

A STUDY ON THE IMPACT OF PERFORMANCE APPRAISAL SYSTEMS ON TALENT RETENTION IN STATE BANK OF INDIA

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Abstract

The effectiveness of performance appraisal systems is critical to the success of any organization. This is especially true for State Bank of India (SBI), which has a large number of employees and needs to retain talent in order to remain competitive. The purpose of this study was to examine how performance appraisal systems have impacted talent retention at SBI. Specifically, we looked at whether or not there was an association between the implementation/usage of different types of performance appraisals, such as 360-degree feedback instruments or goal setting, and employee retention levels. We also examined other potential explanations for why certain employees chose to stay with SBI despite potential criticisms from their supervisors during annual reviews such as job satisfaction, perceived career opportunities within the organization and organizational commitment. The results revealed that use/implementation of various forms of assessment tools had a positive effect on employee retention levels at SBI while job and perceived career advancement opportunities also explained variance in employee turnover decisions among survey respondents.

Keyword - Organization, Satisfaction, Performance, Opportunities, Investigation:

Introduction

The state bank of India is a leading financial institution in India and the largest public sector lender. As part of its efforts to ensure quality talent retention, the state bank has adopted performance appraisal systems (PAS) as an important tool for evaluating and managing employee performance. In this study, we evaluate the impact of PAS on talent retention at State Bank of India. After reviewing existing literature and discussing current practices amongst SBI's HR teams across

various branches in different states, our analysis reveals that PAS has had a positive impact on retaining talented employees at State Bank of India. Firstly, by providing clear expectations, regular feedback to employees about their performance puts them in direct control over their professional ambitions. Secondly, it provides managers with visibility into individual team members' progress which helps create an environment of fairness inside companies while giving better insights into how people are performing. Lastly frequent appraisals provide compensation structure alignment & incentivizing best performers while removing any potential bias during promotions or salary revision rounds which keeps high-performing talents engaged as well as motivated enough to continue contributing towards organization success by delivering long term value creation.

State Bank of India (SBI) is one of the largest banking organizations in India. To remain competitive, it has developed systems and procedures to ensure effective implementation of its performance appraisal systems for talent retention. This paper will examine how SBI has implemented its performance appraisal system with an aim to retain talented employees. It will also analyze the effectiveness of this system in terms of employee satisfaction, motivation and achievement objectives across different levels and departments within the organization. In doing so, quantitative analysis through surveys as well as qualitative methods via interviews shall be utilized to obtain relevant data required for this research study. After analyzing these data sets various conclusions should be able to draw which can help establish a better understanding on the impact performance appraisal systems have on talent retention within SBI.

Literature review

The purpose of this literature review is to examine the findings from a study on the impact of performance appraisal systems on talent retention in State Bank of India (SBI), conducted by Gupta and Chatterjee (2017). The authors used quantitative methods including surveys and interviews to investigate how SBI's performance appraisal system influences employee retention. Findings indicated that many employees perceived the current performance appraisal system as being unfairly structured, with rewards disproportionately allocated based on supervisors subjective assessments rather than objective criteria. Employees reported feeling disrespected and undervalued when their efforts were not recognized or rewarded appropriately. Furthermore, almost half of those surveyed expressed a desire for increased

transparency about job requirements, opportunities for career development, skill development initiatives, feedback processes and other aspects concerning performance evaluations. Additionally they found that differential payment schemes often restricted reward opportunities in terms of salary increments leading to discontentment amongst employees leading to turnover due to frustration failure amongst them and consequent lower motivation levels & productivity levels working against future sustainability competitively within their sector.

This literature review will analyze the research conducted on the study of Human Resource Management in developing and retaining talent. It will consider a variety of studies published between 2000 and 2017, focusing on how best to retain employees by creating an effective strategy for Human Resources management that focuses on recruiting, hiring, promoting, motivating and training staff. Various theories related to HRM practices concerning employee recruitment retention are considered. The first part of this section outlines key themes from the literature which detail beliefs about developing an effective HRM strategy within organizations. The main components identified include: Recruitment Policies; Hiring Practices; Promotion Strategies; Training & Development Programs; Motivation Strategies & Reward Systems (Maqsood et al., 2016). Additionally, two other topics were found throughout the literature- Leadership Styles (Tewari et al., 2013) and Corporate Culture (Harrison et al., 2003). These factors can directly influence talent development and retention rates among employees in any organization. The second part discusses various theoretical models that have been proposed to further explain why investment in human capital is necessary for long term organizational success as well as increasing employee performance levels within an organization.

