

EFFECTIVENESS OF PERFORMANCE APPRAISAL TOWARDS RETAINMENT OF EMPLOYEES IN ENGINEERING INDUSTRIES OF COIMBATORE

S.Saravanan, Dr.S.Kavitha

Research Scholar, Associate Professor

GRD Institute of Management, Coimbatore, Tamilnadu, India.

Abstract

The HR practices are important for effective functioning of employees. This has become more complex due to the expansion of business operations across the country. Hence it is a great challenge to attract and retain employees, preparing the employees to meet their and the organizational growth and development. Employee retention is one of the crucial aspects of human resource management. To retain employees organizations are doing several practices. Managing employee performance is an integral part of the work that all managers and officials perform in any institution (Dirks, K. T., & Ferrin, D. L., 2000). Descriptive Research Design was adopted in this study. By using Simple Random sampling technique 63 samples were selected for the study. In many organizations appraisals are used to help determine reward outcome by identifying employees who should get the majority of available merit such as pay increases, bonus and promotions. Hence, in this study an attempt was made to analyse the performance appraisal of employees working in an engineering industry in Coimbatore and to analyse how the appraisal helps the employees to retain in the organization for long period of time.

Key words: *Employee Performance, Employee retention and HR Practices.*

Introduction

The role and importance of human resource management has increased over the past few decades in India. The HR practices become more complex due to the expansion of business operations across the country. It is a greater challenge for the organizations to attract and retain employees, preparing the employees to meet the organizational growth as well as individual growth and development. Procuring, developing and keeping the talented employees in organization have become one of the most important goals of human resource management (HRM) practices (Govaerts, Kyndt, Dochy & Baert, 2011). Employee retention is one of the crucial aspects of human resource management. To retain employees organizations are doing several practices. Primarily, performance appraisal has been considered an overall system for controlling an organization. It has also been called an audit function of an organization regarding the performance of individuals, groups and entire divisions (Awosanya and Ademola, 2012). Providing employees with challenging assignments with well-defined performance measures and feedback is important for a high performance environment in which employees can achieve their personal objectives. Thus performance appraisal is one of the important tool to measure and analyse the present level of employees and to work for their betterment and retainment. Feedback on employee performance is vital to building confidence in the retention practices.

Review of Literature

Review of related literature helps to get pertinent information from the earlier studies with regard to the present study. Retention is the continuance of employees with their current organization, and refers to the “systematic effort by employers to create and foster an environment that encourages current employees to remain employed by having policies and practices in place that address their needs” (Mckeown, 2002). Narang U. (2013) analyzed in his article “HRM Practices – Its Impact on Employee Retention” that there is a relationship between employee’s retention and HR practices. Career development, recognition of work and getting rewards regarding work and work environment is having the highest priority for retention issue. Grassi, S. (2012) stated that the Committed Employees Are the Key to Talent Retention. It was stated in the study that he companies in China are fighting to retain their top performer and talented employees. It was suggested that by taking the steps like clear communication, job satisfaction, effective performance management system and positive work environment to improve commitment and company can assure that this will reduce the turnover rate and attract and retain top performer and talented employees.

Aim of the Study

The main aim of the study is to analyse the performance appraisal and retention of employees working in an engineering industry in Coimbatore.

Research Framework

This study was conducted among 63 employees working in an Engineering industry in Coimbatore. The researcher adopted simple random sampling for selecting the 63 samples. Descriptive Research Design was adopted for this present study.

The objectives of the study are:

1. To study the personal profile of the respondents
2. To measure the components and strategies of performance appraisal and retention of employees
3. To find out the relationship between performance appraisal and retention of employees
4. To offer suitable suggestions for better performance appraisal and employee retention.

Results and Discussion

Table 1: Personal Profile of the respondents

S.No	Personal Profile		Frequency	Percentage
1.1	Age	25-30	41	65.1
		30-35	7	11.1
		35-40	8	12.7
		40-45	6	9.5
		Above 45	1	1.6
1.2	Gender	Male	55	87.3

		Female	8	12.7
1.3	Marital Status	Married	28	44.4
		Unmarried	35	55.6
1.4	Education	10, 12	2	3.2
		IT / Diploma	15	23.8
		Graduate	27	42.9
		Post Graduate	19	30.2
1.5	Designation	Executives- Managers & senior Managers	14	22.2
		Staff Members - Officers & Associates	44	69.8
		Others	5	7.9

Interpretation

From the above table 1.1, it is understood that nearly 2/3rd of the respondents are between the age group of 25 – 30 years, followed by the remaining respondents with 35 – 40 years (12.7%), 30 – 35 years (11.1%), 40 – 45 years (9.5%) and the remaining a very few 1.6% are above 45 years of age. This shows that the respondents are of young group.

From the table 1.2, it is clear that majority 87.3% are males. The number of female respondents is very much limited; hence it needs to be increased in the main study.

From the table 1.3, it is found that a little more than half of the respondents 55.6% are married and the remaining 44.4% are unmarried

The table 1.4 states that nearly half of the respondents are graduates, 30.2% are post graduates followed by the 23.8% employees with diploma or IT degree.

The designation of respondents was explained in table 1.5. It is understood that 69.8% are the staff members of different organizations which includes the officers and associates and the remaining 22.2% are executives comprising of managers and senior managers.

