

IMPACT ON EMPLOYEE RETENTION ON EMPLOYEE PERFORMANCE

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Abstract

This research tries to identify the impact on employee retention on employee performance. The data has been collected from 50 samples and respondents are from employees of SMEs in Pondicherry. Hence, it is concluded that there is direct influence of job characteristics (skill variety and task identity) on employee retention. The research also identified that there is indirect influence of job characteristics ((skill variety and task identity)) on employee performance. It is found that there is direct effect of employee retention on job performance. Finally, the research discovered that employee retention mediate the relationship between job characteristics and job performance. Therefore, SMEs should take steps to improve their work engagement and lead to improvement in employee performance and reduce the turnover intention.

Keywords: Job Characteristics, Skill Variety, Task Identity, Employee Retention, and Employee Performance.

INTRODUCTION

Employee retention is the ability of an organization to retain its best employees and hence maintain a lower turnover. An organization can achieve this by adopting various employee retention programs. In many business firms employee turnover is definitely a problem that needs to be addressed and taken into consideration. For thousands of decades the SMEs has been a pillar of support to the nations.

The reason for such accomplishment is the effort taken to advance and adjust along with the growth of new ideas. Times are changing where pensions are no longer considered and preparing new employees are not cost effective. With all this occurring it is evident that retaining good employees is very necessary. As there is a growth in the SMEs it is confronted with another challenge which is talent management.

Many have encountered this challenge. With the advancement in technology an expert forger who has the capability to work a forge like an expert faces difficulties while operating new equipment like screens, controls and sensors. On the other hand a newly hired worker faces difficulties trying to figure out the basics of forging while the individual can be an expert with the technology that has newly arrived. In the growing SMEs one of the highly encountered challenges is to find the perfect worker who is an expert in both cases.

Employee performance must maintain its primary position in organizational research for at least two reasons. Productivity growth is a key factor in stabilizing the economy through higher wages, improved living standards, and an increase in the availability of consumer goods.

Therefore, the research that determines the performance of the individual employee is generally important to the community. The second justification for the interest in continuing to increase employee performance is that it is very practical. Company managers are eager to improve employee productivity within their organizations for a number of reasons.

Therefore, training managers need to increase the contribution that institutional researchers can understand the causes and effects of employee performance. Hence, the research tries to identify the employee retention mediate the relationship between job characteristics and job performance in SMEs in Pondicherry.

REVIEW OF LITERATURE

Caroline Minoos Matilu & Professor Peter K'Obonyo (2018) found that there is relationship between job characteristics and employee performance.

Renu Bala (2017) revealed that employee retention (employee training, employee participation, job security, employee motivation, work environment, and employee-employers relationship) have positive effect on employee performance.

Eddy Madiono Sutanto and Milly Kurniawan (2016) found that the recruitment, labor relations and retention found a significant effect on employee performance. On the other side, the employee retention and recruitment found a significant effect on employee performance.

Hamid Julaei and Omid Mahdiye (2015) identified that job characteristics have positive and significant effect on job performance. The result shows that all aspects of job characteristics such as variety of skill, task significance, task identity, feedback, and task autonomy have positive and significant effect on job performance.

Maureen M. Gicho (2015) found that there is influence of employee retention strategies on employee performance. The research also identified the organization rewarded employees for good performance.

Susilo (2013); Sumarni (2011) discovered that there is direct and positive influence of employee retention on employee performance.

Akuoko (2012) discovered that employee retention was influenced by six employee retention strategies namely employee participation, job security, employee training, employee motivation, work environment and employee-employers.

Hackman (1977); Hackman and Oldham (1980) have discovered that performance or work effectiveness was influenced by job characteristics model.

There has been a lot of research done on the employee retention and their performance worldwide. Very few researches have been done in the Indian context. Similarly, the employee retention and their performance have not been addressed in SMEs.

Based on the reviews, below are proposed hypotheses.

H1: Job characteristics (skill variety and task identity) have significantly influences employee retention in SMEs.

H1: Job characteristics (skill variety and task identity) have significantly influences employee performance in SMEs.

H2: Employee retention has significantly influences employee performance in SMEs.

Framework

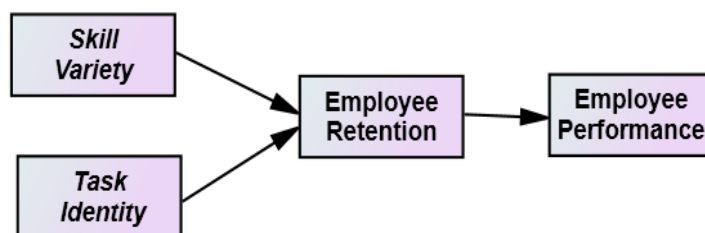


Figure 1: Conceptual framework

Need for The Study

The findings of this study will help SMEs authorities and policy makers. This study will help identify the impact of job characteristics and employee retention on their performance. Findings from this study can help SMEs authorities design employee retention strategies, increase their performance.