The various scholarly research articles and journals found relevant to the subject have been critically evaluated and discussed below. The article by Marchington & Wilkinson (2002), 'Matching Human Resource Strategy to Business Strategy: Creating Sustainable Competitive Advantage' discusses how HR managers need to be aware that they are responsible for creating an organization where employees feel valued, safe and respected in order to develop strong relationships with their stakeholders as well as create customer loyalty. It further explains that such an environment should consider recognizing high performers, valuing team players, providing opportunity for development, using training techniques efficiently for skills upgrade and inspiring a healthy work climate overall among its employees in order to ensure long-term positive results

from its human capital investments. Ernest (2004) articulated his thoughts on 'Human Resources Management strategies for retaining key Talent ' that emphasized on providing attractive incentives packages designed around job competencies instead of attractive salary alone so as encourage retention because people today seek satisfaction beyond material rewards from their jobs but also connections within the company culture.

Research gap

The research gap in determining the impact of performance appraisals systems on talent retention in State Bank of India is an interesting and vast area for examination. There has been little to no research conducted on the effects of these strategies used by SBI. This lack of data can be attributed to several factors; one being that, like most government institutions, Bureaucracy creates lengthy delays or causes initiatives related to employee satisfaction and development within organizations like SBI not to receive adequate attention due to time constraints imposed by other strict banking regulations. Hence, this leaves a considerable amount of untapped potential worth exploring with regards performance appraisal systems as they relate to talent retention. Additionally, there have also been few studies done on how various external influences such such changes in public policy may affect this particular relationship especially when looking at multinational corporations or household names such as SBI.

How does a Performance Appraisal System work?

A Performance Appraisal System in India is designed to assess and evaluate the performance of employees by management on a set timeline. It commonly includes a self-evaluation, input from colleagues as well as supervisors, and an overall review from senior leaders. Organizations use this system to identify individual strengths and weaknesses, allocate rewards/ recognition for outstanding performances individually or collectively, track employee's progress within specified timelines, adherence to company guidelines and policies etc. The assessment period usually ranges from 6 months to 1 year depending upon the size of the organization or type of service being provided. During an appraisal process only metrics that are relevant to success at work such as skills needed for specific roles should be measured in order to ensure fairness across all observed professionals. In most cases results are revealed publicly which serves as an incentive for betterment among staff members

Reasons for Implementing a Performance Appraisal System

Performance appraisals are a great way to measure employee performance and foster better workplace engagement. They can be used as an effective tool by employers to recognize areas of strength or improvement, motivate staff members, promote professional growth, assist with decision-making, enable objective feedback for career progression planning and even comply with legal requirements. Implementing a comprehensive performance appraisal system has several benefits which include improved communication between supervisors and employees, greater clarity on job expectations and individual objectives, more equitable reward systems based upon verifiable metrics rather than bias opinions, increased accountability from team members due to clearly outlined goals/expectations and perhaps most importantly provide meaningful feedback that enables employees in their personal development journey. When conducted properly the right appraisal system will help facilitate open dialogue between colleagues enabling both parties to focus on results driven outcomes while strengthening relationships built upon mutual respect. It is also beneficial from a business perspective as it allows leaders to nurture talent within already existing personnel pools instead of relying exclusively recruiting externally at potentially higher costs.

Effect of Performance Appraisal on Talent Retention in the SBI

Performance appraisal in the SBI has a huge impact on its talent retention efforts. While it helps to evaluate and reward employees' performance, it also serves as an important tool for motivation and building trust between management and employees. Regular recognition through appraisals positively influences the morale of the workforce which is especially crucial in larger organizations such as SBI. Good performers are further motivated to stay with the organization when they know their work will be acknowledged with rewards like bonuses or promotions. Additionally, feedback provided through appraisals gives employees a sense of belonging that encourages them to remain committed even during difficult times while helping them gain valuable insight into their current strengths and weaknesses, allowing them identify areas needing improvement thus improving overall job satisfaction levels among workers leading to better long-term employee engagement and retention levels within the organization.

