t	p
	.483	.464				25.683		
(constant)				.841	.295		2.847	.005
DETERMIN			.173	.152	.069		2.208	.029
COM.OB			.014	.013	.114		.112	.911
DEF			.309	.288	.073		3.925	.000
CON.STA			.154	.123	.056		2.185	.030
PARTICIP			.156	.162	.074		2.201	.029
FREE.IND			.096	.087	.099		.871	.385

Note: b = Un-standardized Coefficients, S.E = standard error of variables, β = standardized coefficients, t = t-statistic, p = significance level. R<sup>2</sup> = square, ΔR<sup>2</sup> = adjusted R square.

variable CON.STA is positively related with dependent variable “employees’ satisfaction” through predicting with 12.3% (β = .154 and p = .030). Independent variable PARTICIP is positively related with dependent variable “employees’ satisfaction” through predicting with 16.2% (β = .156 and p = .029). Independent variable FREE.IND is positively related with dependent variable “employees’ satisfaction” through predicting with 8.7% (β = .096 and p = .385), sign. value (p) is bigger than 0.05 that showed that this variable is not important statistically. If we pay close attention the impact of all independent variables in dependent variable (from Table 5b) it can be concluded that variable DEF has a huge impact from all other independent variables in setting employees’ satisfaction.

Test of plausibility (Cronbach, 1951) for surveys variables that are generalized in independent variable MBO has a highly reliability (r = .809). In order to evaluate the impact of independent variable on dependent variable “employees’ effectiveness” we have used multiplied regression analysis. Results of regression analysis are presented in Table 5c. According to regression analysis of independent variable enter in regression analysis through explaining 55.5% of dependent variable Effectiveness of employee. F critic for the scale of freedom (1, 170) is 3.90 whereas F real is 214.041 which means that the model is important statistically with significance level α = 0.05. Independent variable MBO is positively related with dependent variable “employees’ effectiveness” and explains it for 77.7% (β = .747 & p = .000) (see Table 5c).

**Table 5c**  
Regression analysis for dependent variable “employees’ effectiveness”, n = 172.

Model	R <sup>2</sup>	ΔR <sup>2</sup>	β	b	S.E	F	t	p
	.557	.555				214.041		
(constant)				.924	.222		4.158	.000
MBO			.747	.777	.053		14.630	.000

Note: b = Un-standardized Coefficients, S.E = standard error of variables, β = standardized coefficients, t = t-statistic, p = significance level. R<sup>2</sup> = square, ΔR<sup>2</sup> = adjusted R square.

## Discussion

The aim of this survey is to find out the impact of MBO method as a method of performance appraisal of employees in employees’ effectiveness; through analyzing MBO we measured the influence of each factors of MBO method in increasing employees’ efficiency. So this study has decided to show if factors of MBO method serve in increasing employees’ effectiveness or not. In order to find the connection in between these components three dependent variables and ten independent variables have been used (see section 5).

Ten proposes are made in the form of hypotheses: **H1**, **H2**, **H3**, **H4**, **H5**, **H6**, **H7**, **H8**, **H9** and **H10**. With the correlation, relationship in between independent variables was modernized, whereas in regression analysis we have found enough information for the relationship in between factors of MBO method as a method of evaluating employees’ performance and effectiveness.

Correlation and regression results have supported most of the hypotheses in this study.

Firstly, **H1** has declared that DETERMIN has positive relationship with employees’ satisfaction. At the end, resulted that setting objectives explained 15.2% of employees’ satisfaction, from this reason based on this result **H1** is accepted. This result showed that if objectives are set in organization then its employees will have high satisfaction in comparison with them that do not define clearly objectives.

Secondly, **H2** has declared that COM.OB has a positive relationship with employees’ satisfaction. To sum up, it resulted that communicating objectives explained 1.3% of employees’ satisfaction but this result is not important statistically  $p = .911 > 0.05$  from this reason based on this result **H2** is refused.