OBJECTIVES

- To discover the influence of job characteristics (skill variety and task identity) on employee retention in SMEs.
- To find out the influence of employee retention strategies on employee performance in SMEs.

Research Design

In order to explore the impact of employee retention on their performance a descriptive research design is employed by the researcher. Data is collected employees' from SMEs in Pondicherry through a structured and standard questionnaire. This descriptive research design is employed to explore the relationship between job characteristics, employee retention and employee performance.

Questionnaire Design

Table 1: Questionnaire Construction

S. No.	Variable	Items	Author
I	Demographic Profile		10
II	Job Characteristics	9	Hackman, et al. (1975)
	Skill Variety	5	
	Task Identity	4	
III	employee retention	12	Self-Design
IV	Employee Performance	5	Halim Kazan and Sefer Gumus (2013)

Data is collected from SMEs employees in Pondicherry through a well-designed questionnaire. The questionnaire construction for this study is divided into four parts. The first part of the questionnaire is arranged in such a way to know the demographics profile of the SMEs employees', the second part is job characteristics, the third part is employee retention and the fourth part is employee performance. Except first part, all the four sections are constructed with multiple choice questions. The first part is set up as a category and the other three as a measuring scaling technique.

Reliability

Pilot study was done to confirm that the results of this study questionnaire are reliable. The questionnaires are verified by involving 50 SMEs employees in Pondicherry. Based on the SMEs employees' opinion, some changes are made in the questionnaire as suggested by the SMEs employees. Cronbach's alpha tool is employed to test the reliability of the research variables. All the variables of this questionnaire are above 0.70 which shows that it is reliable. This means that the set of questionnaire has a high reliability value. Based on this result, it is statistically recommended that the questionnaire set can be implemented for final data collection of the research.

Table 2: Reliability of the research

S. No.	Variable	Items	Cronbach's Alpha
I	Job Characteristics	9	0.86
	Skill Variety	5	0.88
II	Task Identity	4	0.84
	Employee Retention	12	0.78
III	Employee Performance	5	0.90

Sampling Technique

In this study, convenience sampling technique has been applied to collect the primary data from employees of SMEs in Pondicherry. In this way 50 SMEs employees are approached to collect the primary data in Pondicherry.

Statistical Tools

Path analysis is used to estimate model by probing the relationship between design employee retention strategies and employee performance. The researcher has employed the path analysis

for impact of employee retention strategies on employee performance.

RESULTS AND DISCUSSION

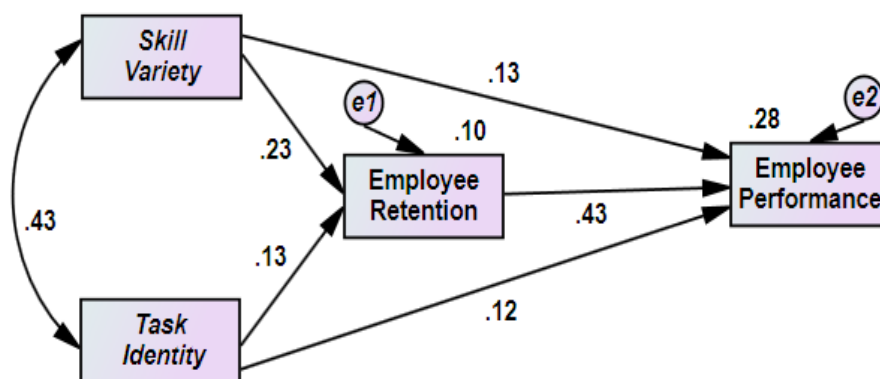


Figure 2: Impact on employee retention on employee performance

Table 3: Model Fit Indication

S. No.	Model Fit Indicators	Calculated Values in the Analysis	Recommended Values (Premapriya, et al. 2016)
1	Chi-Square	3.789	---
2	p	0.223	> 0.050
3	GFI	0.989	> 0.90
4	AGFI	0.936	
5	CFI	0.999	
6	NFI	0.999	
7	RMR	0.018	< 0.080
8	RMSEA	0.006	

Source: Primary data

The table 3 presents the mode summary of impact on employee retention on employee performance. The path model presented, along with mode summary to verify the model fitness. The Chi-square statistic is 3.789 with $p > 0.05$. The table illustrates the model fit statistics such as RMSEA, RMR, NFI, CFI, AGFI and GFI. RMR and RMSEA are within than the recommended limit i.e., RMR and RMSEA is less than 0.08 (Indra, Balaji and Velaudham, 2020; Velaudham and Baskar, 2016). NFI, CFI, AGFI and GFI are within than the recommended limit i.e., NFI, CFI, AGFI and GFI is greater than 0.90 (Kantiah Alias Deepak and Velaudham, 2019; Velaudham and Baskar, 2015). All the model fit statistics imply a better model fit (Premapriya, et al. 2016; Victor and Velaudham, 2020).