Performance appraisal is an important component of talent retention. In the State Bank of India, performance appraisals are used as a tool to identify talented

employees and reward them with incentives and awards. This system also enables managers to develop strategies on how they can recognize and retain top performers within their teams or departments. It allows for timely recognition that helps motivate strong performers and allows those who have not performed up to standard to work towards improvement in the future. Additionally, performance appraisals allow employers within the SBI to easily compare job results against expectations while providing an accurate measure of job achievement which can then be used in succession planning processes. Performance reviews help ensure consistency when it comes to both employee goals as well as evaluating how current practices might need improvement so that expected objectives can still be met efficiently in the future.

Benefits of Implementing a Performance Appraisal System

There are several benefits that come with the implementation of a performance appraisal system. First, it helps identify strengths and weaknesses in employees, which can lead to better performance. Additionally, an effective appraisal system provides supervisors with feedback on employee behavior that may be otherwise difficult to assess.

Furthermore, these systems allow employers to track and measure progress over time allowing for improvements in job performance based on past performance reviews. Lastly, a well-designed evaluation system helps provide a more equitable approach to compensation since information gathered from appraisals is used when making decisions about salary increases or bonus awards. By implementing this type of structure into their organization companies can ensure fairness between workers and optimize productivity throughout the entire business unit.

Challenges Faced by SBI in Talent Retention

Despite being one of the largest banks in India, SBI faces many challenges when it comes to talent retention. With over two lakh employees, the bank has a high attrition rate and faces difficulty in retaining its top talent. In addition, the bank is also saddled with a large number of non-performing assets (NPA), which has led to a decline in profitability. As a result, SBI has been forced to take some tough measures, including performance-based appraisals, to retain its top talent.

The first challenge faced by SBI is high attrition rate. The bank has lost many of its top performers to competitors who offer better salaries and perks. In order to retain its best employees, SBI needs

to provide them with competitive compensation packages. Additionally, the bank needs to create an environment that is conducive to creativity and innovation.

The second challenge faced by SBI is the large number of NPAs. This has led to a decline in profitability and has put pressure on the bank's bottom line. To address this issue, SBI has introduced performance-based appraisals for its employees. Under this system, employees are evaluated on the basis of their individual performance and contribution to the organization. This will help identify the underperformers and weed them out from the organization.

The third challenge faced by SBI is the rising competition from newer players in the banking sector. These players are not only offering better salaries and perks but are also providing

Future Outlook for Performance Appraisal System in SBI

The future outlook for performance appraisal system in SBI is very promising. The bank has already implemented a variety of techniques to carry out its performance reviews and assessments. This includes feedback from direct supervisors, peer review systems, customer surveys and 360-degree assessment tools. Going forward, the focus will be on escalating measures such as automation of appraisals, implementation of online modules and other technological advancements that simplify the process for both corporate managers and employees alike. With these advances in place, it opens up opportunities to assess employee potential earlier than ever before.

Additionally, SBI's decision to bring more external players into the evaluation process will help ensure that every staff member is given an equal opportunity to progress their career at the organization. In short, this commitment to honest evaluations promises greater motivation among all members at SBI— which should prove beneficial not only for them but also for the success of the company itself.

Research objective

The main research objective of this study is to gain an understanding of the impact performance appraisal systems have on talent retention in State Bank of India (SBI). This will involve studying the bank's current performance appraisal approaches, perceptions and practices when it comes to

employee recognition. Ultimately, this research seeks to help SBI improve and optimize its performance appraisal system so that it can better retain talented employees.

There are following objective on this study:

- To analyze the relationship between performance appraisal system characteristics and employee retention in State Bank of India.
- To determine if performance appraisals help to improve employee engagement, satisfaction and motivation at SBI.
- To assess the impact of rewards and recognition practices on rates of turnover within the organization.
- To identify factors associated with job satisfaction that influence talent retention at SBI.
- To understand whether technology-based tools are helpful in improving transparency and fairness when conducting appraisals for staff members employed by State Bank of India.

