

# Effect of Performance Appraisal on Employee Retention

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**Abstract**—In today's competitive environment it has become important for the organization to retain its top performers. Retention is high in those organizations whose employees feel a sense of security in the organization. Therefore an organization should develop appropriate strategy to retain its competent employees by identifying the reasons behind their dissatisfaction. The objective of the present study is to know the impact of performance appraisal on employee retention. Primary method was adopted to collect the data through a well designed questionnaire. In this study Performance appraisal has been taken as an independent variable and employee retention has been taken as a dependent variable. Regression test was performed to know the effect of performance appraisal on employee retention. The study concluded a significant impact of performance appraisal on employee retention.

**Keyword:** Employee Retention, Performance appraisal.

## Introduction

An Organization's performance can be judged by its turnover rate. The lower the employee turnover the higher will be the productivity of the organization.

The Low rate of employee turnover signifies that the company is having a team of skilled. (Ejaz & Akbar, 2015) Employees are the lifeblood of any business. Success and failure of an organization rest upon the performance of its employees (Elnaga & Imran, 2013) The role of employees is of immense importance. They can make or fall the reputation of an organization. It relates to those policies and practices used by the companies in order to retain their valuable employees. Employee Retention includes the steps through which companies encourage employees to be a part of them for a maximum time period of their career and it is considered more important than hiring because the employers do not pay much attention towards the increasing cost associated with high rate of employee turnover (Ahrichs, 2000).

## Literature Review

The role of employees are important in the accomplishment of mission and vision of an organization. Employees should perform their best to meet the standard set by the organization by providing their best performance. (Raziq & Maulabakhsh,

2015) Performance appraisal is defined as an individual assessment of an individual performance in order to take a decision for facilitating an individual's career development by looking at the individual's total involvement in the organization in terms of their internal characteristics, their working capability (Gruman & Saks, 2011). Though it's simply considered as a means of measurement and observing. Webster, Beehr & Love (2011) in their research paper talk about that appraisal is a stressful practice between evaluator and individual and if both did not consider its importance an error is produced in an appraisal. Sudin (2011) carried out their studies among Malaysian companies that the employee satisfaction and their positive relationship with their firm is brought by a fair appraisal system. Instead of fairness, problems are also produced from the evaluator/managers side in choosing his own way of carrying out an appraisal process. Spence & Keeping (2011) in their research came up with the conclusion that shifting of appraisal process from measurements to raters in which rater put their decision about the performance in order to increase the accuracy of

## Objectives of the Study

The objective of the study is to know the effect of performance appraisal on employee retention.

## Hypothesis

There is no significant impact of performance appraisal on employee retention.

## Research Methodology

The objective of the present study is to know the impact of performance appraisal on employee retention of the telecom industry. Primary method of data collection has been adopted through a well-designed questionnaire. Rathnaweera (2010) questions have been adopted for the purpose of the present study. All the responses were recorded on Likert's five-point scale.

**Population**

Employees of Airtel were selected for the purpose of the following study.

**Sample Size**

The sample size of the present study is 80.

**Analysis and findings.**

Data were analyzed through regression Reliability test was performed to study+- the internal consistency i.e. reliability of the measuring instrument and KMO test was performed to know the adequacy of samples.

Reliability Statistics	
Cronbach's Alpha	N of Items
.706	10

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.690
Bartlett's Test of Sphericity	Approx. Chi-Square	120.786
	df	45
	Sig.	.000

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.335	1	11.335	26.496	.000b
	Residual	33.367	78	.428		
	Total	44.702	79			
a. Dependent Variable: ER						
b. Predictors: (Constant), PA						

Model Summary				
Model	R	R Square	Adjusted R Square	Std. The error of the Estimate
1	.504a	.254	.244	.65405
a. Predictors: (Constant), PA				

Variables Entered/Removed			
Model	Variables Entered	Variables Removed	Method
1	PAb	.	Enter
a. Dependent Variable: ER			
b. All requested variables entered.			

Regression coefficient showed a prediction of 25.4%. This indicates that 25.4% of the variance in the dependent variable (Employee retention) is explained by the independent variable performance appraisal.

Anova table is used to tell the fitness of the model, whether the model is fit for research or not. The anova table above describes the overall variance accounted for in the model. The F-score (F= 26.496) with a significance of (.000). The result suggests that the independent variable performance appraisal is significant since the value of sig is .000 which is less than 0.005.

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.272	.388		3.276	.002
	PA	.575	.112	.504	5.147	.000
a. Dependent Variable: ER						

**Conclusion:**

Through regression test it was found that the significant value for Performance appraisal is .000 which is less than .005. Therefore, the study concluded that there is a significant impact of performance appraisal on employee retention

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