IMPACT OF PERFORMANCE APPRAISAL ON THE RELATIONSHIP BETWEEN COMPENSATION AND BENEFITS AND TURNOVER INTENTION: CASE OF THE SRI LANKAN IT SECTOR

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ABSTRACT

Employee turnover is well-known for being both expensive and disruptive to business operations. It is one of the most discussed topics in the Sri Lankan IT industry, which experiences a scarcity of workers to meet demand. Compensation and benefits (C&B) have been identified as one of the major contributors to employee turnover by previous studies. However, not all organizations can afford to pay competitive compensation and benefits comparable to those paid by large well-established companies.

This study quantitatively examines how performance appraisal (due process of performance appraisal and the purposes of performance appraisal) moderates the impact that compensation and benefits (both financial and non-financial) have on employee turnover intentions. The theoretical lens used to justify the hypothesising and later discussions was the Theory of Organizational Justice.

The primary data was collected using a questionnaire survey done among employees from various Sri Lankan IT firms. The sample consisted of 213 employees, with 86.9% of them being between the ages of 26 and 35. The data was analysed using the Structural Equation Modelling technique.

The findings of this study confirmed previous findings that compensation and benefits have a negative relationship with turnover intention. According to the findings, satisfaction with non-financial benefits has a greater impact on turnover intention than financial benefits. According to the findings, performance appraisal has no significant moderating effect on the impact of compensation and benefits on turnover intention.

Keywords: turnover intention, employee retention, compensation and benefits, organizational justice, performance appraisal, due-process of performance appraisal, IT sector

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LIST OF ABBREVIATIONS

Abbreviation	Description
AVE	Average Variance Extracted
C&B	Compensation and benefits
CMB	Common Method Bias
ICTA	Information and Communication Technology Agency of Sri Lanka
PA	Performance Appraisal
SEM	Structural Equation Model

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