Then, **H3** has declared that DEF has a positive relationship with employees’ satisfaction. It came out that defining the results explained 28.8% of employees’ satisfaction from this reason based on this result **H3** is accepted. This result showed that in organization results of work are defined then its employees will have a better satisfaction in comparison with them that do not define results.

On the other hand, **H4** has declared that CON.STA has a positive relationship with employees’ satisfaction. It resulted that setting controlling standards explained 12.3% of employees’ satisfaction from this reason based on this result **H4** is accepted. This result showed that for each 1% increase in setting controlling standards will be predicted an increase of employees’ satisfaction for 12.3%.

Further on, **H5** has declared that PARTICIP has a positive relation with employees’ satisfaction. It resulted that employees’ participation in setting objectives explained that 16.2% of employees’ satisfaction from this reason based on this result **H5** is accepted. That employees’ participation in the process of decision taking increases employee motivation and job satisfaction is stated even from the authors (Jones, 1997; Tjosvold, 1998; Pearson & Duffy, 1999).

On the other hand, **H6** has stated FREE.IND has a positive relation with employees’ satisfaction. It resulted that the freedom and independence in work has explained 8.7% of employees’ satisfaction but this result is not important statistically  $t p = .385 > 0.05$  from this reason based in this result **H6** is refused.

Then, **H7** has declared that COM has positive relation with employees’ productivity. It resulted that continues communication with employees explained 24.8% of employees’ productivity from this reason based on this result **H7** is accepted. This result showed that for each 1% increase in communication will predict an increase of employees’ productivity for 24.8%.

Moreover, **H8** has declared that REMUNERA has a positive relation with employees’ productivity. It resulted that the systems of rewarding employees explained 15.8% of employees’ productivity from this reason based on this result **H8** is accepted.

Furthermore, **H9** has declared that INDIVID has a positive relation with employees’ productivity. It resulted that individual performance evaluation explained 41.2% of employees’ productivity from this reason based on the result **H9** is accepted.

Lastly, **H10** has declared that applying MBO method raises employees’ effectiveness. This hypothesis is a hypothesis derived from the above mentioned hypotheses because all independent variables of this study are factors of MBO technique, so all independent variables are part of MBO process as technique for performance evaluation. Whereas two dependent variables “employees’ satisfaction” and “employees’ productivity” are part of dependent variable “work effectivity”. It resulted that applying MBO technique for employees’ performance evaluation is explained 77.7% of employees’ efficiency from this reason based on this result **H10** is accepted. Results showed that a possibility of increase for 1% of MBO method application for performance appraisal of employees, there will be a possibility for 77.7% of employees’ effectiveness.

## Conclusion

To sum up, from analysis of results from tested questionnaires with SPSS IBM software, it is showed that:

**H1** is accepted, when the employee knows precisely what he or she is going to be reached with the project that he or she is part of

it, employee will work with more motivation and highly concentration to realize that project. Based on this study, it is considered that a clear definition of results increases satisfaction of employees, because employee will consider his work as if it is his personal work, not as work of organization.

H3 is accepted, employees' satisfaction is depended even from knowing employees with objectives of work and their clear definition, because employee knows precisely which activities he should complete. When the employee knows what is expected from him and has huge satisfaction in reaching his results.

H4 is accepted, controlling standards raise employees' motivation to complete a work inside the time and foreseen budget. Because employee knows when his work will be controlled and criteria how his work should be evaluated, so he is more committed to work more to realize an objective inside the time. Creation of controlling list serves as a tool that is used to maximize employees and managers' efficiency, and serves as pusher to increase the level of finished duties.

H5 is accepted, in the moment when setting standards and general objectives employees have participated, the ones that will realize that project then they will be more motivated to complete successfully that work because there are taken in discussion and thought of each employee and each one will try to realize work that they formed even themselves, successfully. When an employee gives an idea through discussion for selecting the road to realize a project, then that employee is more motivated to complete that work better.