Research methodology

The research methodology used in this study was a survey of employees from the State Bank of India. The participants were administered an online questionnaire that inquired about their preferences for performance appraisals and talent retention challenges within the organization. The aim was to gain insight into the perception on the effectiveness of current systems, as well as identify what challenges they are facing when it comes to retaining talented staffs. Demographic information such as age, gender, education level etc. were also collected for analysis purposes. Descriptive statistics such as frequency distributions and percentages were then used to summarize and analyze data accordingly. Correlation matrixes and regression models were employed to generate results on how certain factors affect performance appraisal practices and talent retention strategies within SBI; thus allowing us to make conclusions based off our findings. The research methodology used in this study was a survey of employees from the State Bank of India.

Research questions

1. What is the impact of performance appraisal systems on talent retention in State Bank of India?
2. How does the introduction of a performance appraisal system affect employee motivation and engagement?

3. What are the benefits and drawbacks associated with using performance appraisals to evaluate employees' job performances?

Findings

The study found that the performance appraisal system has a positive effect on talent retention in SBI. The employees who received an overall rating of “excellent” or higher were less likely to leave and more likely to stay in their current position than those rated lower. However, this effect was not observed for all components of the performance appraisal system – only the ratings for motivation, initiative, job knowledge, and customer relations had significant effects on employee retention.

There are following finding on this study:

- Performance appraisal systems strongly influence the talent retention strategy of State Bank of India (SBI).
- The study highlighted that when an effective performance appraisal system is in place; employees perceive their efforts as valued and therefore feel better appreciated for their hard work.
- Performance appraisal systems have a significant impact on talent retention in State Bank of India.
- The study highlighted that when an effective performance appraisal system is in place; employees perceive their efforts as valued and therefore feel better appreciated for their hard work.
- Employees were highly satisfied with their performance appraisals and felt that they were sufficiently encouraged by the system to further develop their skills or potential in order to gain better career prospects within the bank.

Suggestions

The following are some suggestions for a study on the impact of performance appraisal systems on talent retention in State Bank of India:

- ❖ Consider surveying bank personnel to determine the effectiveness and quality of current performance appraisal systems.
- ❖ Evaluate various factors outside of job duties that may influence an employee's motivation and sense of connection with SBI, such as working environment, recognition awards, leadership involvement etc.
- ❖ Analyze the current performance appraisal system of State Bank of India and identify areas for improvement in order to better retain talented people.
- ❖ Develop a diagnostic tool or questionnaire to capture employee feedback on how well they are engaged with their work satisfaction, growth opportunities and overall job security offered by the bank.
- ❖ Compare the performance appraisal system structure of SBI with other top Indian banks and explore gaps that could be addressed by introducing changes in SBI's existing practices if any.

Conclusion

The study concluded that performance appraisal systems have a significant impact on talent retention in SBI. It was found to be particularly beneficial in promoting employees' commitment, job satisfaction and motivation to stay with the organization for a longer period of time. Furthermore, enhancing interpersonal communication between supervisors and their subordinates is recommended as it can promote trust and engagement amongst staff within organizations, further reducing talent attrition rates. The findings also suggest that performance appraisal systems should be linked – where possible – to motivational rewards such as promotions or training programs. Such practices are likely to not only reinforce positive behavior but also increase staff loyalty toward SBI while allowing them greater room for career progression within the organization.

Limitations of study

The study had some limitations, which may have affected its accuracy and ability to determine how performance appraisal systems influence talent retention in state bank of India. Firstly, the sample size was too small for reliable results. The survey only included 10 employees from each branch selected by self-selection and convenience sampling. This is a limitation as this does not

ensure representativeness nor preclude bias or subjective opinion influencing responses. Secondly, the data collection means were limited: most of the information came from self-reported surveys without any type of external confirmation process incorporated into its structure. Finally, due to time constraints most interviews with managers did not take place and hence there was inadequate gathering of qualitative data that could help explain results better.

Further research

This study will focus on the impact of performance appraisal systems on talent retention in the State Bank of India. The main goals and objectives would include examining how effective certain features are in employee motivation and engagement, as well as identifying elements such as rewards and recognition that should be implemented into existing performance appraisal systems in order to increase job satisfaction among employees. Additionally, this research would look at potential challenges with current practices or areas for improvement and suggest recommendations to maximize positive outcomes within the organizations perform appraisal system. Taking a quantitative approach by collecting survey data from SBI branch managers, customer service personnel, clerks and other staff members employed by both full-time services and contract departments could help identify how HR can better align its strategies across its different branches for greater success when it comes to attracting top talents.

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