Table 4: Regression Weights

DV		IV	Estimate	S.E.	C.R.	Beta	p
Employee Retention	<---	Skill Variety	1.705	0.433	3.933	0.232	0.001
Employee Retention	<---	Task Identity	0.797	0.369	2.159	0.128	0.031
Employee Performance	<---	Employee Retention	0.237	0.028	8.547	0.427	0.001
Employee Performance	<---	Skill Variety	0.549	0.219	2.501	0.135	0.012
Employee Performance	<---	Task Identity	0.404	0.184	2.200	0.117	0.028

Source: primary data

H₁: Skill variety of job characteristics significantly influences employee retention.

The hypothesis was tested in path model. The finding of the analysis demonstrated that the C.R. value is 3.933; β value is 0.232 and p value is significant. The value of β is 0.232 that skill variety of job characteristics explains 23.2 percent of the employee retention. Therefore, the hypothesis is accepted. Hence, the result demonstrated that the skill variety of job characteristics significantly influences employee retention.

H₁: Task identity of job characteristics significantly influences employee retention.

The hypothesis was tested in path model. The finding of the analysis demonstrated that the C.R. value is 2.159; β value is 0.128 and p value is significant. The value of β is 0.128 that task identity of job characteristics explains 12.8 percent of the employee retention. Therefore, the hypothesis is accepted. Hence, the result demonstrated that the task identity of job characteristics significantly influences employee retention.

H₁: Skill variety of job characteristics significantly influences employee performance.

The hypothesis was tested in path model. The finding of the analysis demonstrated that the C.R. value is 2.501; β value is 0.135 and p value is significant. The value of β is 0.135 that skill variety of job characteristics explains 13.5 percent of the employee performance. Therefore, the hypothesis is accepted. Hence, the result demonstrated that the skill variety of job characteristics significantly influences employee performance. Hackman (1977) have discovered that performance or work effectiveness was influenced by job characteristics model.

H₁: Task identity of job characteristics significantly influences employee performance.

The hypothesis was tested in path model. The finding of the analysis demonstrated that the C.R. value is 2.200; β value is 0.117 and p value is significant. The value of β is 0.117 that task identity of job characteristics explains 11.7 percent of the employee performance. Therefore, the hypothesis is accepted. Hence, the result demonstrated that the task identity of job characteristics significantly influences employee performance. Hackman and Oldham (1980) have discovered that performance or work effectiveness was influenced by job characteristics.

H₁: Employee retention significantly influences employee performance.

The hypothesis was tested in path model. The finding of the analysis demonstrated that the C.R. value is 8.547; β value is 0.427 and p value is significant. The value of β is 0.427 that

employee retention explains 42.7 percent of the employee performance. Therefore, the hypothesis is accepted. Hence, the result demonstrated that the employee retention significantly influences employee performance. Susilo (2013); Sumarni (2011) discovered that there is direct and positive influence of employee retention on employee performance.

Findings

The analysis discovered that there is direct influence of job characteristics on employee retention. The research also identified that there is indirect influence of job characteristics (skill variety and task identity) on employee performance. Hackman and Oldham (1980) have discovered that performance or work effectiveness was influenced by job characteristics (skill variety and task identity). It is found that there is direct effect of employee retention on job performance. Susilo (2013); Sumarni (2011) discovered that there is direct and positive influence of employee retention on employee performance. Finally, the research discovered that employee retention mediate the relationship between job characteristics and job performance.

Recommendations

It is found that that there is direct and positive influence of employee retention on employee performance, employees in SMEs who are satisfied with their job. Therefore, SMEs should take steps to improve their work engagement and lead to improvement in employee performance and reduce the turnover intention. SMEs should be one of the most important factors contributing to employee retention. Thus they can result in higher work performance and reduce the turnover intention. SMEs management should reconsider and improve the compensation of employee with a view to increasing the retention of employees.

CONCLUSION

Employee retention is the ability of an organization to retain its best employees and hence maintain a lower turnover. An organization can achieve this by adopting various employee retention programs. In many business firms employee turnover is definitely a problem that needs to be addressed and taken into consideration. This research tries to identify the impact on employee retention on employee performance. The data has been collected from 50 samples and respondents are from employees of SMEs in Pondicherry. Hence, it is concluded that there is direct influence of job characteristics (skill variety and task identity) on employee retention. The research also identified that there is indirect influence of job characteristics (skill variety and task identity) on employee performance. It is found that there is direct effect of employee retention on job performance. Finally, the research discovered that employee retention mediate the relationship between job characteristics and job performance. Therefore, SMEs should take steps to improve their work engagement and lead to improvement in employee performance and reduce the turnover intention.

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