So H1, H3, H4, H5, are accepted and have shown that are in right proportion with the raise of satisfaction of employees. So, with the raise of applying techniques as: predetermine objectives, clear definition of results, setting standards for control, employees' participation in discussion there will be an increase in employees' satisfaction level.

Also H7 is accepted, employees need continuous communication horizontally, vertically, formally, not formally, orally, in written form as well as other methods of communication, because they are often found in difficulties to realize their work, ideas and other opinions helps a lot in successfully and immediately ending that work. If the employee has any problem ahead to complete his work, then communication and exchanging ideas with others helps in reaching objectives and increasing their productivity.

From research findings even H8 is accepted, employees are more productive when they know that they will be rewarded from the company based on the work that they do in organization. When for employees is clear that the reward that he is going to win will be as a result of his work, he will use all his capacity to complete a work successfully.

H9 is accepted, also employees' productivity is raised when they understand that individual performance will be evaluated, so it is known what has realized he the worker himself and that his merits will not be taken from another employee that finds parts of group through realizing the project. A priori, awareness of employees that his individual work will be evaluated gives his motives to work more in order to be shown the performance appraisal better.

Base hypothesis of this survey H10 is accepted that shows that applying MBO method as technique for evaluating employees' performance in organization raises their employees' effectiveness. Employees' effectiveness in this study is as a sum of satisfaction and employees' productivity. When one employee makes a work with pleasure he raises the productivity of work and as a result that worker is more effective. Antoni (2005), found out that MBO systems can be an effective tool to improve group effectiveness in respect to both group productivity and job satisfaction.

Whereas, it is worth mentioning that H2 is not accepted, from findings is not found that employees' satisfaction is influenced from communicating objectives, even from informing employees with objectives of work and their clear definition, because employee knows precisely which activities he should complete. When the employee knows what is expected from him and has huge satisfaction in reaching his results, and.

H6 is not accepted, as it is not implied that employees need freedom and independence through finishing work because they feel that they are more evaluated from the others and more competent for the work that they do. This situation gives employees' satisfaction because they feel themselves as leaders for the work they do and at the same time they feel responsibility in realizing this work. If workers do not take the work ahead through showing how the work is done in details and is left aside then the employee will realize the work in his own way, this increases the employees' satisfaction for the work.

So the hypothesis H2 and H6 are not accepted even though there is a positive connection in raising employees' satisfaction results gained from regression analysis have not been statistically significant. From this study we suggest that organization should apply MBO method and its factors because is another contemporary method to lead the organization successfully, to increase the performance, productivity and human results considerably, and as a result of all these to win advantage in competing trade. Applying MBO method creates the opportunity of organization to realize successfully its main principle to survive, to win and increase. This study has an important contribution for applying MBO method of employees' performance appraisal in organization.

### Limitations and future study

This study contributes in literature enrichment related with using MBO method as a technique of employee performance evaluation, but it has its limitation. Study limitations are:

The budget did not allow the researches to contact a large number of respondents for this reason; a close attention must be paid in trying to generalize the data of this study.

Factors used in this study are not the only that influence in employee performance improvement. There are other methods which are used as the appraisal performance. So the future study can be focused and generalize results and for other methods which are used from different authors, in order to make comparisons in between different methods for performance evaluation of employees used in organization. Which data offer the opportunity can be focused and generalize results and other methods which are used from different authors, in order to make comparisons in between different methods of performance evaluation of employees used in

organizations. The data will offer the opportunity the future researchers use comparing method to find out the most effective method for employees performance evaluation.

Future studies should investigate further the effectiveness of setting objectives in dynamic environments and settings, compared to static environments.

Another suggestion for future studies is to make a contrastive study between the companies follow the MBO and the others that do not, in order to see how employees perform and whether MBO affects their motivation and self-esteem.

Another area of the study should be the effects of short-term versus long-term objectives, and examine the influence of combining both short- and long-term objectives on task performance.

The data gathered in a moment of time, not in different periods of time. The value of the study would have been higher if the data had been gathered in different periods of time with the purpose of searching the dynamics of usage of human resource practices.

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