Table 2: Personal Profile of the respondents

S.No	Personal Profile		Frequency	Percentage
2.1	Duration of appraisal	Yearly	61	96.8
		Half yearly	1	1.6
		Monthly	1	1.6
2.2	Rating the appraisal of the organization	Excellent	7	11.1
		Very Good	21	33.3
		Good	26	41.3
		Average	8	12.7
		Poor	1	1.6
2.3	Level of Satisfaction with present job	Highly satisfied	8	12.7
		Satisfied	43	68.3
		Neutral	11	17.5
		Dissatisfied	1	1.6
2.4	Factors that	Good appraisal system	6	9.5

	satisfies to retain employee	Clear career growth plans	15	23.8
		Recognition & Retention policy of the organization	10	15.9
		Excellent working environment	11	17.5
		Overall Satisfaction	21	33.3
2.5	Factors that Attract to work till retirement	Good recognition / reward programs	13	20.6
		Handsome salary & Perks	10	15.9
		Flexible work schedule	17	27.0
		Training / Development opportunities	11	17.5
		Good motivation system	12	19.0

From the above table 2.1, most of the employees responded that their organization is having the practice of appraisal once in a year which is almost complete respondents which accounts for 96.8% and the remaining holds by appraisal once in 6 months and monthly appraisals.

The table 2.2 depicts the view of employees about their appraisals. 41.3% states that the appraisal process is good and 33.3% reports the appraisals are very good and only 1.6% reports that the appraisal method of their organization is below average / poor.

It is understood from the table 2.3 that majority 68.3% are satisfied with the present job, 12.7% are found highly satisfied and 17.5% are neutral with respect to the level of job satisfaction.

The table 2.4 states that among the different factors that satisfies the employees to retain in the present job 33.3% states that the overall satisfaction of the organization and the work factors as the reasons and 23.8% reported that making clear career growth plans is the important factor in retaining employees. The other factors that satisfies the employees to retain themselves includes excellent working environment (17.5%), recognition & retention policy of the organization (15.9%) and good appraisal system (9.5%).

The table 2.5 shows that among the attracting factors to continue job till retirement in the present organization Flexible work schedule (27%) holds first position followed by Good recognition / reward programs (20.6%), Good motivation system (19%), Training / Development opportunities (17.5%) and Handsome salary & Perks (15.9%).

Hypothesis: There is no significant relationship between Performance appraisal and Employee retention of the employees

Table 3: Relationship between Performance appraisal and Employee retention

	Performance appraisal system	Employee retention
Performance appraisal system	1	.794
Employee retention		1

Performance appraisal system and Employee retention are related to each other by Karl Pearson's Correlation analysis. The obtained Pearson Correlation value helps to know about the strength and direction of the relationship that exist between the variables. The results reveal that there exists a strong positive relationship ($r < 0.05$) between the three variables and are found to be positive in direction.

It was found that the performance appraisal has a positive and significant relationship with respect to employee retention ($r = .794$, $p < 0.05$). From this it is clear that the null hypothesis stating that there is no significant relationship between Performance appraisal and Employee retention of the employees is rejected.

Suggestions

- Technology is changing very fast and employees do not want to become obsolete in organization. Hence the HRD units of engineering industries should view attrition as a serious problem and should take measures to control it by designing good retention policies and strategies.
- HRD should conduct exit interviews periodically, engagement and culture surveys to understand the changing expectations of the critical workforce from time to time and take all these inputs to have a holistic understanding of the variable influencing retention of employees.
- One of the retention strategies could be, providing flexible benefits where employees have options to choose benefits, according to their suitability the organization should provide stress free work environment for the employees, so that people are enjoying their work, make work and work place cheerful and fun-filled as much as possible.
- Performance appraisal initiatives are important. Innovative and practical employee policies pertaining to performance management are important for most of the employees because most of the time they are engaged for high performance assignments.

Conclusion

The Human Resource department has planned for different retention strategies for different organization and for different levels. Employee turnover is found high in engineering organizations in India as skilled workforce has ample number of opportunity to choose from. If an employee resigns, then good amount of time is lost in hiring a new employee and then training the employee and this goes to the loss of the company directly. Tools for employee retention are developing employee reward program, career development program; performance based bonus, employee referral plan, loyalty bonus, employee recreation, gifts at some occasions, accountability, making the managers effective and easily accessible, surveys etc. Hence the Employee Retention is thus a process in which the employees are encouraged to be with the organization for the maximum time. This could be achieved in a better way by proper management of employees through periodical appraisals. Hence it is concluded that the organization should adopt proper appraisal techniques and provide the necessary requirements with respect to the organizational policies to retain their employees.

Reference

- Awosanya, O. & Ademola, O. (2012). Attitude of employees to work performance in an organization
- Dirks, K. T., & Ferrin, D. L. (2000). The Effects of Trust In Leadership on Employee Performance, Behavior, and Attitudes: A Meta-Analysis. In *Academy of management proceedings* (Vol. 2000, No. 1, pp. 1-1). Briarcliff Manor, NY 10510: Academy of Management.
- Govaerts, Kyndt, Dochy & Baert, (2011). Influence of learning and working climate on the reaction of talented employees. *Journal of Workplace Learning*, 23 (1), 35-55.
- Grassi S. (2012). <http://org331blog.blogspot.in/2012/04/committedemployees-are-key-to-talent.html>. Retrieved April 06, 2016, from [http://org331blog.blogspot.in/2012/04/committedemployees-are-key-to-talent.html](http://org331blog.blogspot.in/:http://org331blog.blogspot.in/2012/04/committedemployees-are-key-to-talent.html)
- Mckeown, J. L. (2002), *Retaining Top Employees*. New York: McGraw-Hill
- Narang, U. (2013). HRM Practices – Its impact on employee retention. *Irc's international journal of multidisciplinary research in social & management Science*, 1 (4), 48-51.

