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**PSYCHOLOGICAL THEORY AND ITS IMPLICATIONS ON THE  
CHANGES OF ORGANIZATIONAL MEMBERS USING  
PERFORMANCE MEASUREMENT SYSTEMS**

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**ABSTRACT**

This study aims to explore the effect of using PMS on the changes to the behavioural attitudes among employees. To answer the objective of the study, it utilises semi-structured interview of 14 Indonesian senior bankers. Data were analysed using qualitative analysis software, Nvivo. The result shows that PMS changes employee habits resulting in the following improvements: creates harmony in the working environment; enhances a healthy competitive atmosphere; motivates employees to work better; makes employees feel embarrassed for unsatisfied performance goals; changes individual behavior due to acknowledging behavioral aspects in performance goals instead of just financial performance. Respondents of this research were senior bankers working in the head quarter bank. However, banking industry is an incumbent to generalize the results; otherwise, to be implemented the behavior aspect for all employees working in the banks need to be generalized carefully. The results indicate that PMS implementation for employees in the Indonesian Bank influence of the changes of employee's behaviour in not only merely influenced by incentives rewards but others behaviours aspects.

**Keywords:** cognitive mechanism, intrinsic motivation, extrinsic motivation, financial institutions, service sector, performance measurement system